PREFACE

Government commercial enterprises, the accounts of which are subject to audit by the Comptroller and Auditor General of India, fall under the following categories:

(i) Government companies,
(ii) Statutory corporations and
(iii) Departmentally managed commercial undertakings.

2. This Report deals with the results of audit of Government companies and Statutory corporations and has been prepared for submission to the Government of Karnataka under Section 19 A of the Comptroller and Auditor General's (CAG) (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time. The results of audit relating to departmentally managed commercial undertakings are included in the Report of the Comptroller and Auditor General of India (Civil) - Government of Karnataka.

3. Audit of accounts of Government companies is conducted by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act, 1956.

4. In respect of Karnataka State Road Transport Corporation, Bangalore Metropolitan Transport Corporation, North Western Karnataka Road Transport Corporation and North Eastern Karnataka Road Transport Corporation, which are Statutory corporations, the Comptroller and Auditor General of India is the sole auditor. As per State Financial Corporations (Amendment) Act, 2000, the CAG has the right to conduct the audit of accounts of Karnataka State Financial Corporation in addition to the audit conducted by the Chartered Accountants, appointed by the Corporation out of the panels of auditors approved by the Reserve Bank of India. In respect of Karnataka State Warehousing Corporation, the CAG has the right to conduct the audit of their accounts in addition to the audit conducted by the Chartered Accountants, appointed by the State Government in consultation with the CAG. In respect of Karnataka Electricity Regulatory Commission, the CAG is the sole auditor. The Audit Reports on the annual accounts of all these corporations are forwarded separately to the State Government.

5. The cases mentioned in this Report are those, which came to notice in the course of audit during 2008-09 as well as those which came to notice in earlier years, but were not dealt with in the previous Reports. Matters relating to the period subsequent to 2008-09 have also been included, wherever necessary.

6. The audit in relation to the material included in this Report has been conducted in conformity with the Auditing Standards issued by the CAG.

Overview

1. Overview of Government companies and Statutory corporations

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by the CAG. These accounts are also subject to supplementary audit conducted by the CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2009, the State of Karnataka had 72 working PSUs (66 companies and 6 Statutory corporations) and 16 non-working PSUs (all companies), which employed 1.74 lakh employees. The working PSUs registered a turnover of Rs. 32,627.68 crore for 2008-09 as per their latest finalised accounts. This turnover was equal to 12.17 per cent of State GDP indicating the important role played by State PSUs in the economy. The PSUs had accumulated loss of Rs. 39.93 crore as per their latest finalised accounts.

Investments in PSUs

As on 31 March 2009, the investment (Capital and long term loans) in 88 PSUs was Rs. 48,565.22 crore. Infrastructure Sector accounted for nearly 59 per cent of total investment and Power sector about 27 per cent in 2008-09. The Government contributed Rs. 6,876.14 crore towards equity, loans and grants / subsidies during 2008-09.

Performance of PSUs

The working State PSUs incurred a loss of Rs. 587.97 crore in the aggregate for 2008-09 as per their latest finalised accounts. The major contributors to profit were Karnataka Power Corporation Limited (Rs. 391.93 crore), Mysore Minerals Limited (Rs. 192.42 crore), and The Hutti Gold Mines Company Limited (Rs. 154.09 crore). The heavy losses were incurred by Bangalore Electricity Supply Company Limited (Rs. 587.36 crore), Hubli Electricity Supply Company Limited (Rs. 560.51 crore) and Chamundeshwari Electricity Supply Corporation Limited (Rs. 217.15 crore).

Audit noticed various deficiencies in the functioning of PSUs. A review of three years' Audit Reports of CAG shows that the State PSUs' losses of Rs. 549.70 crore and infructuous investments of Rs. 392.60 crore were controllable with better management. Thus, there is tremendous scope to improve the functioning and enhance profits. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for greater professionalism and accountability in the functioning of PSUs.

Quality of accounts

The quality of accounts of working companies needs improvement. During the year, out of 69 accounts finalised, the statutory auditors had given unqualified certificates for 13 accounts, qualified certificates for 47 accounts, adverse certificates (which means that accounts do not reflect a true and fair position) for 7 accounts and disclaimers (meaning the auditors are unable to form an opinion on accounts) for two accounts. There were 115 instances of non-compliance with Accounting Standards in 41 accounts during the year. Reports of Statutory Auditors on internal control of the companies indicated several weak areas.

Arrears in accounts and winding up

16 working PSUs had arrears of accounts of 18 accounts as of September 2009. Only two accounts pertained to earlier years and the remaining were 2008-09 accounts. There were sixteen non-working PSUs including six under liquidation. The Government may consider winding up these non-working companies.

Discussion of Audit Reports by COPU

The Audit Reports (Commercial) for 2003-04 onwards are yet to be discussed fully by COPU. These five audit reports contained 21 reviews and 122 paragraphs of which 6 reviews and 41 paragraphs have been discussed.

2. Performance reviews relating to Government companies and Statutory corporations

Performance reviews relating to ***Implementation of Accelerated Irrigation Benefit Programme*** **by Karnataka Neeravari Nigam Limited and Krishna Bhagya Jala Nigam Limited**, ***Information System Audit Review on System development of Supply Chain Management software*** **in Karnataka Soaps and Detergents Limited** and ***Functioning of State Road Transport undertakings*****.** Executive summary of audit findings is given below:

Implementation of Accelerated Irrigation Benefit Programme **by Karnataka Neeravari Nigam Limited and Krishna Bhagya Jala Nigam Limited.**

This performance review examined the effectiveness in completion of four out of six irrigation projects proposed by the State (between 1996-97 and 2007-08) under Accelerated Irrigation Benefit Programme (AIBP) launched by Government of India (GOI) with a view to accelerate irrigation potential within a short period of four agricultural seasons.

The six projects included two projects (UKP Stage I - Phase III and UKP - Stage II) executed by Krishna Bhagya Jala Nigam Limited (KBJNL) and four projects (Malaprabha, Ghataprabha, Ganodirinala and Varahi) executed by Karnataka Neeravari Nigam Limited (KNNL). The four projects test checked by Audit were UKP Stage-I-Phase III, UKP Stage II, Ghataprabha and Varahi for their implementation during the period 2003-09.

Under AIBP, the funds were released in the form of Central Loan Assistance (CLA) towards works expenditure in the ratio of 2:1 between Centre and State since 1999-2000. With effect from April 2004, 30 per cent of CLA received was convertible to Grant on timely completion of project under terms of Memorandum of Understanding between Central and State Governments.

Non-achievement of objective

The works posed under AIBP estimated at a cost of Rs. 3,135.63 crore had a cost over run of Rs. 2,011.90 crore (March 2009) based on (March 2008) estimates of Rs. 5,147.53 crore. Further, as against 3,47,120 Ha. potential proposed for creation under UKP stage I Phase III and Stage II and 1,57,120 Ha. under Ghataprabha Stage III, 3,27,297 Ha. and 1,47,401 Ha. was created up to March 2009 respectively, after a time over run of eight years. Even the dry potential created has not been converted to wet potential to the extent of 13 per cent, thereby the ultimate objective of bringing benefit to farmers remained partly unfulfilled.

Slow progress of works

During the review period 2003-09, in none of the years the budgeted works could be completed. The actual expenditure incurred on the budgeted works ranged from 36.51 per cent to 72.65 per cent (UKP Stage-I- Phase III), 50.86 per cent to 82.73 per cent (UKP Stage-II) and 45.01 per cent to 69.41 per cent (Ghatprabha-Stage-III).

The delay was attributable to problems of land acquisition, change in scope of works, extra financial implications during execution, insufficient monitoring, etc.

Non completion of canals / distributaries, non synchronization of works coupled with delay in awarding works has also led to delay in potential creation of 0.40 lakh Ha. between 2004-09 in test checked projects.

Loss of grant

The State received Rs. 599.25 crore (March 2005 to April 2008) as grant under Memorandum of Understanding for timely completion of project in respect of UKP stage I Phase III and Stage II. As the State failed to comply with the agreed target date of completion of the projects as stipulated in the MOU entered between GOI and GOK, the grant was liable to be treated as loan bringing an additional burden on the State exchequer.

Conclusion and recommendations

The delay in implementation of projects could have been avoided with better planning and monitoring. The review contains five recommendations to improve the performance.

(Chapter 2.1)

Information System Audit Review on System development of Supply Chain Management software in Karnataka Soaps and Detergents Limited

The Karnataka Soaps and Detergents Limited was incorporated in 1980 by integrating the activities of the erstwhile Government Soap Factory in Bangalore and the sandal oil units at Shimoga and Mysore. The company manufactures toilet soaps, detergents, sandal oil, agarbathies and talcum powder.

Finances and Performance

The turnover of the company for the year 2007-08 was Rs. 146 crore and it earned a pre-tax profit of around Rs. 12 crore during the year. The company has six sales offices across the country.

IT initiatives

The Company decided (July 2008) to implement enterprise-wide computerisation covering all functional areas. It embarked (February 2009) for implementation of a customised software application for Supply Chain Management (SCM) covering purchases, inventory and sales / distribution at a cost of Rs. 10.85 lakh.

Absence of policy, strategy and planning

The Company has not formulated any IT policy or drawn up any IT strategy for preparation of long term and short term plans for computerisation. As a result, it could not realign and link its business / organisational strategy with the IT strategy for achievement of its business objectives / goals. The Company commenced implementation SCM software without comprehensive planning and conducting a feasibility study to review the technology / hardware options. It did not adopt any formal system development life cycle methodology. Also, the project initiation and user requirement documents were not available.

Project Management

In the absence of an agreement, the system design documents, process control specification documents and test documents were not provided by the vendor. There was no provision for incorporating a performance monitoring and an embedded audit module in the SCM software. Though the entire work was to be completed by June 2009, not even design of a single module has been completed and installed in server of the State Data Centre.

Staffing

The company did not have an IT Head / Department. The Company has not taken any initiatives for defining the various positions required for IT functions and policies with regard to recruitment. As a result, competent personnel were not available to take over and run the SCM software.

Conclusion and Recommendations

The Company does not have an IT policy, strategy and long-term plan. The progress of implementation of SCM software was slow. As the project is under implementation, required documents, specification, manuals etc., needs to be obtained from the vendor. Necessary physical and environmental controls need to be reviewed with reference to requirements. The Company should draw up and document IT policy and appoint a senior functionary to plan, monitor and implement its IT activities.

(Chapter 2.2)

Functioning of State Road Transport undertakings

➢ Bangalore Metropolitan Transport Corporation

The Bangalore Metropolitan Transport Corporation (Corporation) provides public transport in the Bangalore city and agglomeration through its 30 depots. The Corporation had fleet strength of 5,542 buses as on 31st March 2009 and carried an average of 36.69 lakh passengers per day. The performance audit of the Corporation for the period from 2004-05 to 2008-09 was conducted to assess efficiency and economy of its operations, ability to meet its financial commitments, possibility of realigning the business model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the Corporation.

Finances and Performance

The Corporation earned a profit of Rs. 55.18 crore in 2008-09. Its accumulated profit and borrowings stood at Rs. 587.55 crore and Rs. 49.66 crore as at 31 March 2009, respectively. The Corporation earned Rs. 24.63 per kilometre and expended Rs. 23.28 per kilometre in 2008-09.

Share in Public Transport

Buses operated by the Corporation are the only authorised mode of public transport in Bangalore city and agglomeration. To cater to the increasing population of the city (0.69 crore in 2004-05 to 0.76 crore in 2008-09), the Corporation increased its fleet strength from 3,925 buses (2004-05) to 5,542 buses (2008-09). The vehicle density per lakh population increased from 57 (2004-05) to 73 (2008-09).

Vehicle profile and utilisation

Corporation's buses consisted of own fleet of 5,312 buses 190 buses taken over from private operators for operation and maintenance and 40 hired buses. Of its own fleet, 560 (10.54 per cent) were overage, i.e., which have covered more than eight lakh Kms. The percentage of overage buses increased from 3.15 per cent in 2004-05 to 10.54 per cent in 2008-09 though the Corporation acquired 3,491 new buses during 2004-09 at a cost of Rs. 621.96 crore. The acquisition was primarily funded through cash from operations and internal resources.

Corporation's fleet utilisation at 94.54 per cent in 2008-09 was above All India Average (AIA) of 84 per cent. Its vehicle productivity at 227.70 kilometres per day per bus was above the AIA of 187 kilometres. However, the achievement of the Corporation was marginally less than its own target of vehicle productivity. Its passenger load factor at 63.80 per cent, was less than the AIA of 71 per cent. No targets have been fixed for load factor. The Corporation did well on operational parameters. However, 44 per cent schedules of buses were unprofitable and 12 per cent schedules were not earning enough to meet even variable cost of operation. Corporation's performance on preventive maintenance was poor with only about 53.75 per cent maintenance done on time.

Economy in operations

Manpower and fuel constitute 74 per cent of total cost. Interest, depreciation and taxes account for 15 per cent and are not controllable in the short term. Thus, the major cost saving has to come from manpower and fuel. The Corporation succeeded in reducing the manpower per bus from 5.20 in 2004-05 to 5.02 in 2008-09. However, the expenditure on repairs and maintenance was Rs. 96.37 crore (Rs. 1.81 lakh per bus) in 2008-09, of which nearly 26.33 per cent was on manpower. The Corporation did not attain its own fuel consumption targets resulting in excess consumption of fuel valued at Rs. 15.76 crore during 2004-09.

As a result of cancellations due to controllable factors like want of crew and vehicles, the Corporation was deprived of contribution to an extent of Rs. 13 crore.

The Corporation has just 40 hired buses as at the end of 31 March 2009, where bus owners provide buses with drivers and incur all expenses. The Corporation provides conductors and makes payment as per kilometres operated. The Corporation earned a net profit of Rs. 40.76 crore from hired buses during 2004-09. Though this arrangement has the potential to cut down the cost substantially, the number of hired buses was reduced from 628 to 40 as the private operators have withdrawn their buses from operation.

Revenue Maximisation

The Corporation has been exploiting the commercial spaces built in the bus stations to generate additional revenue and has 32.26 lakh square metres of land for future development. However, the Corporation does not have any policy for tapping non-traffic revenue sources by taking up large scale PPP projects in the vacant land. The Corporation's claim of reimbursement of student concession was not fully accepted by the Government as the same was not in accordance with approved formula.

Need for a regulator

The Government had approved automatic fare revision whenever there is an increase in cost of fuel and DA. Though revision of fare is being effected, the revision does not take into consideration the increase in other operational costs. Thus, it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical routes and address grievances of commuters.

Monitoring

The fixation of targets for various operational parameters and an effective Management Information System (MIS) for obtaining feed back on achievement thereof are essential for monitoring by the top management. Internal targets are fixed by the Management. Monthly Performance Appraisal Report is compiled and reviewed by top Management. Depot-wise performance is monitored by Departmental Heads and directions issued for remedial actions.

Conclusion and Recommendations

Though the Corporation is earning profits, the margin is declining mainly due to its high cost of operations and very meagre increase in revenue. The Corporation can control the decline by tapping non-conventional sources of revenue and increased line checking. This review contains seven recommendations to improve the Corporation's performance. Creating a regulator to regulate fares and services and tapping non-conventional sources of revenue by undertaking PPP projects are some of these recommendations.

(Chapter 3.1)

➢ Rural Transport Corporations

The Karnataka State Road Transport Corporation (KSRTC), North Western Karnataka Road Transport Corporation (NWKRTC), North Eastern Karnataka Road Transport Corporation (NEKRTC) provide public transport in Karnataka. The three Corporations had a collective fleet strength of 14,684 buses as on 31st March 2009 and carried an average of 49.67 lakh passengers per day. The performance audit of the Corporations for the period from 2004-05 to 2008-09 was conducted to assess efficiency and economy of its operations, ability to meet its financial commitments, possibility of realigning the business model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the Corporation.

Finances and Performance

The Corporations suffered loss of Rs. 39.53 crore in 2008-09. The accumulated losses and borrowings of the three Corporations stood at Rs. 694.25 crore and Rs. 756.78 crore as at 31 March 2009, respectively. The Corporations earned Rs. 16.56 per kilometre and expended Rs. 19.09 per kilometre in 2008-09.

Share in Public Transport

Out of 22,828 buses licensed for public transport in 2008-09, about 64.3 per cent belonged to the three Corporations. The percentage share increased from 54.3 per cent in 2004-05. Vehicle density (including private operators' buses) per one lakh population increased from 37 in 2004-05 to 38 in 2008-09.

Vehicle profile and utilisation

The three Corporations together added 11,259 buses during 2004-09 at a total cost of Rs. 1,469.55 crore thereby reducing the overage fleet from 20.13 per cent in 2004-05 to 16.16 per cent in 2008-09. The acquisition was primarily funded through commercial borrowings and Government support.

The overall fleet utilisation of the Corporations declined from 95.47 per cent in 2004-05 to 90.86 per cent in 2008-09, which was less than the all India average (AIA) of 94.10 per cent in 2008-09. The overall vehicle productivity at 352 kilometres per day per bus in 2008-09 was higher than the AIA of 351 kilometres. Their passenger load factor at 63.9 per cent, was less than the AIA of 68 per cent. The Corporations did well on operational parameters. However, 82 per cent schedules of buses were unprofitable and 50 per cent schedules were not earning enough to meet even variable cost of operation. Corporations' performance on preventive maintenance was poor as the maintenance done on time reduced from 76.07 to 52.37 per cent from 2004-05 to 2008-09.

Economy in operations

Manpower and fuel constitute 69 per cent of total cost. Interest, depreciation and taxes account for 16 per cent and are not controllable in the short term. Thus, the major cost saving has to come from manpower and fuel. The Corporations succeeded in reducing the manpower per bus from 5.59 in 2004-05 to 4.89 in 2008-09. However, the expenditure on repairs and maintenance was Rs. 375.84 crore (Rs. 2.58 lakh per bus) in 2008-09, of which nearly 25.90 per cent was on manpower. The Corporations did not attain their own fuel consumption targets resulting in excess consumption of fuel valued at Rs. 171.35 crore during 2004-09.

The cancellation of scheduled Kilometres for want of buses and crew was about 48.92 per cent of the total cancellations during 2004-09. As a result of this, the Corporations were deprived of contribution to an extent of Rs. 87.06 crore.

The Corporations have just 140 hired buses as at the end of 31 March 2009, where bus owners provide buses with drivers and incur all expenses. The Corporations provide conductors and makes payment as per kilometres operated. The Corporations earned a net profit of Rs. 65.87 crore from hired buses during 2004-09. Though this arrangement has the potential to cut down the cost substantially, the number of hired buses was reduced from 1,450 to 140 as the private operators had withdrawn their buses from operation.

Revenue Maximisation

The Corporations have about 100.63 lakh square metres of land. As they mainly utilise ground floor/ land for their operations, the space above can be developed on public private partnership (PPP) basis to earn steady income, which can be used to cross-subsidise their operations. However, the Corporations do not have any policy for the same.

Need for a regulator

The Government had approved automatic fare revision whenever there is an increase in cost of fuel and DA. Though revision of fare is being effected, the revision does not take into consideration the increase in other operational costs. In the absence of norms, the adequacy of services on uneconomical routes could not be ascertained in Audit. Thus, it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical routes and address grievances of commuters.

Monitoring

The fixation of targets for various operational parameters and an effective Management Information System (MIS) for obtaining feed back on achievement thereof are essential for monitoring by the top management. Internal targets are fixed by the Management. Monthly Performance Appraisal Report is compiled and reviewed by top Management. Depot-wise performance is monitored by Departmental Heads and directions issued for remedial actions.

Conclusion and Recommendations

Though the Corporations are incurring losses, it is mainly due to their high cost of operations (excess consumption of fuel) and negligible reliance on hired buses. The Corporations can control the losses by controlling excess consumption of fuel and tapping non-conventional sources of revenue. This review contains nine recommendations to improve the Corporations' performance. Examining reasons for high consumption of fuel, creating a regulator to regulate fares and services and tapping non-conventional sources of revenue by undertaking PPP projects are some of these recommendations.

(Chapter 3.2)

3. Transaction audit observations

Transaction audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

Loss of Rs. 17.72 crore in four cases due to non compliance with rules, directives, procedures, terms and conditions of contracts.

(Paragraphs 4.3, 4.8, 4.9 and 4.13)

Loss of Rs. 25.58 crore in eight cases due to non-safeguarding the financial interests of organization.

(Paragraphs 4.2, 4.7, 4.10, 4.11, 4.12, 4.14, 4.15 and 4.16)

Loss of Rs. 3.92 crore in two cases due to defective / deficient planning

(Paragraphs 4.5 and 4.6)

Loss of Rs. 17.25 crore in three cases due to inadequate / deficient monitoring.

(Paragraphs 4.1, 4.4 and 4.18)

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

- **The Mysore Minerals Limited** entered into a supplementary agreement by retaining the selling price of iron ore lumps beyond the agreed period even when the original agreement had provision for price revision resulting in undue benefit of Rs. 6.35 crore to private contractor.

  (Paragraph 4.7)

- During the construction of Bellary Nala Irrigation Project in **Karnataka Neeravari Nigam Limited**, excess payment of Rs. 7.20 crore was made to contractors by recording false measurements. In addition, the Company failed to demand Rs. 3.28 crore for deficiencies in execution and violation of terms of agreement.

  (Paragraph 4.11)

- Release of advances to subcontractors in **Karnataka Land Army Corporation Limited** without adequate security / guarantee was not in the interest of the Company and resulted in loss of Rs. 6.97 crore.

  (Paragraph 4.14)

- Unauthorised and irregular investment in private equity linked funds coupled with violation of the guidelines of Karnataka State Bureau of Public Enterprises by **Power Company of Karnataka Limited** resulted in loss of Rs. 4.98 crore.

  (Paragraph 4.15)

- Unauthorised investment in private equity funds through a broker by an Officer of the Company in violation of guidelines of Karnataka State Bureau of Public Enterprises indicated poor corporate governance in **Bangalore Metro Rail Corporation Limited.**

  (Paragraph 4.16)

CHAPTER I

1. Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Karnataka, the State PSUs occupy an important place in the state economy. The State PSUs registered a turnover of Rs. 32,627.68 crore for 2008-09 as *per* their latest finalised accounts as of September 2009. This turnover was equal to 12.17 *per cent* of State Gross Domestic Product (GDP) for 2008-09. Major activities of Karnataka State PSUs are concentrated in infrastructure sector. The working State PSUs incurred a loss of Rs. 587.97 crore in the aggregate for 2008-09 as *per* their latest finalised accounts. They had employed 1.74 lakh employees as of 31 March 2009. The State PSUs do not include eight Departmental Undertakings (DUs), which carry out commercial operations but are a part of Government departments. Audit findings of these DUs are incorporated in the Civil Audit Report for the State.

1.2 As on 31 March 2009, there were 88 PSUs as *per* the details given below. Of these, one Company[1] was listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs[2]	Total
Government Companies[3]	66	16	82
Statutory Corporations	6	-	6
Total	**72**	**16**	**88**

1.3 During the year 2008-09, two new PSUs[4] were established.

Audit Mandate

1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as *per* Section 619-B of the Companies Act.

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[1] The Mysore Paper Mills Limited.
[2] Non-working PSUs are those which have ceased to carry on their operations.
[3] includes 619-B companies.
[4] Bangalore Airport Rail Link Limited and Karnataka Vocational Training and Skill Development Corporation Limited.

1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the CAG as *per* the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as *per* the provisions of Section 619 of the Companies Act, 1956.

1.6 Audit of statutory corporations is governed by their respective legislations. Out of six statutory corporations, the CAG is the sole auditor for Karnataka State Road Transport Corporation, Bangalore Metropolitan Transport Corporation, North Western Karnataka Road Transport Corporation and North Eastern Karnataka Road Transport Corporation. In respect of Karnataka State Warehousing Corporation and Karnataka State Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by the CAG.

Investment in State PSUs

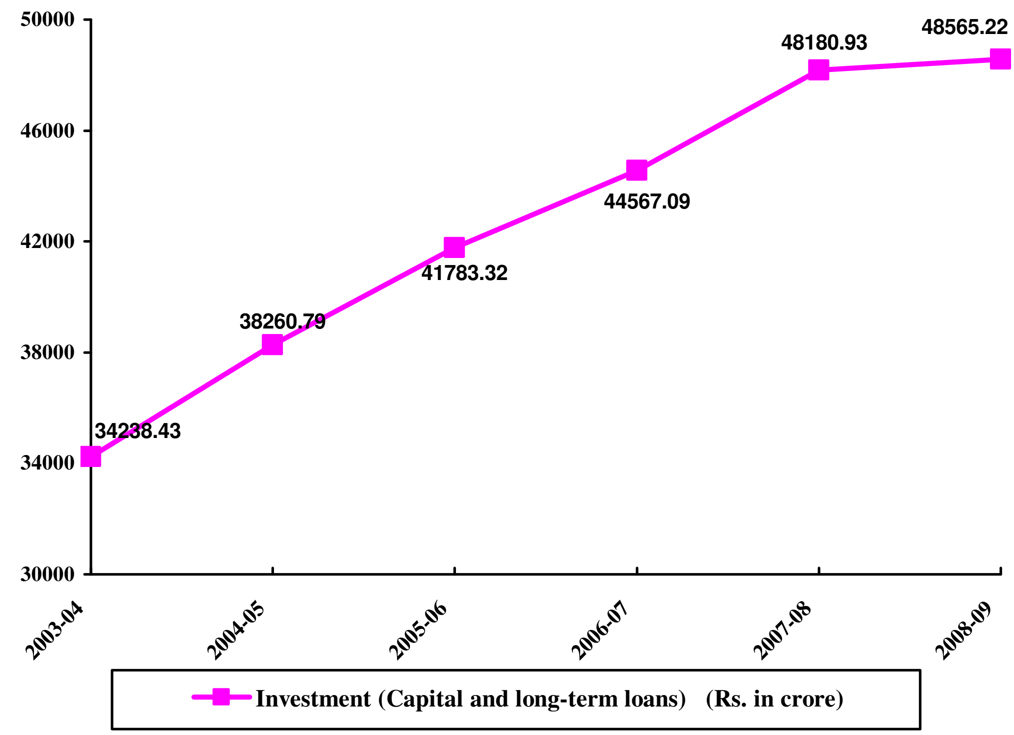
1.7 As on 31 March 2009, the investment (capital and long-term loans) in 88 PSUs (including 619-B companies) was Rs. 48,565.22 crore as *per* details given below.

(Rs. in crore)

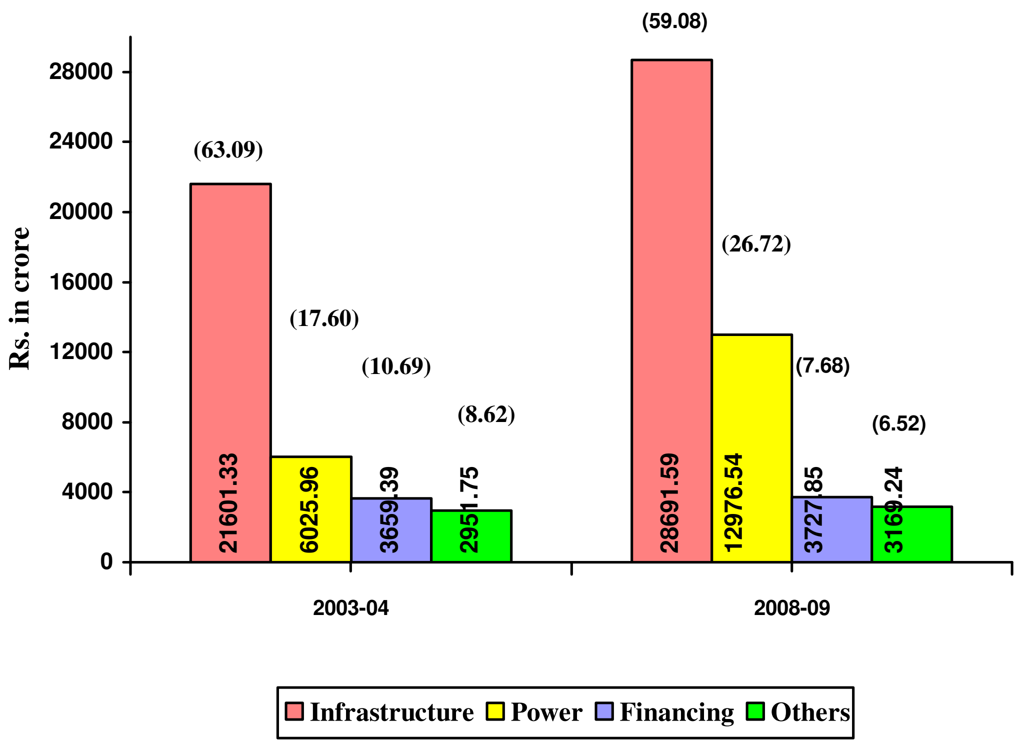
Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	22,936.97	21,200.73	44,137.70	1,376.62	2,476.46	3,853.08	47,990.78
Non-working PSUs	164.08	410.36	574.44	-	-	-	574.44
Total	**23,101.05**	**21,611.09**	**44,712.14**	**1,376.62**	**2,476.46**	**3,853.08**	**48,565.22**

A summarised position of government investment in State PSUs is detailed in **Annexure 1**.

1.8 As on 31 March 2009, of the total investment in State PSUs, 98.82 *per cent* was in working PSUs and the remaining 1.18 *per cent* in non-working PSUs. This total investment consisted of 50.40 *per cent* towards capital and 49.60 *per cent* in long-term loans. The investment has grown by 41.84 *per cent* from Rs. 34,238.43 crore in 2003-04 to Rs. 48,565.22 crore in 2008-09 as shown in the graph below.



1.9 The investment in various important sectors and percentage thereof at the end of 31 March 2004 and 31 March 2009 are indicated below in the bar chart. The investment in power sector has seen its percentage share rising to 26.72 *per cent* in 2008-09 from 17.60 *per cent* in 2003-04.



(Figures in brackets show the percentage of total investment)

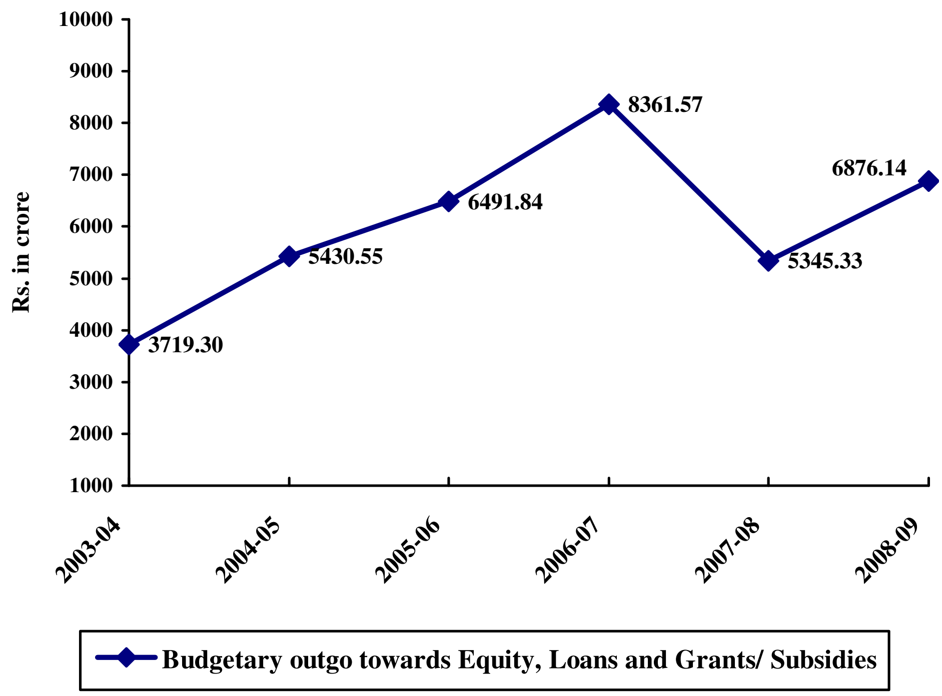
Budgetary outgo, grants / subsidies, guarantees and loans

1.10 The details regarding budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Annexure 3**. The summarised details are given below for three years ended 2008-09.

(Amount : Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity Capital outgo from budget	11	2,173.68	16	2,610.65	20	3,400.36
2	Loans given from budget	5	124.07	11	481.89	6	500.55
3	Grants/Subsidy received	32	6,063.82	23	2,252.79	23	2,975.23
4	Total Outgo (1+2+3)	38	8,361.57	35	5,345.33	35	6,876.14
5	Loans converted into equity	2	51.95	-	-	1	1.00
6	Loans written off	-	-	-	-	-	-
7	Interest/Penal interest written off	-	-	2	22.49	1	0.15
8	Total Waiver (6+7)	-	-	2	22.49	1	0.15
9	Guarantees issued	6	315.76	6	158.02	10	393.11
10	Guarantee Commitment	25	7093.16	19	4,800.02	19	4,202.18

1.11 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past six years are given in a graph below.



The budgetary support in respect of equity, loans and grants / subsidies decreased in 2007-08 in comparison to 2006-07 but again increased during 2008-09.

1.12 As per Section 5(1) of the Karnataka Ceiling on Government Guarantees Act, 1999, (as amended by Act 15 of 2002), the Government would charge a minimum of one *per cent* as guarantee commission which shall not be waived under any circumstances with effect from April 2001. Out of the guarantee commission of Rs. 367.59 crore payable as at end of March 2009, the PSUs had paid Rs. 11.10 crore leaving of balance of Rs. 356.49 crore to be received by the Government. The PSUs which had major arrears were Krishna Bhagya Jala Nigam Limited (Rs. 187.50 crore), Karnataka Neeravari Nigam Limited (Rs. 61.76 crore), Cauvery Neeravari Nigam Limited (Rs. 32.83 crore) and Karnataka Road Development Corporation Limited (Rs. 32.10 crore).

Reconciliation with Finance Accounts

1.13 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2009 is stated below.

(Rs. in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	24,538.82	23,605.28	933.54
Loans	3,328.73	8,364.86	5,036.13
Guarantees	5,217.69	4,202.18	1,015.51

1.14 Audit observed that the differences occurred in respect of 79 PSUs. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

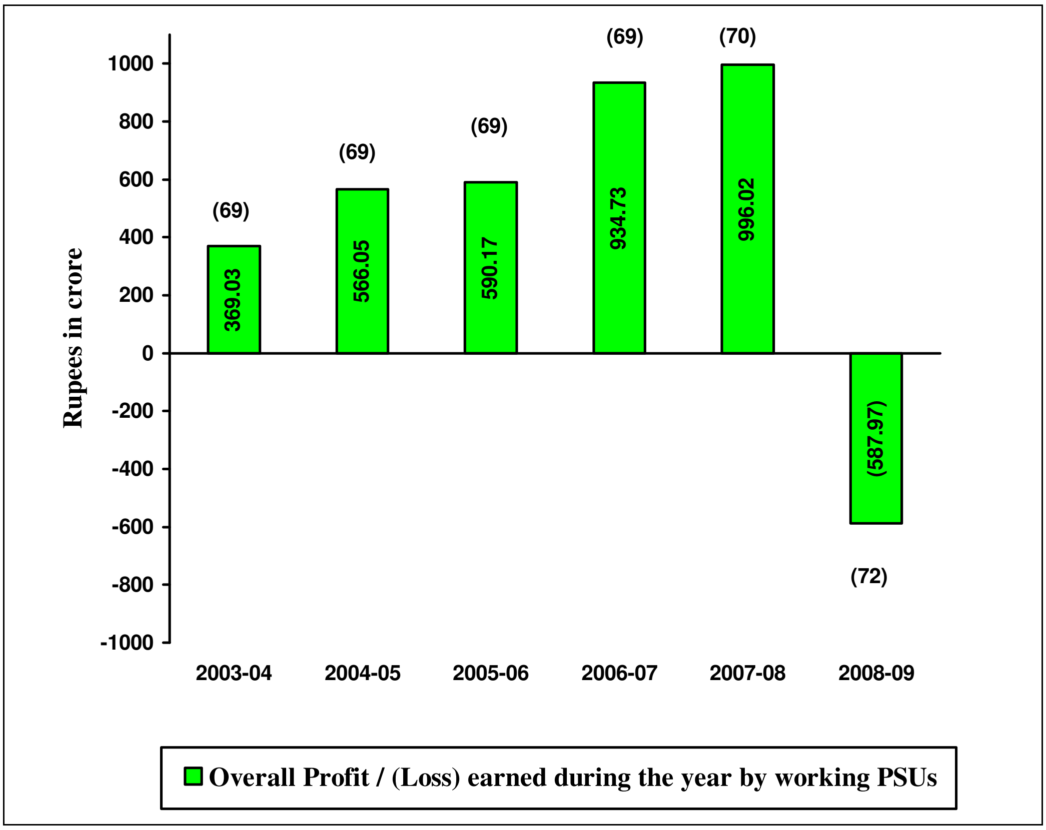
1.15 The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in **Annexures 2, 5 and 6** respectively**.** A ratio of PSU turnover to State GDP shows the significant extent of PSU activities in the State economy. Table below provides the details of working PSUs turnover *vis-a-vis* State GDP for the period 2003-04 to 2008-09.

(Rs. in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Turnover[5]	19,369.84	24,935.75	20,883.70	25,284.68	28,218.05	32,627.68
State GDP	1,29,181	1,56,254	1,86,209	2,00,922	2,33,802	2,68,138
Percentage of Turnover to State GDP	14.99	15.96	11.22	12.58	12.07	12.17

[5] **turnover as per the latest finalised accounts as of 30 September 2009.**

1.16 Profit (losses) earned (incurred) by State working PSUs during 2003-04 to 2008-09 is given below in the bar chart.



(Figures in brackets show the number of working PSUs in respective years)

As per their latest finalised accounts, out of 72 working PSUs, 44 PSUs earned profit of Rs. 1,103.63 crore and 21 PSUs incurred loss of Rs. 1,691.60 crore. One working PSU (Karnataka Vocational Training and Skill Development Corporation Limited) incorporated in September 2008 had not finalised its first accounts. Five companies[6] did not prepare profit and loss account and had only pre-operative expenditure. One company (Rajiv Gandhi Rural Housing Corporation Limited) prepared income and expenditure account and capitalized the excess of expenditure over income. The major contributors to profit were Karnataka Power Corporation Limited (Rs. 391.93 crore), Mysore Minerals Limited (Rs. 192.42 crore), and The Hutti Gold Mines Company Limited (Rs. 154.09 crore). The heavy losses were incurred by Bangalore Electricity Supply Company Limited (Rs. 587.36 crore), Hubli Electricity Supply Company Limited (Rs. 560.51 crore) and Chamundeshwari Electricity Supply Corporation Limited (Rs. 217.15 crore).

1.17 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest three years Audit Reports of the CAG shows that the State PSUs incurred losses to the tune of Rs. 549.70 crore and had

[6] **Karnataka Neeravari Nigam Limited, Cauvery Neeravari Nigam Limited, Bangalore Metro Rail Corporation Limited, Bangalore Airport Rail Link Limited and KPC Bidadi Limited.**

made infructuous investment of Rs. 392.60 crore which were controllable with better management. Year wise details from Audit Reports are stated below.

(Rs. in crore)

Particulars	2006-07	2007-08	2008-09	Total
Net Profit / (Loss)	758.89	821.36	(759.50)	820.75
Controllable losses as per the CAG's Audit Report	216.59	257.58	75.53	549.70
Infructuous Investment	263.57	41.75	87.28	392.60

1.18 The above losses pointed out by Audit Reports of the CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the losses can be minimised (or eliminated or the profits can be enhanced substantially). The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for greater professionalism and accountability in the functioning of PSUs.

1.19 Some other key parameters pertaining to State PSUs are given below.

(Rs. in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Return on Capital Employed (*Per cent*)	4.27	3.13	3.26	4.60	4.58	1.88
Debt	21,493.24	22,499.07	22,736.05	23,234.20	24,078.32	24,087.55
Turnover[7]	19,369.84	24,935.75	20,883.70	25,284.68	28,218.05	32,627.68
Debt / Turnover Ratio	1.11:1	0.90:1	1.09:1	0.92:1	0.85:1	0.74:1
Interest Payments	1,588.45	1,400.97	1,625.19	1,593.24	1,607.58	1,556.95
Accumulated Profits (losses)	(843.75)	808.52	1,209.00	935.94	1,248.48	(39.93)

(Above figures pertain to all PSUs except for turnover which is for working PSUs).

1.20 There was a marginal increase in debts while there was a relatively higher increase in turnover resulting in lower pressure on profit margins. The decrease in return on capital employed was due to the heavy losses incurred by the electricity supply companies for the year.

1.21 The State Government has not formulated a dividend policy. As per their latest finalised accounts, 47 PSUs earned an aggregate profit of Rs. 1,106.61 crore and ten PSUs declared total dividend of Rs. 26.97 crore.

Performance of major PSUs

1.22 The investment in working PSUs and their turnover together aggregated to Rs. 80,618.46 crore during 2008-09. Out of 72 working PSUs, the following seven PSUs accounted for individual investment *plus* turnover of more than five *per cent* of aggregate investment *plus* turnover. These seven PSUs together accounted for 66.90 *per cent* of aggregate investment *plus* turnover.

[7] **turnover of working PSUs as *per* the latest finalised accounts as of 30 September.**

(Rs. in crore)

PSU Name	Investment	Turnover	Total (2) + (3)	Percentage to aggregate investment *plus* Turnover
(1)	(2)	(3)	(4)	(5)
Cauvery Neeravari Nigam Limited	10,248.66	-	10,248.66	12.71
Karnataka State Beverages Corporation Limited	83.49	8,228.41	8,311.90	10.31
Karnataka Power Corporation Limited	4,155.62	4,147.90	8,303.52	10.30
Krishna Bhagya Jala Nigam Limited	7,451.91	8.99	7,460.90	9.25
Bangalore Electricity Supply Company Limited	741.36	6,190.32	6,931.68	8.60
Karnataka Neeravari Nigam Limited	6,876.74	-	6,876.74	8.53
Karnataka Power Transmission Corporation Limited	5,003.21	799.02	5,802.23	7.20
Total	**34,560.99**	**19,374.64**	**53,935.63**	**66.90**

Some of the major audit findings of past five years for above PSUs are stated in the succeeding paragraphs.

Cauvery Neeravari Nigam Limited

1.23 The Company was up-to-date in its finalisation of accounts as of September 2009. The Company does not prepare a profit and loss account and capitalizes its excess of expenditure over income.

1.24 Deficiencies in implementation

- Payment at rates higher than at the approved Schedule of Rates resulted in excess payment and extension of undue benefit of Rs. 4.68 crore. (paragraph 4.14 of Audit Report 2005-06).

1.25 Non-achievement of objectives

- Benefits achieved from Implementation of Lift Irrigation Schemes by Irrigation Companies were negligible. (paragraph 2.3 of Audit Report 2006-07).

Karnataka State Beverages Corporation Limited

1.26 The Company was up-to-date in its finalisation of accounts as of September 2009. The profit of the Company had risen continuously in past four years from Rs. 6.62 crore in 2005-06 to Rs. 17.57 crore in 2008-09. Similarly, the turnover too has risen from Rs. 2,976.38 crore to Rs. 8,228.41 crore during this period. The return on capital employed increased from 19.15 *per cent* to 29.13 *per cent* during this period.

1.27 Deficiencies in Financial Management

- The Company fixed lower margin on the landed cost of liquor resulting in non-recovery of operating loss. (paragraph 4.10 of Audit Report 2007-08).

- The Company paid insurance charges of Rs. 2.10 crore on the stock in which it had no insurable interest. (paragraph 4.11 of Audit Report 2007-08).

Karnataka Power Corporation Limited

1.28 The Company was up-to-date in its finalisation of accounts as of September 2009. The profit of the Company increased from Rs. 251.58 crore in 2005-06 to Rs. 391.93 crore in 2008-09. The turnover had risen from Rs. 2,520.67 crore to Rs. 4,147.90 crore during this period. The return on capital employed increased from 8.24 *per cent* to 8.79 *per cent* during this period.

1.29 Deficiencies in Planning

- Failure to evaluate the compatibility of the software with interface equipment resulted in idle investment of Rs. 4.03 crore. (paragraph 4.15 of Audit Report 2005-06).

1.30 Deficiencies in Monitoring

- The Company made excess payments towards supply of low grade coal. There were losses due to excessive combustibles in ash and utilisation of excess heat for generation. The Diesel Generating Plant of Visveswaraya Vidyuth Nigam Limited was operating below the anticipated Plant Load Factor of 68.5 *per cent*. There was excess consumption of lube oil and payment of additional sales tax. (paragraph 2.2 of Audit Report 2003-04).

1.31 Deficiencies in Financial Management

- The Company paid ex-gratia in excess of the limits prescribed by the State Government. (paragraph 4.5 of Audit Report 2007-08).

1.32 Deficiencies in Implementation

- Introduction of a new Voluntary Exit Scheme to medically unfit employees resulted in avoidable expenditure of Rs. 46.89 crore. (paragraph 4.6 of Audit Report 2006-07).

- There were deficiencies in the Implementation of Raichur Thermal Power Station Unit-7. (paragraph 2.1 of Audit Report 2006-07).

Krishna Bhagya Jala Nigam Limited

1.33 The Company was up-to-date in its finalisation of accounts as of September 2009. The Company capitalized the excess of expenditure over income up to 2006-07 and prepared a profit and loss account for the years 2007-08 and 2008-09. The Company incurred a loss of Rs. 64.75 crore and Rs. 90.43 crore during the years 2007-08 and 2008-09 respectively.

1.34 Deficiencies in planning

- Purchase of pumpsets much ahead of commissioning of jackwells and erection of electricity transmission lines resulted in blocking up of funds of Rs. 7.23 crore. (paragraph 3.2 of Audit Report 2003-04).

1.35 Deficiencies in Financial Management

- Failure to exercise the call option in bonds (Series IV and V) deprived the Company of an opportunity to save Rs. 41.07 crore. (paragraph 3.1 of Audit Report 2003-04).

- Adoption of old rates for making payment for excavation in soft rock with or without blasting resulted in additional expenditure of Rs. 1.39 crore. (paragraph 3.3 of Audit Report 2003-04).

1.36 Deficiencies in Implementation and non-achievement of objectives

- Benefits achieved from Implementation of Lift Irrigation Schemes (by Irrigation companies) were negligible. (paragraph 2.3 of Audit Report 2006-07).

Bangalore Electricity Supply Company Limited

1.37 The Company was up-to-date in its finalisation of accounts as of September 2009. The profit of the Company decreased from Rs. 68.40 crore in 2005-06 to Rs. 14.93 crore in 2007-08. The Company, however, incurred a loss of Rs. 587.36 crore in 2008-09. The turnover increased from Rs. 4,282.35 crore in 2005-06 to Rs. 6,190.32 crore during this period.

1.38 Deficiencies in Planning

- The Company procured Coyote Conductor without any specific requirement resulting in blocking-up of funds of Rs. 4.69 crore. (paragraph 4.12 of Audit Report 2006-07).

- The Company placed orders for 13,500 kilometres of Rabbit ACSR conductors after a delay of two months resulting in avoidable payment of Rs. 1.67 crore on account of price variation claims. (paragraph 4.13 of Audit Report 2006-07).

- Procurement of line materials in excess of requirement resulted in blocking up of funds of Rs. 4.90 crore. (paragraph 4.1 of Audit Report 2007-08).

1.39 Deficiencies in Implementation

- The Company implemented Real time Remote Automatic Meter Reading System (RRAMR) in January 2004 for automating and remote reading of High Tension meters but could not cover all the installations even after three years due to technical problems, inconsistencies in reading, lack of connectivity, *etc.* (paragraph 2.3.7 of Audit Report 2007-08).

Karnataka Neeravari Nigam Limited

1.40 The Company was up-to-date in its finalisation of accounts as of September 2009. The Company does not prepare a profit and loss account and capitalizes its excess of expenditure over income.

1.41 Deficiencies in Monitoring

- Failure to utilize the hard rock available from excavation of canal for dam and allied works resulted in extra expenditure of Rs. 2.18 crore. (paragraph 3.1 of Audit Report 2004-05).

1.42 Deficiencies in Financial Management

- The Company allowed contractor to make modifications in the quoted rates while he was accepting to take up the work and revision was made in the method of calculating item rates in violation of the guidelines approved by the Board of Directors which resulted in extra expenditure of Rs. 8.85 crore. (paragraph 4.15 of Audit Report 2006-07).

1.43 Deficiencies in Financial Management and non-achievement of objectives

- Funds Management in Karnataka Neeravari Nigam Limited - The Company on its formation took over eight projects which were under execution. The objective of formation of the Company to complete the projects on fast track basis was not fully met as the eight projects taken over at the time of its formation were yet (August 2005) to be completed as against the envisaged date of March 2003. (paragraph 2.2 of Audit Report 2004-05).

1.44 Non-achievement of objectives

- Benefits achieved from Implementation of Lift Irrigation Schemes by Irrigation Companies were negligible. (paragraph 2.3 of Audit Report 2006-07).
- Benefits of Implementation of Upper Tunga Project were not fully derived. (paragraph 2.2 of Audit Report 2007-08).

Karnataka Power Transmission Corporation Limited

1.45 The Company was up-to-date in its finalisation of accounts as of September 2009. The profit of the Company decreased from Rs. 52.01 crore in 2005-06 to Rs. 22.76 crore in 2008-09. The turnover decreased from Rs. 1,582.11 crore in 2005-06 to Rs. 799.02 crore during this period. The return on capital employed decreased from 9.85 *per cent* to 6.77 *per cent* during this period.

1.46 Deficiencies in Planning

- Improper planning and execution of line / station works for feeding 220 KV Netlamudnur Station resulted in blocking up of funds of Rs. 33.83 crore. (paragraph 4.7 of Audit Report 2007-08).

1.47 Deficiencies in Implementation

- Deficiencies in Procurement, maintenance and repair of transformers. (paragraph 4.25 of Audit Report 2006-07).

1.48 Deficiencies in Financial Management

- Not adhering to the provisions of the power purchase agreement in 'annual true-up' calculations resulted in over payment of Rs. 89.98 crore to an independent power producer. (paragraph 4.9 of Audit Report 2006-07).

1.49 Non-achievement of objectives

- The Company failed to achieve the objective of state wide computerisation project due to implementation of only one module, which was also faulty, even after spending Rs. 14.44 crore. (paragraph 3.11 of Audit Report 2003-04).

- Two Accelerated Power Development Programme (APDP) projects sanctioned during 2000-01 and 31 out of 35 projects sanctioned during 2002 to 2006 were yet to be completed (March 2007). (paragraph 2.2 of Audit Report 2006-07).

Conclusion

1.50 The above details indicate that there is scope for improvement in overall performance of the State PSUs. They need to imbibe greater degree of professionalism to ensure delivery of products and services efficiently and profitably. The State Government should introduce a performance based system of accountability for PSUs.

Arrears in finalisation of accounts

1.51 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as *per* the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2009.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1	Number of working PSUs	69	69	69	70	72
2	Number of accounts finalised during the year	63	63	75	67	74
3	Number of accounts in arrears	23	29	18	19	18
4	Average arrears *per* PSU (3/1)	0.33	0.42	0.26	0.27	0.25
5	Number of working PSUs with arrears in accounts	20	25	15	17	16
6	Extent of arrears	1 to 3 years	1 to 3 years	1 to 3 years	1 to 2 years	1 to 2 years

1.52 The performance of finalisation of accounts within the year by the working PSUs has improved over the last five years. Only two accounts of two companies[8] are pending finalization for more than one year and the remaining arrears are for current year (2008-09), pending finalization as at September 2009.

1.53 In respect of arrears in finalisation of accounts by non-working PSUs, out of 16 non-working PSUs, liquidation process is underway in six PSUs. The arrears of accounts of these six PSUs[9], under liquidation, ranged from one to six years. Of the remaining 10 non-working PSUs, six PSUs had finalised their accounts for 2008-09 by September 2009 and remaining four PSUs had arrears of accounts for one to two years.

1.54 The State Government had invested Rs. 1,004.78 crore (equity: Rs. 152.79 crore, grants: Rs. 555.61 crore and others: Rs. 296.38 crore) in ten PSUs during the years for which accounts had not been finalised as on 30 September 2009 as detailed in **Annexure 4**.

In view of above state of arrears, it is recommended that Government may take necessary steps to expedite the finalisation of accounts.

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[8] **Karnataka Sheep and Wool Development Corporation Limited and Karnataka Leather Industries Development Corporation Limited.**

[9] **The Mysore Acetate and Chemicals Company Limited, NGEF Limited, Karnataka Telecom Limited, The Mysore Cosmetics Limited, The Karnatak State Veeners Limited and Chamundi Machine Tools Limited.**

Winding up of non-working PSUs

1.55 There were 16 non-working PSUs (all companies) as on 31 March 2009. Of these, 6 PSUs have commenced liquidation process. The numbers of non-working companies at the end of each year during past five years are given below.

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
No. of non-working companies	17	17	17	16	16

The Government may consider the closure of non-working PSUs as their existence is not going to serve any purpose. During 2008-09, three non-working PSUs incurred an expenditure of Rs. 0.92 crore towards establishment costs. This expenditure was financed by other sources by these PSUs.

1.56 The stages of closure in respect of non-working PSUs are given below.

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1	Total No. of non-working PSUs	16	-	16
2	Of (1) above, the No. under			
(a)	Liquidation by Court (liquidator appointed)	6	-	6
(b)	Voluntary winding up (liquidator appointed)	-	-	-
(c)	Closure, *i.e.,* closing orders / instructions issued but liquidation process not yet started.	10	-	10

1.57 During the year 2008-09, no companies / corporations were wound up. The companies which have taken the route of winding up by Court order are under liquidation for a period ranging from four to six years. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted / pursued vigorously. The Government may make a decision regarding winding up of 10 non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working. The Government may consider setting up a cell to expedite closing down its non-working companies.

Accounts Comments and Internal Audit

1.58 Sixty working companies forwarded their 69 audited accounts to the Principal Accountant General (PAG) during the year 2008-09 as at September 2009. Of these, 64 accounts of 57 companies were selected for supplementary audit. The audit reports of statutory auditors appointed by the CAG and the supplementary audit of the CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and the CAG are given below.

(Amount Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	15	179.05	10	70.71	11	152.24
2	Increase in profit	8	33.98	5	38.05	7	40.43
3	Decrease in loss	1	9.76	3	2.60	2	3.72
4	Increase in loss	7	109.73	5	5.47	9	46.88

1.59 During the year 2008-09, the statutory auditors had given unqualified certificates for 13 accounts, qualified certificates for 47 accounts, adverse certificates (which means that accounts do not reflect a true and fair position) for seven accounts and disclaimers (meaning the auditors are unable to form an opinion on accounts) for two accounts. The compliance of companies with the Accounting Standards remained poor as there were 115 instances of non-compliance in 41 accounts during the year.

1.60 Some of the important comments in respect of accounts of companies are stated below.

Karnataka State Construction Corporation (2007-08)

- The accounts of the Company do not give information required by the Companies Act, 1956 in the manner so required and are not in conformity with the accounting principles generally accepted in India and *do not give a true and fair view*.

The Mysore Sugar Company Limited (2008-09)

- The Gratuity fund available with Life Insurance Corporation of India as on 31 March 2008 is Rs. 66.72 lakh as against required Rs. 823.25 lakh.

The Karnataka Minorities Development Corporation Limited (2008-09)

- The accounts *do not give a true and fair view* in conformity with the accounting principles generally accepted in India.

Karnataka State Seeds Corporation Limited (2008-09)

- No provision has been made for doubtful debts of Rs. 56.47 lakh due from Karnataka Agro Industries Corporation.

Karnataka Power Transmission Corporation Limited (2008-09)

- Interest liability on dues towards power purchase from Minor Power Producers has not been ascertained and provided for.

Karnataka State Forest Industries Corporation Limited (2008-09)

- The Company has not complied with the provisions of Section 212 of the Companies Act, 1956 as regards to the attaching of the accounts of the Subsidiaries to its Accounts.

Karnataka Compost Development Corporation Limited (2008-09)

- The Company has not provided the leave salary on actuarial valuation basis as required under AS 15, instead it is done on mathematical basis amounting to Rs. 14.44 lakh.

Karnataka Forest Development Corporation (2008-09)

- The Company has not provided for the differential amount of Rs. 24.05 crore payable to Government of Karnataka towards lease rent for areas taken on lease with reference to the actual rent paid as against rate which the Government has fixed.

Karnataka State Coir Development Corporation Limited (2008-09)

- The Balance Sheet and Profit and Loss Account *do not give a true and fair view*.

The Mysore Electrical Industries Limited (2008-09)

- Short-provision of accumulated interest on loan from Government of Karnataka of Rs. 3.77 crore for the year resulted in overstatement of profit and understatement of liabilities to that extent.

1.61 Similarly, five working statutory corporations forwarded their five accounts to the PAG during the year 2008-09. Of these five accounts, four accounts pertained to Statutory corporations where CAG was the sole auditor were completed. The remaining one account was selected for supplementary audit. The audit reports of statutory auditors and the sole / supplementary audit of the CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and the CAG are given below.

(Amount : Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	6	233.29	4	264.24	2	153.11
2	Increase in profit	3	1.73	1	0.10	1	0.82
3	Decrease in loss	3	57.83	-	-	-	-
4	Increase in loss	3	9.97	2	69.40	3	102.54

1.62 During the year, out of five accounts, only one accounts received unqualified certificate and the remaining four accounts received qualified certificates.

1.63 Some of the important comments in respect of Statutory corporations are stated below.

Karnataka State Road Transport Corporation (2008-09)

- Treating the amount collected towards Accident Relief Fund as miscellaneous income instead of crediting to a specific reserve resulted in overstatement of profit by Rs. 12.59 crore.

- Treating the amount incurred on upgration and repair works as capital expenditure has resulted in overstatement of profit by Rs. 0.33 crore.

North Eastern Karnataka Road Transport Corporation (2008-09)

- Non-provision of share of the Corporation towards the cost of development/implementation of AWATAR (Any Where Any Time Advance Reservation) system resulted in understatement of current liabilities and loss by Rs. 1.41 crore.

- Non-provision of differential interest in respect of loan outstanding resulted in understatement of financial costs and loss by Rs. 0.64 crore.

Bangalore Metropolitan Transport Corporation (2008-09)

- Non provision for Motor Vehicle Tax for the period 1997-2007 has resulted in understatement of liabilities and overstatement of profit by Rs. 15.22 crore.

- Non provision for gratuity on additional dearness allowance has resulted in understatement of revenue liability and overstatement of profit by Rs. 2 crore.

North Western Karnataka Road Transport Corporation (2008-09)

- Treating Infrastructure Development Fee collected during the year as other revenue resulted in overstatement of revenue and understatement of loss by Rs. 34.23 crore.

- Non-provision of Motor Vehicle Tax on the subsidy received for the period from 1997-2007 resulted in understatement of liabilities and accumulated loss by Rs. 16.19 crore.

Karnataka State Financial Corporation (2008-09)

- Non provision of service charges demanded by Small Industries Development Bank of India on the principal amount outstanding towards soft seed capital, resulted in understatement of current liabilities and loss by Rs. 2.98 crore.

1.64 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit / internal control system in respect of 16 companies for the year 2007-08 and 10 companies for the year 2008-09 is given in **Annexure 8**.

Recoveries at the instance of audit

1.65 During the course of propriety audit in 2008-09, recoveries of Rs. 2.46 crore were pointed out to the Management of two PSUs, of which no amount has so far been recovered (September 2009). Recoveries of Rs. 3.95

crore pointed out in the earlier years were effected during the year 2008-09. In addition, in respect of Karnataka State Road Transport Corporation the Government stated that motor vehicle tax of Rs. 3.17 crore would be adjusted for the subsequent year. Also Karnataka Power Corporation Limited revised the draw down schedule of completion of Varahi Hydro Electric Project as a result of which, the project cost was reduced by Rs. 3.47 crore.

Status of placement of Separate Audit Reports

1.66 The Separate Audit Reports (SARs) in respect of all Statutory corporations issued by the CAG up to 2007-08 were placed in the Legislature by the Government.

Disinvestment, Privatisation and Restructuring of PSUs

1.67 The State Government has approved and adopted (February 2001) a comprehensive policy on Public Sector Reforms and privatisation of Public Sector Undertakings (PSUs) in the State. Accordingly, the Government identified 31 PSUs for closure, privatisation and restructuring. Three companies[10] were dissolved / amalgamated (up to September 2009). The position of action taken by the Government in respect of the remaining 28 companies identified for closure / privatisation / restructuring is as follows:

Particulars	No. of companies	Government order issued	Government order not yet issued
Non-working Government companies decided for closure	16	16[∍]	-
Working Government companies decided for closure	3	1[¢]	2[@]
Working Government companies decided for privatisation	8	6[♥]	2[♣]
Restructuring of Working Government companies	1	1[Ω]	-

Reforms in Power Sector

1.68 The State has Karnataka Electricity Regulatory Commission (KERC) formed in (August 1999) under the Karnataka Electricity Reform Act, 1999 with the objective of rationalisation of electricity tariff, advising in matters

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[10] Karnataka Tungsten Moly Limited, Karnataka Agro Proteins Limited and Vishveswaraya Vidyuth Nigam Limited.

[∍] All the non-working companies as per Annexure 1.

[¢] Karnatak State Construction Corporation Limited.

[@] The Karnataka Fisheries Development Corporation Limited, Karnataka State Electronics Development Corporation Limited.

[♥] Karnataka Silk Industries Corporation Limited, Karnataka Soaps and Detergents Limited, The Mysore Electrical Industries Limited, Karnataka Vidyuth Karkhane Limited, Mysore Minerals Limited, Sree Kanteerava Studios Limited.

[♣] The Mysore Sugar Company Limited, The Mysore Paper Mills Limited.

[Ω] The Karnataka State Forest Industries Corporation Limited to be merged with Karnataka Forest Development Corporation Limited.

relating to electricity generation, transmission and distribution in the State and issue of licences. During 2008-09, KERC approved 44,222 million units as energy requirement for financial year 2009 in its multi year tariff order. In addition it issued five[11] regulations / guidelines / orders and approved 86 Power Purchase Agreements (PPA) in respect of different non-conventional energy projects.

1.69 Memorandum of Understanding (MoU) was signed in February 2000 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below.

Milestone	Achievement as at March 2009
100 *per cent* electrification of all villages by 2012	19 villages were yet to be electrified.
Reduction in transmission and distribution (T & D) losses by 10 to 15 *per cent.*	T & D Losses reduced from 35.50 *per cent* during 2000-01 to 24.01 *per cent* during 2008-09. Thus, the reduction in T & D Losses achieved over the last seven years is only 11.49 *per cent.*
100 *per cent* metering of all distribution feeders by September 2001	Completed by December 2002.
100 *per cent* metering of all consumers by 2004-05	6.86 lakh installations were yet to be metered.
Energy audit at 11 KV sub-station level by September 2001	Energy audit of 11 KV feeders, on monthly basis, has commenced from June 2003.
Securitisation of outstanding dues of Central PSUs.	The dues were securitised by issue of bonds in August 2003.

Discussion of Audit Reports by COPU

1.70 The status as on 30 September 2009 of reviews and paragraphs that appeared in Audit Reports (Commercial) and discussed by the Committee on Public Undertakings (COPU) is as under.

Period of Audit Report	Number of reviews / paragraphs			
	Appeared in Audit Report		Paras discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
2003-04	4	20	3	20
2004-05	3	22	1	7
2005-06	5	26	1	8
2006-07	5	31	1	4
2007-08	4	23	-	2
Total	**21**	**122**	**6**	**41**

[11] **KERC (Load Forecast) Regulations- 2009, Amendment to KERC (Fees) Regulations - 2009, Fourth amendment to KERC (Recovery of expenditure for supply of Electricity) Regulations- 2004, Guidelines for determination of Reliability index of supply of power to consumers and Determination of tariff for grid interactive Solar power demonstration Projects.**

CHAPTER II

Performance Reviews relating to Government Companies

2.1 Implementation of Accelerated Irrigation Benefit Programme by Karnataka Neeravari Nigam Limited and Krishna Bhagya Jala Nigam Limited.

Executive Summary

This performance review examined the effectiveness in completion of four out of six irrigation projects proposed by the State (between 1996-97 and 2007-08) under Accelerated Irrigation Benefit Programme (AIBP) launched by Government of India (GOI) with a view to accelerate irrigation potential within a short period of four agricultural seasons.

The six projects included two projects (UKP Stage I - Phase III and UKP - Stage II) executed by Krishna Bhagya Jala Nigam Limited (KBJNL) and four projects (Malaprabha, Ghataprabha, Ganodirinala and Varahi) executed by Karnataka Neeravari Nigam Limited (KNNL). The four projects test checked by Audit were UKP Stage-I-Phase III, UKP Stage II, Ghataprabha and Varahi for their implementation during the period 2003-09.

Under AIBP, the funds were released in the form of Central Loan Assistance (CLA) towards works expenditure in the ratio of 2:1 between Centre and State since 1999-2000. With effect from April 2004, 30 per cent of CLA received was convertible to Grant on timely completion of project under terms of Memorandum of Understanding between Central and State Governments.

Non-achievement of objective

The works posed under AIBP estimated at a cost of Rs. 3,135.63 crore had a cost over run of Rs. 2,011.90 crore (March 2009) based on (March 2008) estimates of Rs. 5,147.53 crore. Further, as against 3,47,120 Ha. potential proposed for creation under UKP stage I Phase III and Stage II and 1,57,120 Ha. under Ghataprabha Stage III, 3,27,297 Ha. and 1,47,401 Ha. was created up to March 2009 respectively, after a time over run of eight years. Even the dry potential created has not been converted to wet potential to the extent of 13 per cent, thereby the ultimate objective of bringing benefit to farmers remained partly unfulfilled.

Slow progress of works

During the review period 2003-09, in none of the years the budgeted works could be completed. The actual expenditure incurred on the budgeted works ranged from 36.51 per cent to 72.65 per cent (UKP Stage-I- Phase III), 50.86 per cent to 82.73 per cent (UKP Stage-II) and 45.01 per cent to 69.41 per cent (Ghatprabha-Stage-III).

The delay was attributable to problems of land acquisition, change in scope of works, extra financial implications during execution, insufficient monitoring, etc.

Non completion of canals / distributaries, non synchronization of works coupled with delay in awarding works has also led to delay in potential creation of 0.40 lakh Ha. between 2004-09 in test checked projects.

Loss of grant

The State received Rs. 599.25 crore (March 2005 to April 2008) as grant under Memorandum of Understanding for timely completion of project in respect of UKP stage I Phase III and Stage II. As the State failed to comply with the agreed target date of completion of the projects as stipulated in the MOU entered between GOI and GOK, the grant was liable to be treated as loan bringing an additional burden on the State exchequer.

Conclusion and recommendations

The delay in implementation of projects could have been avoided with better planning and monitoring. The review contains five recommendations to improve the performance.

Introduction

The Government of Karnataka (GOK) took up a number of irrigation / multipurpose projects prior to 1990s and works were executed by the Water Resources Department. To overcome constraints in funding irrigation projects out of State funds it formed Krishna Bhagya Jala Nigam Limited (KBJNL) and Karnataka Neeravari Nigam Limited (KNNL) during 1994-95 and 1998-99 under Companies Act, 1956 respectively so as to enable them to raise funds from external sources (*eg.,* by floating irrigation bonds, loans from financial institutions *etc.,*) and execute the projects. KBJNL was formed for execution of Upper Krishna Project (UKP) and KNNL was formed for execution of other projects under 'Krishna Basin'.

During the year 1996-97, the Government of India (GOI) launched Accelerated Irrigation Benefit Programme (AIBP). The objective of AIBP was to accelerate the completion of ongoing selected major and medium irrigation projects, which were in an advanced stage of completion or which could be completed within short period of four agricultural seasons. The GOK proposed nine projects[12] under AIBP assistance for which the GOI provided assistance in the form of Central Loan Assistance (CLA). Of these, two projects (UKP Stage I-phase III and UKP Stage II) were executed by KBJNL, four projects (Malaprabha, Ghataprabha, Ganodirinala and Varahi) were executed by KNNL and the remaining projects (Karanja, Hirehalla and Maskinala) were executed by the Water Resources Department of GOK.

The Companies (KBJNL and KNNL) are involved in the creation of canals, distributaries and laterals and the irrigation potential so created is termed as dry potential.

At the commencement of the Fifth Five Year Plan (1974-80), in pursuance of the policy of Government of India, the Command Area Development Authority (CADA) was launched in the State for integrated and comprehensive development of the Command Areas of major and medium irrigation projects. The GOK had constituted (1970) CADA with the objective to reduce the gap between irrigation potential created (dry potential) and utilized to increase production per unit of water and land and to reduce the loss of irrigation water in the conveyance system to improve its efficiency at farm level to ensure equitable distribution of water. The CADA is responsible for creation of field irrigation channels (FICs) to take water to the fields (wet potential) after creation of dry potential. In respect of AIBP assisted projects, two CADAs (*i.e.,* UKP at Bheemarayanagudi and Ghataprabha project at Belgaum) were involved in the creation of wet potential.

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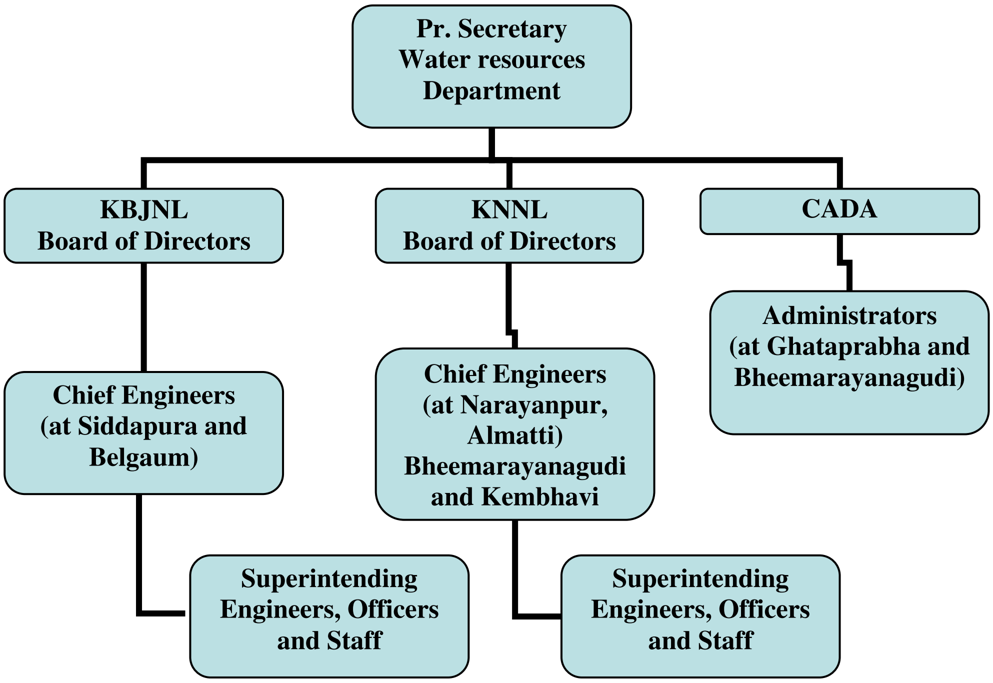
[12] **UKP Stage-I-Phase III, UKP Stage II, Malaprabha, Ghataprabha Stage III, Gandorinala, Varahi, Maskinala, Karanja and Hirehalla. Varahi was proposed in 2007-08 on completion of Maskinala project.**

Organisational set up

2.1.2 The Principal Secretary to the Government of Karnataka is in charge of the Water Resources Department in the State. The KBJNL and KNNL are managed by the Board of Directors headed by the respective Chairman. The Managing Director (MD) is the Chief Executive of the Company. In respect of CADA, the respective Administrators at Bheemarayanagudi and Ghataprabha reported to the GOK. The Organisational chart is as follows:



At specific directions of Government, a Monitoring and Evaluation Cell headed by Superintending Engineer was formed at Bangalore to co-coordinate and monitor the AIBP projects.

Scope of Audit

2.1.3 The implementation of the AIBP programme to the end of March 2003 was reviewed in respect of seven[13] projects and included in the Union Report of the Comptroller and Auditor General of India for year ended 31 March 2003. Further, performance review on implementation of Lift Irrigation Schemes under the said projects has been included in the Audit Report (Commercial), Government of Karnataka, of the Comptroller and Auditor General of India for the year ending 31 March 2007.

The present Performance, Audit covers the implementation of the AIBP programme in respect of four projects[14] (out of total six projects implemented by KBJNL and KNNL) during the period April 2003 to March 2009. The total estimated cost of six projects proposed under AIBP initially was Rs. 3,571.23 crore which has risen to estimated Rs. 5,583.13 crore as of

13 UKP Stage-I-Phase-III, UKP Stage-II, Malaprabha, Ghataprabha Stage III, Gandorinala, Maskinala and Hirehalla.

14 UKP Stage-I-Phase III, UKP-Stage-II, Ghataprabha Stage III and Varahi.

March 2009 (**Annexure- 9**). The expenditure incurred during 2003-09 on six projects was Rs. 2,551.41 crore. Of this the expenditure incurred on four projects selected for review was Rs. 1,754.07 crore. The scope of the present review is based on scrutiny of records related to the role of the Company (*i.e.,* up to creation of dry potential) by utilizing AIBP funds in selected components of the four test checked projects.

Overview of the sampled projects

Upper Krishna project (Stage I and Stage II)

2.1.4 The Krishna Water Disputes Tribunal adjudicated on the sharing of Krishna water between the states of Maharashtra, Karnataka and Andhra Pradesh based on 75 *per cent* dependability. The water allocation for three states was Maharashtra (560 tmc[15]), Karnataka (700 tmc) and Andhra Pradesh (800 tmc). Including regeneration, the total water available to Karnataka for utilisation was about 734 tmc. Out of this, Upper Krishna Project (UKP) was allotted 173 tmc.

The UKP consists of construction of two dams across the river Krishna and a network of canals. The main storage is at Almatti Dam, downstream of the confluence of Ghataprabha and Krishna rivers. A lower dam, Narayanpur Dam, serves as a diversion dam. The Project is planned to be implemented in different stages and phases. Stage-I of the project plans to utilise 119 tmc of water to irrigate 4.25 lakh hectares (Ha.) of lands on the left bank of the river. In Stage-II, 54 tmc of water is planned to be utilised to irrigate 1.97 lakh Ha. of lands partly by flow irrigation on right bank and partly by lift irrigation to higher levels on the left and right bank. The Components of Stage I and Stage II alongwith envisaged potential are given below:

Stage I components	**Potential creation (Ha.)**
Narayanpur Dam and allied works and Almatti Dam in full height with crest level at level 509.016 metres for construction of dam of Stage-II requirement.	
Construction of Narayanpur Left Bank Canal (NLBC)	47,223
Construction of Shahpur Branch Canal (SBC)	1,22,120
Construction of Mudbal Branch Canal (MBC)	51,000
Construction of Indi Branch Canal (IBC)	1,31,260
Construction of Jewargi Branch Canal (JBC)	57,100
Construction of Almatti Left Bank Canal (initial 67.64 kms)	16,200
Total	**4,24,903**
Stage II components	
Almatti Right Bank Canal	16,100
Rampur Lift Irrigation Scheme (under Narayanpur Reservoir)	20,235
Narayanpur Right Bank Canal up to Km. 95	84,000
Indi Lift Irrigation Scheme	41,900
Mulwad Lift Irrigation Scheme	30,850
Almatti Left Bank Canal extension (Km. 67.64 to 93)	4,035
Total	**1,97,120**

[15] **thousand million cubic feet.**

The AIBP funding was for following components of Stage I and Stage II (in Ha.)

Components	Potential creation (Ha.)
Indi Branch Canal from Km. 64 to 172 with distribution system	70,539
Jewargi Branch Canal Km. 0 to 67 with distribution system	57,100
Almatti Left Bank Canal (Km. 0 to 77.64)	16,200
Almatti Right Bank Canal (Km. 0 to 67)	16,100
Rampur Lift Irrigation Scheme Km. 0 to 37 and its distributaries	20,235
Narayanpur Right Bank Canal up to Km. 0 to 95 and its distributaries	84,000
Indi Lift Irrigation Scheme (Km. 0 to 97.30) and its distributaries	41,900
Mulwad Lift Irrigation Scheme (Km. 0 to 106) and its distributaries	30,850
Almatti Left Bank Canal extension (Km. 67.64 to 93)	4,035
Rehabilitation and Re-settlement works of Almatti Dam above level 509.016 metres.	
Total	**3,40,959**

Against the above potential to be created under AIBP, 1,56,759 Ha. was created up to March 2003 leaving a balance of 1,84,200 Ha.

Ghataprabha project

2.1.5 The Project comprises a reservoir across the river Ghataprabha, in Hukkeri taluk to provide irrigation to 3.11 lakh Ha. in Belgaum and Bagalkot districts. The Project comprised of dam from 49.68 metre to 53.34 metre, Ghataprabha Left Bank Canal (GLBC), distributaries under GLBC, Ghataprabha Right Bank Canal (GRBC), distributaries under GRBC, Chikkodi Branch Canal (CBC) and distributaries under CBC. Ghataprabha Left bank canal has been completed to its full length of 109 kms and water let out for irrigation.

Ghataprabha Stage III projected creation of 1,57,120 Ha. by lining GLBC-from Km. 51 to 109, construction of Ghataprabha Right Bank Canal (GRBC) - from Km. 47 to 202 and its distributaries and Chikkodi Branch Canal (CBC) - from Km. 36 to 88 and its distributaries. As 38,098 Ha. of irrigation potential was created prior to AIBP (March 1997) and 1,19,022 Ha. was posed under AIBP, of which, 45,120 Ha. was created (March 2003) leaving a balance of 73,902 Ha. to be created.

Varahi Project

2.1.6 Varahi river is a major west flowing river in west coast. Mani dam was built across this river for power generation and the tail race[16] discharge was about 1,100 cubic foot *per* second (cusecs). It was proposed to make use of this water by constructing a diversion weir as major irrigation project and provide irrigation to 0.16 lakh Ha. in Udupi district. The components of the Varahi irrigation project are construction of diversion wier across the river, common canal system (18.72 kms), Varahi Left Bank Canal (Km. 21 to 33) and distributaries, Varahi Right Bank Canal (Km. 18.72 to 42.80) and distributaries.

[16] **path through which water is pumped out of the hydro power plant after power generation.**

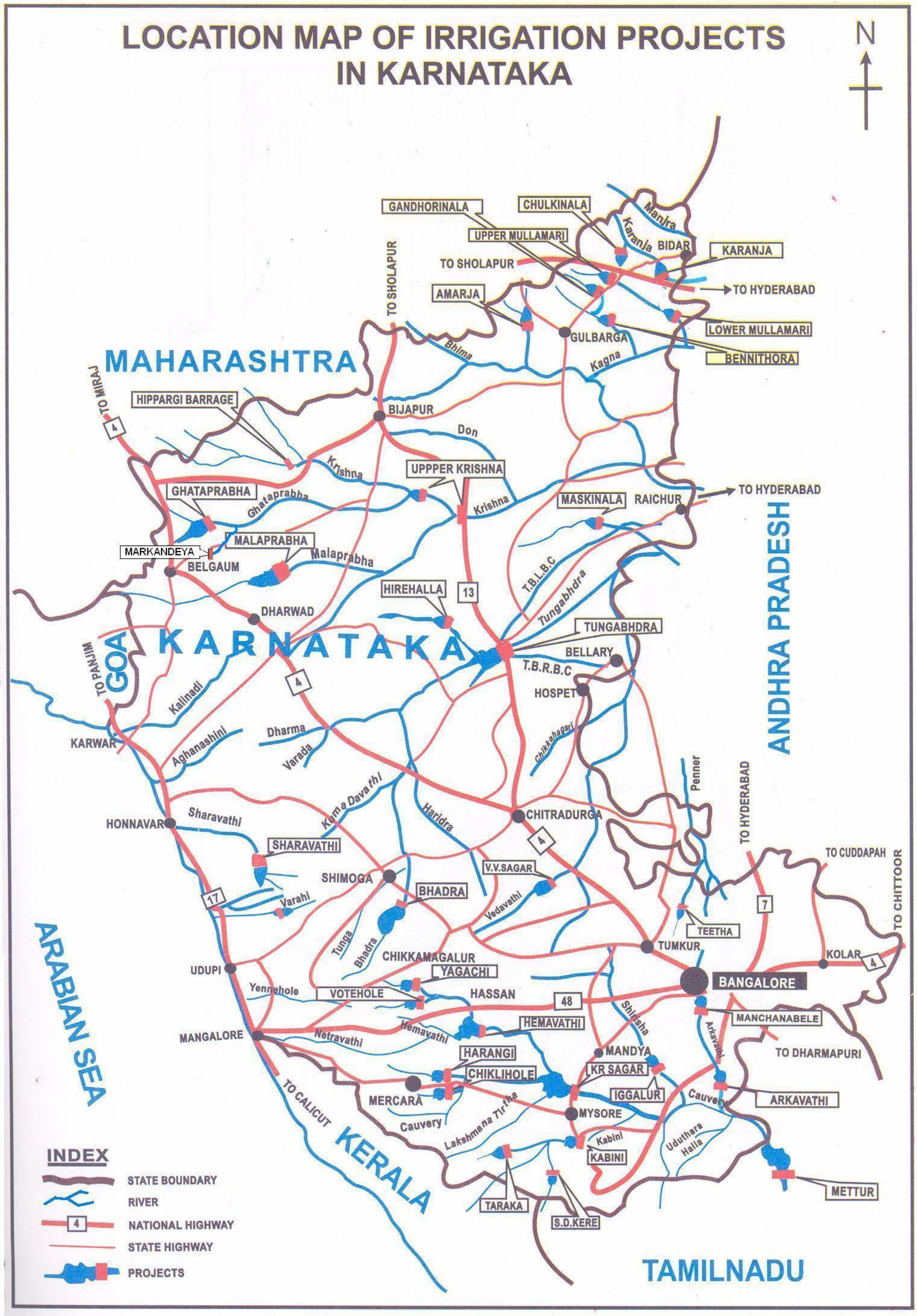
Components selected for test check in Audit

The components selected in the four projects are as follows:

Criteria	Total projects under the criteria	Selected projects	Selected components of projects[17]
Projects which were selected, approved and executed during 1996-2003 but were completed or are under implementation during 2003-08 (audit period)	➢ UKP-Stage I-Phase III ➢ UKP-Stage II ➢ Ghataprabha-Stage III ➢ Gandorinala ➢ Malaprabha	➢ UKP-Stage I-Phase III ➢ UKP-Stage II ➢ Ghataprabha-Stage III Of the five projects, the above three were selected based on materiality (expenditure incurred)	**UKP Stage-I Phase III and UKP Stage II** ➢ Indi Branch Canal from Km. 64 to 172 with distribution system ➢ Jewargi Branch Canal Km. 0 to 67 with distribution system ➢ Narayanpur Right Bank Canal up to Km. 0 to 95 and its distributaries ➢ Rehabilitation and Re-settlement works of Almatti Dam above level of 509.016 metres **Ghataprabha Stage III** ➢ Lining works for Ghataprabha Left Bank Canal (GLBC)-Km. 51 to 109. ➢ Ghataprabha Right Bank Canal (GRBC) from Km. 47 to 202 and its distributaries
Projects selected, approved and executed during 2003-09	➢ Varahi	➢ Varahi	➢ Construction of diversion wier across the river ➢ Common canal system (18.72 kilometres)

This performance review includes statistics from CADA records on wet potential to bring out the overall effectiveness of the scheme. The location map of irrigation projects in the State alongwith projects selected for test check is given below:

[17] **The selected components were test checked in Krishnapur, Chikvankuni, Bhimarayanagudi, Chigralli, Almel, Zalki, Koujalgi, Bilagi, Jamkhandi and Gaddankeri Divisions.**


LOCATION MAP OF IRRIGATION PROJECTS
IN KARNATAKA
N
GANDHORINALA
CHULKINALA
UPPER MULLAMARI
KARANJA
TO SHOLAPUR
TO HYDERABAD
AMARJA
LOWER MULLAMARI
BENNITHORA
GULBARGA
BIDAR
MAHARASHTRA
HIPPARGI BARRAGE
BIJAPUR
UPPPER KRISHNA
GHATAPRABHA
MASKINALA
RAICHUR
MARKANDEYA
MALAPRABHA
BELGAUM
HIREHALLA
DHARWAD
TUNGABHDRA
KARNATAKA
BELLARY
HOSPET
GOA
TO PANJIM
KARWAR
ANDHRA PRADESH
HONNAVAR
CHITRADURGA
SHARAVATHI
SHIMOGA
V.V.SAGAR
BHADRA
TEETHA
TUMKUR
ARABIAN SEA
UDUPI
CHIKKAMAGALUR
YAGACHI
VOTEHOLE
HASSAN
BANGALORE
KOLAR
TO CUDDAPAH
TO CHITTOOR
MANCHANABELE
HEMAVATHI
MANGALORE
HARANGI
CHIKLIHOLE
MANDYA
KR SAGAR
IGGALUR
TO DHARMAPURI
ARKAVATHI
MERCARA
MYSORE
TO CALICUT
KERALA
KABINI
METTUR
TARAKA
S.D.KERE
TAMILNADU
INDEX
STATE BOUNDARY
RIVER
NATIONAL HIGHWAY
STATE HIGHWAY
PROJECTS

Audit Objectives

2.1.7 The main audit objectives were to ascertain whether :

- projects were taken up after obtaining approvals and executed in an economic, efficient and effective manner;
- adequate funds were released on time and utilized properly;
- rehabilitation and resettlement were executed as per Detailed Project Reports (DPR);
- programme achieved its objectives of creating targeted irrigation potential and was utilized fully; and
- monitoring mechanism was adequate and effective

Audit Criteria

2.1.8 The Audit criteria considered for assessing the performance outcome with reference to objectives were as follows:

- AIBP guidelines;
- Detailed Project Reports of selected projects;
- Circulars / instructions issued by Ministry of Water Resources (MoWR) and CWC;
- The Karnataka Public Works Department Code;
- The Karnataka Transparency in Public Procurement (KTPP) Act;
- Annual Work Plan / Annual Proforma submitted to CWC; and
- Reports of Monitoring Cell at Project level / State level.

Audit Methodology

2.1.9 The following methodology was adopted for attaining the audit objectives with reference to the audit criteria:

- Detailed Project Report of the concerned projects, review of circulars and guidelines issued by MoWR, Proforma submitted to CWC, Reports detailing physical and financial achievements by CWC,
- Board minutes and proceedings of Technical sub-Committee (TSC) and reports of CADA, review of correspondence with State Government, CWC, MoWR and other departments.
- Issue of audit enquiries and interaction with the Management.

Audit Findings

2.1.10 Audit explained the audit objectives to the Corporation during an 'entry conference' held on 2nd February 2009. Subsequently, audit findings were reported to the Managements and the Government on 13th August 2009 and discussed in an 'exit conference' held on 24[nd] September 2009, which was attended by Pr. Secretary, Water Resources Department, Government of Karnataka and Managing Director of the respective Companies. The views expressed by the Government and Management in the exit conference have been considered while finalising this review. The replies furnished (July 2009) by the Management of KBJNL, have also been taken into consideration while finalising the review. The audit findings are discussed below.

Financing Pattern

2.1.11 The financing pattern of the assistance under AIBP as modified from time to time has been discussed below:

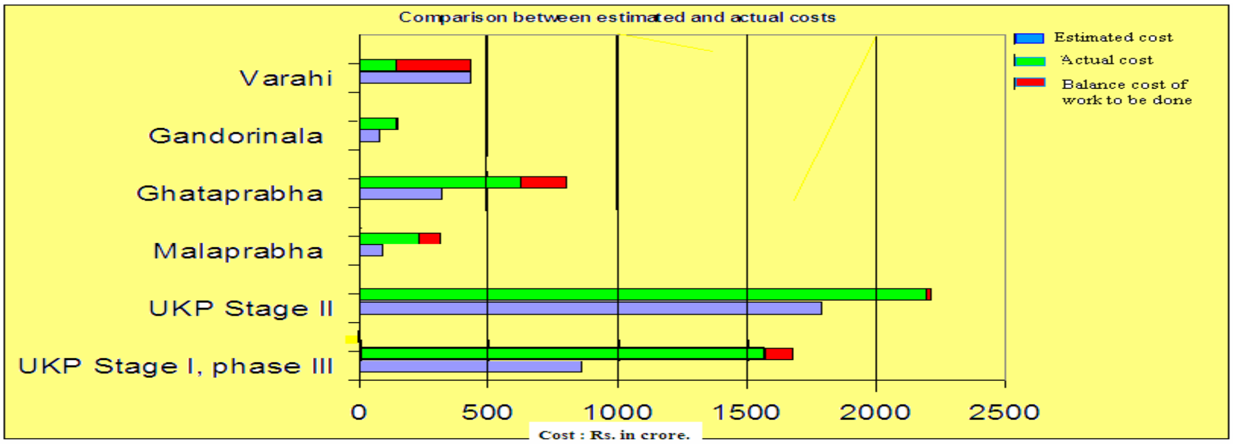
Year	Assistance
1997-99	All the States have to confirm budget provision equal to twice the Central Loan Assistance (CLA) asked for. The CLA in the form of loan at the rate of interest prescribed by the Ministry of Finance from time to time.
1999-2004	Central Loan Assistance was two thirds of the works budgeted and the balance was to be arranged by the State Government. (*i.e.,* ratio of Centre : State was 2:1).
2004-05	Apart from the above condition, with effect from 1 April 2004, Central assistance was under a Memorandum of Understanding (MoU) for timely completion wherein the Central share was modified as 70 *per cent* loan and 30 *per cent* grant.
2005-06 onwards	Apart from above, with effect from 1 April 2005, projects which are falling under drought prone areas as identified by Planning Commission were eligible for funding at 90 *per cent* grant and 10 *per cent* loan of the CLA and in the case of others 25 *per cent* of the project cost was given as central grant and the balance 75 *per cent* was to be borne by the State. All the projects (except Varahi) were proposed under drought prone area category with effect from April 2005.

The mode of disbursement of CLA was on annual basis in two instalments, the second being with reference to the progress of expenditure in relation to first CLA released. The difference of actual expenditure and central assistance received was borne by the State Government from its plan funds.

As per the procedure of MoWR, the proposals for funds under AIBP for each year are submitted under Form 'C' by the project implementing agency (*i.e.,* companies) through GOK which give details of financial / physical progress achieved with reference to the components of the said project receiving CLA under AIBP along with targets proposed for the year. The targets proposed for the year are those works included in Annual Work Programme approved by the Company.

Status of projects

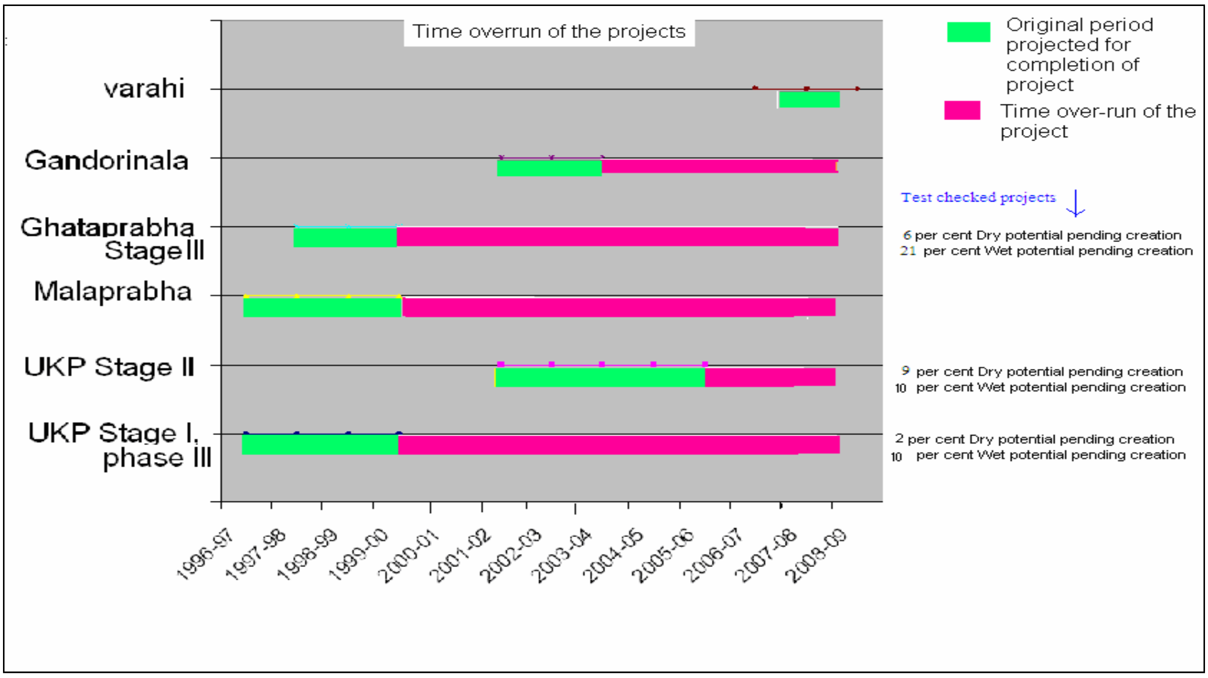
2.1.12 The financial progress of the projects financed under AIBP are given below (refer **Annexure 9**)



Note : Varahi project taken up in 2007-08 is Scheduled to be completed by 2010-2011.

It can be observed from the chart that all the projects (except Varahi) have exceeded the original estimated cost projected under AIBP. The projected amount required for completion of these projects under AIBP at the beginning of the programme was Rs. 3,135.63 crore[18]. The projects are now estimated (March 2008) to be completed at a targeted cost of Rs. 5,147.53 crore. Consequently, there is a minimum cost overrun of Rs. 2,011.90 crore in implementing these projects.

2.1.13 The chart below gives the projected period of completion when the projects were proposed under AIBP *vis-à-vis* actual progress.



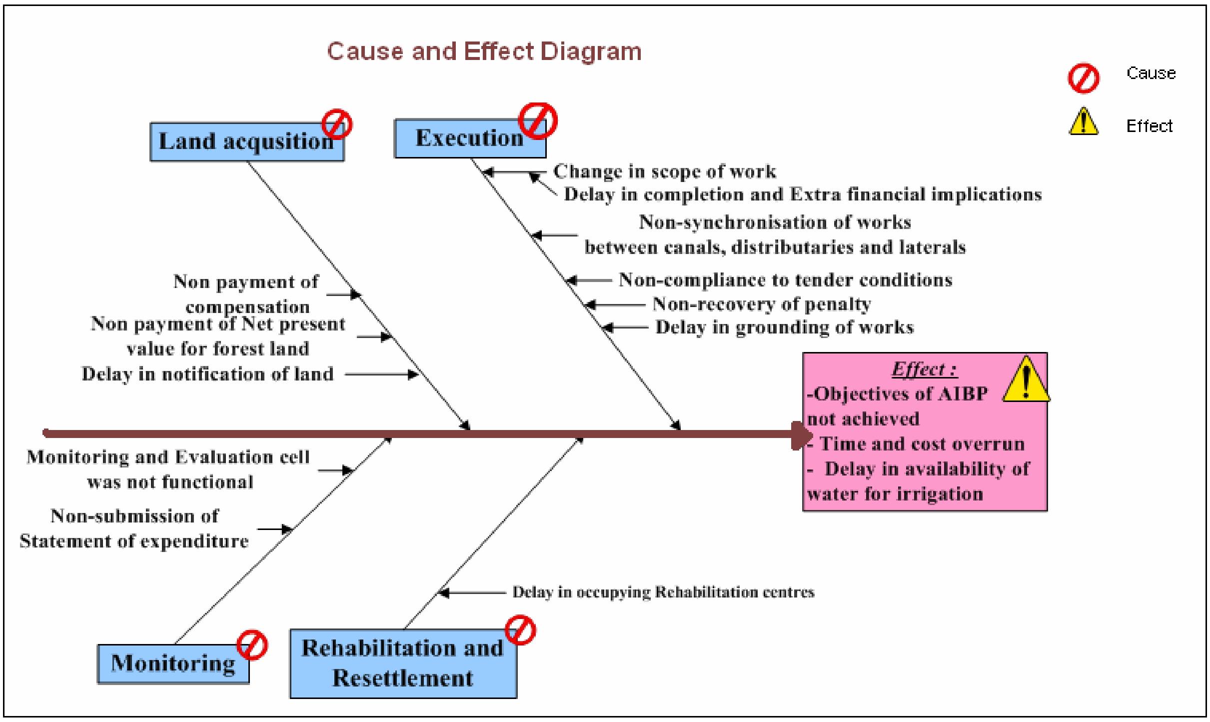
[18] **excludes Varahi irrigation project as this was proposed in 2007-08 and due for completion only in 2010-11.**

There was cost and time overrun in all the projects.

It can be seen from the above that none of the projects was completed as scheduled and the projects were still in progress under various stages as of March 2009. The time over run ranged from three years to eight years and would further go up. The details of project wise potential created during the last five years are given in paragraph 2.1.18 *infra*.

The details of financial outlay at the beginning of the programme for each project, CLA released, expenditure incurred alongwith time and cost overrun during the years 2003-04 to 2008-09 are indicated in **Annexure 9**. From the above two charts and **Annexure 9**, it is evident that there was time and cost overrun.

Audit analysed the reasons for the same which revealed that availability of funds was not a constraint in implementation of projects. The main causes for the time and cost overrun and their effect on AIBP are illustrated in the cause-effect diagram given below:



The Audit observations relating to each of the causes that led to the non-achievement / delayed achievement of the objectives (effect) under AIBP are given in succeeding paragraphs:

Financial Management

Delay in transfer of funds to the implementing agency

2.1.14 As per the procedure of flow of funds under AIBP, the central loan assistance released with State share should be transferred to the project implementing agencies within 15 days by the State Government. It was observed that the delays in release of funds ranged from one month to nine months in respect of KBJNL and five to eight months for KNNL.

Reduction in CLA due to non-execution of budgeted works

2.1.15 The CLA under AIBP scheme is a portion of the works budgeted for the year by the State and the balance has to be arranged by the State Government from its own resources. The proposal for CLA under AIBP for each year is vetted by CWC and any shortfall in previous year is adjusted against the sanctioned amount for the current year. The details of budget, the CLA component in the budget and the actual expenditure incurred for test checked projects is given below:

(Rs. in crore)

Year	UKP Stage I-Phase III			UKP Stage II			Ghataprabha-Stage III		
	Budget		Actual Expen-diture	Budget		Actual Expen-diture	Budget		Actual Expen-diture
	Total	CLA component in Budget		Total	CLA component in Budget		Total	CLA component in Budget	
2003-04	174.90	0.00	94.19	305.51	163.48	236.48	93.20	13.01	55.45
2004-05	220.20	115.86	92.18	367.40	240.71	268.17	110.00	62.09	64.68
2005-06	107.07	0.00	61.13	358.99	197.76	272.29	133.23	65.00	92.47
2006-07	94.05	76.18	46.19	283.55	183.47	234.59	171.71	30.81	77.29
2007-08	137.24	71.23	50.10	234.97	102.07	119.51	135.09	72.61	66.23
2008-09	191.83	91.92	139.36	108.24	8.01	176.72	97.76	52.04	44.56

Note: Varahi is not included as the project is taken up during 2007-08 only.

It can be observed that:

In none of the years during 2003-09, the budgeted works were completed.

- the expenditure incurred on the projects varied widely. The actual expenditure to budgeted works ranged from 36.51 *per cent* to 72.65 *per cent* (UKP Stage-I Phase III), 50.86 *per cent* to 82.73 *per cent*[19] (UKP Stage-II) and 45.01 *per cent* to 69.41 *per cent* (Ghatprabha-Stage-III), thereby the targeted creation of irrigation potential was not achieved (refer table in paragraph 2.1.18).
- in none of the years during the period 2003-09, the budgeted works were completed fully. The failure of the company to execute the works within the programmed year resulted in reduced release of CLA in subsequent years.

This showed that the progress of work was not commensurate with the fund flow of CLA. As at March 2008 the actual expenditure[20] on works was not commensurate with the CLA sanctioned and released during 2007-08 resulting in unspent balance under UKP-Stage I-Phase III Rs. 78.34 crore, under UKP Stage-II - Rs. 59.20 crore and Ghataprabha Stage III - Rs. 14.44 crore.

[19] **excludes achievement of 163.27 *per cent* for 2008-09 as the expenditure includes compensation paid (Rs. 133.96 crore) for land and structures as per Lok Adalat awards.**

[20] **utilisation certificates for 2008-09 not furnished till date (September 2009).**

The Management of KBJNL attributed (July 2009) this to release of funds by the Central Government at fag end of the year. Hence, these amounts were carried forward to next financial year. Regarding shortfall in release of CLA, due to non-completion of budgeted works, the Government stated (September 2009) that the amounts would be released on receipt of Utilisation Certificate. The fact remained that if the budgeted works were not completed in the year in which they were proposed, the quantum CLA is treated as unspent to the extent of shortfall in works and adjusted in the subsequent year. Audit also noted that funding was not a constraint in taking up the works. The reasons for the delay, however, were attributable to problems of land acquisition, change in scope, extra financial implications during execution, insufficient monitoring *etc.,* which could have been tackled better if planned in advance.

Loss of grant component due to non-completion of projects in time

As a result of failure of the Company to adhere to commitment in MOU, the grant of Rs. 599.25 crore received during the period 2004-05 to 2008-09 by the State is liable to be converted to loan resulting in additional burden on the State.

2.1.16 As per the AIBP guidelines applicable with effect from April 2004, under a Memorandum of Understanding (MOU) between GOI and GOK, the central share of loan would be converted into 30 *per cent* grant and 70 *per cent* loan on timely completion of project. These guidelines were further modified and from 1 April 2005, the projects which were falling under drought prone areas were eligible for funding at 90 *per cent* grant on timely completion of project as per MOU. If State Government fails to comply with the agreed target date for completion, the grant component released will be treated as loan and recovered as per usual terms of recovery of Central Assistance. The implementing agency (KBJNL) proposed CLA for the years 2004-05 and onwards under the said provision through an MOU. The details of grant received are tabulated below:

Statement showing the grant received under AIBP in respect of UKP during 2004-2009			
Year	**Government order reference date**	**Amount (Rs. in crore)**	
		Stage I, Phase III	**Stage II**
2004-05	31-03-05	17.38	36.18
2005-06	12-09-05	17.38	36.03
	05-12-05		34.53
	29-03-06		24.80
2006-07	23-03-07	28.12	67.72
	31-03-07	4.54	10.94
2007-08	09-04-07	43.52	104.81
2008-09	29-03-08	28.49	40.83
	10-04-08	42.74	61.24
Sub total		**182.17**	**417.08**
Total of Stage I and Stage II		**599.25**	

The projects had not been completed as per the MOU and CWC in their Status Report focused the issues (February 2007) that the project authorities may speed up all the works so that the project is finished within the stipulated date of completion, *i.e.,* March 2008 positively, otherwise, the grant component would be treated as loan and recovered as per the usual terms of recovery of Central loan.

Audit observed that the GOK received (March 2005 to April 2008) grant of Rs. 599.25 crore under AIBP but none of the projects were completed as per MOU. As a result of the failure of the Company to adhere to the commitment in MOU, the grant received were liable to be treated as loan which would result in additional burden to the State.

The Management accepted (July 2009) the delay in completion of UKP projects and attributed that it was due to execution of additional structures, variation in estimated quantities, slow work progress due to dispute, adoption of new Schedule of Rate necessitating preparation and approval of fresh estimates, *etc.* The reply substantiated the Audit observation that the reasons were internal to the executing agency and with appropriate planning and implementation, delay could have been avoided. Projects were initially proposed to be completed within three-four years span and the reply does not justify the delay of three to eight years from scheduled date of completion. During the exit conference (September 2009) the Management stated that as extension was given, the grant component would be retained. Audit noted that approval for extension of work was for assistance under the project and it did not automatically translate to retaining the grant component.

Non-submission of Statement of Expenditure

2.1.17 The AIBP scheme envisaged submission of audited statements of expenditure (SOE) within nine months of close of financial year. Audit scrutiny revealed that such audited statements had not been obtained for any of the projects assisted under AIBP. It was further observed that seven[21] divisions (out of ten test checked) had not maintained the register of works as required under form PWA-12 (details of work wise expenditure), for the period 2003-08. In the absence of such a record, the Statement of Expenditure (SOE) incurred under AIBP could not be vouched.

The Management of KBJNL stated (July 2009) that CWC is accepting the certified annual accounts, while Management of KNNL stated (September 2009) that this was dispensed with as the annual accounts (of the Company) were certified by Statutory and Government Auditors. Audit noted that the procedure was not as stipulated under AIBP guidelines.

Achievement of dry potential

2.1.18 The milestones / deliverables of each project proposed under AIBP as discussed in para 2.1.4 *supra*, UKP Stage-I was 1,50,000 Ha., UKP Stage-II, 1,97,120 Ha. and Ghatprabha Stage-III 1,19,022 Ha. As against these physical targets set and achieved during the period 2003-04 to 2008-09 of these projects are given below:

[21] **Krishnapur, Chikuavankuni, Bhimrayangudi, Chigralli, Almel, Zalki and Koujalgi.**

(figures in Ha.)

	UKP-Stage-I, PhaseIII			UKP Stage-II			Ghataprabha Stage III		
Year	Progr-ammed	Achieved	*Per cent* of achiev-ement	Progra-mmed	Achiev-ement	*Per cent* of achieve-ment	Progra-mmed	Achie-ved	*Per cent* of achieve-ment
2003-04	23,814	19,517	81.96	33,051	15,835	47.91	25,256	24,579	97.32
2004-05	23,640	8,122	34.36	50,343	29,749	59.09	20,000	6,301	31.51
2005-06	15,622	4,221	27.02	68,090	17,860	26.23	21,104	3,258	15.44
2006-07	12,319	3,265	26.50	56,275	58,816	104.52	35,000	31,620	90.34
2007-08	9,385	103	1.10	21,995	11,222	51.02	5,837	3,135	53.71
2008-09	1,595	488	30.59	3,322	1340	40.33	2,271	-	-
Total	**86,375**	**35,716**	**41.35**	**2,33,076**	**1,34,822**	**57.84**	**1,09,468**	**68,893**	**62.93**

Physical progress was below 50 *per cent* in most of the years and was mainly attributable to change in scope, estimates and non-sychronisation of works.

It could be observed from the above table that the progress was below 50 *per cent* in most of the years. Audit observed that this was mainly due to change in scope of work, change in estimate, non-synchronisation of works and delay in grounding (taking up) of works thereby affecting the works leading to extra cost and time overrun of all the projects which were avoidable. The Project wise lapses observed in audit are discussed below.

Upper Krishna Project

Delay in completion of work and its non-synchronisation with other works

2.1.19 The work of construction of Distributory (Dy.) No.18 of Jewargi Branch Canal (JBC) from Km. 0 to 13 including structures was awarded (August 2000) for Rs. 6.13 crore at 5.50 *per cent* below the estimated cost, with a completion period of nine months (May 2001). While the work was in progress the Chief Engineer advised (May 2002) additional works[22] which was not estimated in the original scope of work. The total cost including the additional works were estimated at Rs. 9.69 crore. The proposal was submitted (March 2004) to the Technical subcommittee of the Company after two years. While considering the proposal of additional works the TSC observed that the contractor could not give progress due to his poor financial position and the TSC decided (April 2004) to rescind the contract without risk and cost to the contractor, by which time the majority (Rs. 5.11 crore of original scope) of work was completed but at a slow rate.

The balance items of work along with additional works were awarded at Rs. 5.28 crore (December 2004) at 17.41 *per cent* above the amount put to tender of Rs. 4.50 crore (revised estimated cost: Rs. 4.96 crore) to be completed by September 2005. The work, however, was completed (March 2007) after a delay of 18 months from the scheduled date. Though, the work of the original contract was rescinded as the progress was not good, the second contractor also completed the work after a delay of 18 months in spite of the additional cost /

[22] **reinforced concrete cement, box culverts, cross regulator-*cum*- escape along with Cart Track Carriage (CTC).**

tender premium, thus defeating the purpose of re-tendering. No penalty for the delay was imposed on second contractor also.

It was further observed that due to non-completion of above works, an amount of Rs. 14.61 crore spent already (May 2001 to Sept. 2003) on its laterals and the works amounting to Rs. 2.79 crore spent (May 2003 up to March 2007) on completion of Dy. 18 (Km. 13 to 19.20) were idling for three to four years due to non-completion of work as stated above which resulted in mismatch. The potential of 13,294 Ha. created under these areas (laterals and Dy. 18) could not be utilised till March 2007.

The Management stated (July 2009) that time was required for examination of proposals of extra financial implications at all levels and hence the delay was inevitable. Audit noticed that even those decisions which were within the control of Management were delayed due to bad planning and monitoring. In the exit conference (September 2009), the Management accepted the audit observation and stated that it was a contract management problem.

Delay in creation of additional potential due to improper tender process

2.1.20 The Company tendered 30 works relating to JBC during January 2006. As irregularities were noticed in the award of work, the Government, based on investigation recommended (November 2006) that 13 out of 30 works were to be rescinded and re-tendered.

Audit observed that the Company unilaterally rescinded (November 2006) the contracts without following the procedure stipulated under Clause 15 of the tender document which stipulated that notices were to be issued to contractor in writing before suspending the work. The contractors approached (December 2006) High Court of Karnataka against unilateral termination of contract. The Court directed (February 2008) the management to take action in accordance with law. The Management rescinded (November 2008) the contract and reawarded (February / March 2009) the work by inviting fresh tenders. As a result the work was delayed and envisaged potential of 1,402 Ha. was yet to be created (September 2009).

The Management stated (July 2009) that departmental enquiry was initiated against the officials.

Non-completion of distributary resulted in idling of assets and non-creation of irrigation potential

2.1.21 The planning relating to Laterals and sub-laterals (minors and sub-minors) were to be finalised and executed concurrently so that the benefits accrue within the schedule time. It was observed that there were cases wherein canal work had been completed but sub-minors / laterals were not completed in time. The table below details the idling of assets (Rs. 8.65 crore) created out of AIBP funds which delayed the creation of dry irrigation potential of 2,760 Ha.

Name of the canal	Date of comp-letion of canal	Name of lateral / sub-lateral	Present status of minor	Value of idling asset (Rs. in lakh)	Non creation of dry potential (in Ha)	Reasons attributable for non-completion of sub-minor / lateral
Dy - 16 of JBC Km. 6.03	January 2007	Km. 1 to 3.75 (including aqueduct) Lateral 1 and the sub-lateral	Work awarded in August 2003 to be completed in August 2006/May 2007 is still in progress (September 2009)	84.11	660	Delay in approval of design.
Dy. 15 of NRBC Km. 18.18	October 2006	Branch Distributory -3	Work awarded in November 2005 to be completed in August 2006 is still in progress (September 2009)	196.31	1154	Encountered Hard rock excavation
Dy. 15 of NRBC Km. 80.27	October 2006	Branch Distributory-5	Work awarded in August 2006 to be completed in May 2007 is still in progress (September 2009)	584.38	946	Non tackling of embankment portion
Total				**864.80**	**2,760**	

In respect of Dy. 16 of JBC, the work from Km. 1 to 3.75 and aqueduct were to be completed by August 2006 / May 2007. As the design was to be finalised, the work was still in progress (September 2009). Failure to complete the work resulted in idling of assets created in the earlier reach (Km. 0 to 1) and subsequent reaches (Lateral-1 and sub-lateral).

Similarly, in respect of Dy. 15 of Narayanapur Right Bank Canal (NRBC), though the main canal was completed, the Branch Distributory 3 and 5 to be completed by August 2006 and May 2007 respectively were not completed till date (September 2009).

The Management stated (July 2009) that frequent obstructions by people dwelling nearby, change in scope of work, necessity of additional structures and excavation of hard rock with controlled blasting delayed execution of work. Audit noted that the issues encountered by the Company did not justify the two to three years delay in execution. In the exit conference (September 2009), the Management accepted that the works were not synchronised and hence the mis-match.

Ghataprabha – Stage III

Slow progress in the lining of Ghataprabha Left Bank Canal (GLBC)

2.1.22 Tenders were called for execution of works of lining to GLBC main canal from Km. 51 to 109 and its distributaries during January 2006 and agreements / work orders issued during 2006-08 by two divisions[23] of KNNL. The works were entrusted under packages with each package having works of 5 to 6 kms stretch. The period for completion of work was three to four months. The total contract amount was Rs. 93.56 crore against which the financial

[23] **Bilagi, Jamkhandi division.**

progress achieved as at March 2009 was Rs. 39.33 crore indicating only 42 *per cent* progress in work. Specific reasons for delay in completing the works within the stipulated period were not on record. Audit observed that:

- under Bilagi Division, tenders in respect of lining of GLBC main canal (packages I to VII) and branch canals (packages VIII to XXVIII) were called, but there was delay in finalizing the agreements / work orders ranging from 8 to 24 months from the date of issue of tender.

- two works under Bilagi Division - Package I and II were inspected by the Chief Engineer (CE) (August 2007) who found that the strata met with was soft rock and not feasible for Un-coursed rubble masonry backfill with cement concrete (CC) lining. Audit observed no action was taken for 20 months after which the TSC rescinded (February 2009) the contract without risk and cost. The resultant cost escalation was Rs. 4.05 crore.

- the work of Km. 7 to 10 of Jamakhandi Branch Canal awarded (April 2006) for Rs. 1.05 crore with a stipulation to complete the work by May 2007 was extended up to July 2007, the financial progress achieved (July 2007) was Rs. 88.66 lakh. The reasons attributed for shortfall by the contractor was presence of hard rock in certain stretch which required controlled blasting, division rejected the claim as there were no villages in the surrounding areas. The TSC while approving rescinding of contract without risk and cost observed (May 2009) that the Chief Engineer / Executive Engineer had not addressed the problems encountered at the site for smooth execution of work and that they had proposed closure of contracts without proper examination of the cases. The balance work of Rs. 16.56 lakh was estimated at Rs. 34 lakh and the increase was mainly due to delay in taking action to address the problems at site.

- the works of lining Kunchanur Dy. and Maigur Dy. under Jamkhandi division and lining of GLBC main canal (package IV) under Bilagi division was awarded (November / December 2006) at Rs. 10.49 crore to be completed by June 2007. The progress on these works was Rs. 1.18 crore (11.25 *per cent*) as at March 2008. The TSC decided (May 2009) to rescind two works under Jamkhandi division. The revised estimates were yet to be prepared (September 2009) resulting in delay adding to cost escalation.

- as per clause 2(d) of the contract, in case of shortfall in progress, the contractor was liable to pay penalty at 1 *per cent* of the estimated cost of balance work assessed, for every day that the due quantity of work remained incomplete limited to 7.5 *per cent* of the estimated cost put to tender. It was observed in 36 test checked cases (Jamkhandi : 17 cases and Bilagi: 19 cases), the penalty levied was inconsistent in 15 cases. While in some cases penalty was not levied, in others it varied up to Rs. 100 per day of delay irrespective of progress of work. The penalty leviable in Jamdhandi and Bilagi under the tender clause worked out to Rs. 24.64 lakh and Rs. 1.93 crore against which only Rs. 0.40 lakh and

Rs. 2.61 lakh were levied resulting in short levy of Rs. 2.14 crore. The token penalty levied was not as per contractual terms.

Non-creation of potential due to delay in construction of canal

2.1.23 The works under the Km. 141 to 148 under Ghataprabha Right Bank Canal (GRBC) were awarded (2001-02) under four packages at a total cost of Rs. 5.35 crore with a stipulation to complete the works in one year. The contractor could not execute the works as the farmers objected to construction without payment of land compensation. The contracts were rescinded during (February 2004) without risk and cost. The financial progress achieved at the time of rescinding was Rs. 1.94 crore. Subsequently, works were awarded (November 2004 to March 2005) for Rs. 9.19 crore with stipulation to complete them within six months. Further, after award of works, additional works and variation of quantities due to change in strata (Km. 144 to 147) resulted in increase in cost by Rs. 1.57 crore. Though the works were to be completed within six months (May 2005 to September 2005) from the date of award of contract, these works were still in progress (September 2009).

Audit observed that Management was aware that land compensation was not settled when the works in the stretch of Km. 141 to 148 were awarded. Without arriving at any settlement, the works were awarded for the second time also.

Thus, inadequate planning led to cost escalation. Further, as subsequent reaches (Km. 148 to 170) were completed between May and December 2006 and May and June 2008, the potential of these reaches (17,500 Ha.) could not be utilised for more than two years.

Non creation of potential due to obstructions in construction of distributaries

2.1.24 Out of a total length of 197.40 kms of construction of Distributaries, 166.24 kms had been completed as of March 2009 leaving a balance of 31.16 kms. Test check of records at Gaddanakeri division revealed that 5,305 Ha. of potential was not created due to obstructions in land as detailed below:

Distributary	Potential not created (Ha.)	Remarks
Km. 2 and 3 of Karkalmatti Distributory	1,381	Works were awarded in April 2006 and to be completed by October 2006. Work rescinded in February 2009 after incurring Rs. 0.25 crore (out of Rs. 0.58 crore awarded) due to requirement of additional land not contemplated at the time of survey to which farmers objected as land compensation was not settled.
Km 1 to 6 of Mallapur Distributory	1,653	Work was awarded between December 2004 and February 2005 and to be completed by April and June 2005 (four months). While the work of Km. 1 was completed with a delay of three years, the works in the other reaches (Km. 2 to 6) for Rs. 1.37 crore remained incomplete even after lapse of four years mainly due to agitation by farmers.

Distributary	Potential not created (Ha.)	Remarks
Km. 2 to 10 of Kamtagi Distributory	2,271	Works at Km. 1 and Km. 11 to 14 Kamtagi Distributory were completed during 2006-08 at a total cost of Rs. 1.04 crore. Works were awarded between August 2005 and July 2008 to be completed by December 2005 and October 2008. It was observed that the notification for acquisition of required land at Km. 7 and minors at Km. 1, 2 and 3 were issued (May 2006, June 2007 and September 2007) after award of contract (August / September 2005) and work stopped due to non-settlement of land compensation.

Varahi Irrigation Project

Insufficient water flow

2.1.25 Based on the potential of Varahi River, a hydro electric station was established (August 1989 and November 1990) by Karnataka Power Corporation Limited[24] (KPCL) with two units of 115 MW which would give a continuous discharge of 31.15 cubic metres per second (cumecs) from the tail race of the power station. To utilise the same, the Government proposed Varahi irrigation project downstream of power house to irrigate a command area of 15,701 Ha.

In view of the power needs of the state, KPCL commissioned (January 2009) two more units of 115 MW and made the power station a peaking station[25]. The tail race discharge anticipated was limited to a maximum of seven hours a day. Audit observed that as the plant was intended to operate as peaking station, the discharge would not be continuous and would be limited to seven hours with the result that water would flow in the natural course of the river and not into the intended irrigation project through a wier (dam). Added to the above, the Energy Department of State Government granted (October 2005) permission to install 12 MW mini hydel power project at the left bank of Varahi Diversion weir to Shymili Mini Hydel Power Projects subject to condition that the intake structure / penstock level should not be lower than Irrigation Sluice which was at reservoir level (RL) 33.15 metres. The penstock, however, has been embedded at RL 23.72 metres which would also have an adverse bearing on the flow of water for the irrigation project.

In the exit conference (September 2009), the Government stated that the project was designed based on the data available and clearance obtained accordingly.

Undue benefit to the contractor in the construction of Varahi diversion weir

2.1.26 The estimate for the work of construction of Diversion Weir under Varahi irrigation project was awarded (January 2005) at Rs. 13.47 crore which was 40.22 *per cent* below the cost of work put to tender, with stipulation to complete in 24 months (Jan 2007). The work was not completed within the

[24] a State Government Company engaged in generation of power.

[25] Peaking station refers to supplying power during peak demand (*i.e.,* water meant to be released continuously would be discharged in a short interval to all the four units to cater to the power requirement).

stipulated period due to increase in depth of foundation, increase in stilling basin depth, change in seismic zone, increase in quantity of execution in hard rock with controlled blasting and entrustment of additional works subsequent to the award of contract which resulted in increase in total cost of the project to Rs. 72.33 crore.

Audit scrutiny revealed:

- the Technical Advisory Committee (TAC) inspected (October 2000) the site and observed that depth drilled was only eight metres at critical locations, which was insufficient to project the correct picture of the strata below and recommended drilling of more bore holes for foundation strata analysis. The directions of TAC, however, were not complied.
- the environmental impact assessment studies (March 1997) stated that the project area was free from wild life, archaeological monuments and places of worship. The Company, however, based on request of the forest department permitted controlled blasting (adopted if there are inhabitations, power lines *etc.,* in the vicinity), which increased the cost by Rs. 14.12 crore.
- works costing Rs. 8.75 crore were entrusted (December 2006) to the contractor as 'additional works' without following the system of open tenders as required under the Karnataka Transparency in Public Procurement Act 1999 (KTPP).
- the contractor approached for revision of rates for quantities to be executed beyond the tender period (May 2007). The Board approved (August 2007) revised rates for works executed beyond April 2007 (original contract period) at Schedule of Rates 2007-08 *plus* 8 *per cent* resulting in extra financial implication of Rs. 35.60 crore. Audit observed that the recommendation of the Board was not as per Clause 13 of the general terms and conditions of the agreement (PWG 65) which stipulated that for increase in quantities the tender discount / premium was to be applied and in this instant case, a tender discount of 40.22 *per cent* was not applied. This resulted in undue benefit of Rs. 20.53 crore[26] to the contractor.

In the exit conference (September 2009), the Management stated that Board had awarded the works without calling for tenders based on Technical Committee's decision. Audit noted that not inviting tenders was a violation of KTPP Act.

Idle investment on construction of salt water exclusion dam

2.1.27 The environment impact assessment study of Varahi Irrigation Project observed that after construction of weir, reduced discharge of water might allow entry of sea water up-stream to a certain extent. As intrusion of salt water would affect soil and ground water, an estimate for Rs. 7 crore was included to construct a vented dam by placing wooden planks and filling it with sand to avoid intrusion of salt water upstream. The scope was changed to

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[26] on three items for which data was available out of seventeen items.

include automated gates, cut-off wall and also to increase width of the road which was approved (April 2007) by the Government for Rs. 14.50 crore. The Government entrusted (April 2007) the work to Karnataka State Construction Corporation[27]. The Company (KNNL) further modified the design to erect vertical crest gates and afflux bunds increasing the cost to Rs. 35.62 crore and at prevailing (February 2008) Schedule of Rates the cost was Rs. 50 crore. Audit observed that water flow would deplete in the natural course of the stream only on completion of the entire project (2010-11) and as such actual cost incurred till March 2009 - Rs. 45.98 crore, would remain idle till that date. Failure to prioritise works resulted in idle investment whose envisaged role might begin beyond 2011.

Change in Standard terms of contract

2.1.28 The clause 4.7(e) of General terms and conditions of the tender (form PWG 65) stipulates that no extra payment would be made to the contractor for variation in cement content during execution if there was any change in design mix. Audit observed that the Company while awarding the contract to Karnataka State Construction Corporation modified the said clause to the effect that difference in payment would be added / deducted to the contractor for variation in cement content during execution. The change in standard terms to the benefit of contractor resulted in extra liability of Rs. 0.44 crore.

Land acquisition

Overview

2.1.29 The irrigation projects require land for laying canals / distributaries, submergence and rehabilitation and resettlement. The land required for these needs are identified and proposed by the division to the special land acquisition officer (SLAO) who acquires the land as per Land Acquisition Act 1894. The SLAO makes an award to be paid by the Company to the land owner. If aggrieved, the land owners seek redressal from the Court. The deficiency in the land acquisition is discussed below:

2.1.30 As per provision of Land Acquisition Act, 1894, the KBJNL acquired (up to March 2008) 1,75,162 acres of land submerged in back waters of Almatti and Narayanapur Dam, 58,092 acres for construction of canals, 13,812 acres for establishment of rehabilitation centers and 4,521 acres for construction of ayacuts / link roads and paid a total compensation of Rs. 1,648.70 crore. The above includes Rs. 110.42 crore for acquisition of 17,519 acres of land for canals and Rs. 217.94 crore for land submerged paid out of AIBP funds during 2003-08. In addition, the compensation for land / structure paid during 2003-08 as enhanced compensation decreed by the courts was Rs. 89.82 crore and Rs. 169.80 crore based on settlement by Lok Adalat[28] (paid between November 2008 and January 2009).

[27] a State Government Company.

[28] Lok Adalat (people's courts), established by the Government settles disputes through conciliation and compromise between the parties.

Non-mutation of land

2.1.31 Out of 2,53,541 acres of land acquired till date (March 2009) towards submergence in back waters of Almatti Dam, Narayanapur Dam and for construction of various canals / distributaries, rehabilitation centres and 4,315.08 acres of land acquired for rehabilitation / resettlement of Bagalkot town, the Company have filed applications for mutation[29] in respect of 1,06,098 acres in the respective sub-registrar offices and mutation formalities were in progress (September 2009).

Interest on delayed payment of Lok Adalat awards

2.1.32 As per Section 28 of the Act, the SLAO has to pay interest at 15 *per cent* on any delayed payment of enhanced compensation decreed by the courts. It was observed that the Lok Adalat had awarded (May / June 2007) payment of enhanced compensation, which were paid (November / December 2008) after a delay of 18 months in checking and processing the compensation. The delay in payment of enhanced compensation resulted in additional liability of Rs. 21.43 crore towards interest which was to be discharged by the Company. The Company has requested for funds from the Government which were still awaited (August 2009).

The Management stated (September 2009) that a committee was formed to take a decision on the pending cases and the compensation amount was paid within one month of receipt of funds. The fact remained that there was delay of 18 months from the date of Lok Adalat awards, in arriving at a decision for payment of compensation, resulting in additional liability of Rs. 21.43 crore.

Non-payment of net present value for forest land

2.1.33 GOI accorded (March 2004) approval for diversion of 129.60 Ha. of forest land for construction of Varahi Irrigation Project. As per the agreement (January 2005) KNNL was required to pay the Net Present Value (NPV) as fixed (January 2004) by Government to the Forest department. Due to delay in receipt of clarification from GOI the Forest Department did not raise the demand. A demand for payment of NPV amounting to Rs. 11.92 crore (including interest of Rs. 7.91 crore) was, however, raised in November 2008 which was to be paid by the Company (September 2009).

Violation of Forest (Conservation) Act

2.1.34 The alignment for Ghataprabha Right Bank Canal (GRBC) from Km. 150 to 180 was surveyed (2001-02) and approved by Chief Engineer, Belgaum and tender called for during 2002-03. The alignment of the canal was in forest land under different reaches. Two proposals for diversion of forestland aggregating to 131.32 Ha. were submitted in February 2003 and November 2003 to Deputy Conservator of Forest, Bagalkot. The District Forest Officer, Bagalkot issued (November 2004) summons to the Executive Engineer, Gaddanakeri Division for illegal construction of GRBC. The Government conducted (November 2004) a meeting of irrigation, forest and

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[29] Mutation refers to acquiring the titles to the change in ownership of land.

revenue officers and identified equivalent area of non forest land for compensatory afforestation. The Company furnished (November 2004) an undertaking to bear the cost of raising, maintenance of compensatory afforestation as well as cost for protection and regeneration of safety zone in the non forest area. A consolidated forest land acquisition proposal for 175.35 Ha. was submitted (March 2005) to Ministry of Environment and Forest, GOI, which was pending finalisation (September 2009).

Audit observed that Forest (Conservation) Act 1980, restricted use of forest land for non-forest purpose and Forest Advisory Committee was empowered to grant approval for use of forest land for non-forest purpose which should have a comprehensive scheme for compensatory afforestation. No such proposal was submitted before November 2004 by the Company. Out of 175.35 Ha. of forestland, 117.62 Ha. was excavated by the Division in violation of the Act. The Company neither justified the need for excavation of forest land nor the revenue land procured for compensatory afforestation through GOK till date (September 2009), though a demand for Rs. 1.73 crore being the 50 *per cent* cost of the revenue land was raised against the Company by District Commissioner, Bagalkot as early as in April 2005.

Further, the works on Chichkandi Distributory (Km. 12 to 15) under GRBC, awarded during 2004-07 at a cost of Rs. 2.45 crore, had to be rescinded in May 2006 as the illegal excavation were objected to by the Forest Department resulting in non-creation of irrigation potential of 1,465 Ha.

Rehabilitation and Resettlement

2.1.35 The Rehabilitation and Resettlement (R&R) policy of the Government provided for compensation for loss of land / property and also established the rights for resettlement and rehabilitation in addition to compensation for loss of land / structures determined as per provisions of the Land Acquisition Act, 1894, for submergence of villages in the back waters of Almatti Dam and Narayanapur Dam. The R&R policy provided protection of rights, welfare and culture of the affected families, reduced distress to the maximum, compensated for dislocation by ensuring a fair share to the affected people in the newly acquired / built rehabilitation centers and general prosperity of the area. Further, the R&R policy provided for payment of ex-gratia at various rates for purchase of land either irrigable or un-irrigated per family who had lost all or part of their land and for an appropriate income generation to the Project displaced families (PDF).

Under AIBP funding during 2003-08, an amount of Rs. 276.68 crore was paid (ex-gratia: Rs. 15.79 crore, infrastructure: Rs. 56.15 crore, rehabilitation and resettlement of Bagalkot Town including structures: Rs. 204.74 crore). Apart from this, an amount of Rs. 209.16 crore was spent (2003-08) under AIBP funds by Bagalkot Town Development Authority (BTDA)[30] for creation of infrastructure in the new township (Navnagar). A total number of 17,203 housing plots were formed in the township of which 13,269 plots were allotted

[30] **a body set up by the Government for the purposes of development of rehabilitation and resettlement of old Bagalkot town.**

to Project Displaced Families (PDFs) free of cost. Besides, house construction grants of Rs. 1.50 crore were distributed to 740 PDFs who were Below Poverty Line. A test check of records showed deficiencies in implementation of R&R for the project as discussed below:

Idle investment on land and development works

There was low occupancy in Rehabilitation Centres.

2.1.36 For rehabilitation of villages submerged in the back waters of Almatti Dam and Narayanapur Dam, KBJNL established 136 rehabilitation centers (RC) spread over an area of 13,834 acres of land acquired for the purpose. Of the above, 31 RCs spread over an area of 3,267 acres were established during 2003-08 for rehabilitating 23,300 Project Displaced Families (PDF). The occupancy status in the newly established RC was as below:

Division	No. of RCs	Area in acres	Cost of acquisition (Rs. in lakh)	Date of completion of work	Total no. of PDFs	No. of PDFs who occupied RCs	Occup-ation in *per cent*
Almatti	7	462.03	246.01	Nov. 2004 to Mar. 2008	4,425	1,771	40
Jamakhandi	14	1,784.02	894.15	Feb. 2004 to Feb. 2008	12,568	1,108	9
Bagalkot	10	1,021.37	651.48	Jul. 2003 to Dec. 2008	6,307	2,233	35
Total	**31**	**3,267.42**	**1,791.64**		**23,300**	**5,112**	

Audit observed that:

- six RCs costing Rs. 6.04 crore in Jamkhandi division for rehabilitating 4,695 PDFs remain unoccupied till date (March 2009).
- twenty five RCs established at a cost of Rs. 19.92 crore to rehabilitate 18,605 PDFs were underutilized as only 5,112 PDFs had resettled resulting in average occupancy of only 27 *per cent*.
- no development expenditure has been incurred in respect of six RCs under Almatti and Jamkhandi divisions. In 25 RCs, the Bagalkot Town Development Authority (BTDA) had spent only 70 *per cent* (Rs. 8.02 crore) (March 2008) against an estimated development cost of Rs. 11.30 crore.

The Management stated (September 2009) in exit conference that villagers could not be compelled to occupy the houses in the rehabilitated area. Audit noted that the low occupation was mainly due to RCs being located away from fields of displaced families and lack of employment opportunities.

Potential creation

Non-creation of field irrigation channels (FICs) resulted in non-achievement of objectives of AIBP

Non- creation of FICs affected availability of water to farmers.

2.1.37 Under the AIBP Scheme, the scope of work of the implementing agency ends with creation of outlet potential (dry potential) at distributary and lateral level. The CADA executed FICs to take water to the fields of the farmers. The funds were released to CADA by the Government through the Company. Audit observed that even though dry potential was created there was back log in creation of FICs. The table below details the FICs created against the ultimate irrigation potential under AIBP Programme as at the end of March 2009.

(Area in Ha.)

Name of the project	Ultimate Irrigation potential under AIBP	Dry Potential created	Perc-entage of comp-letion	Field irrigation channels completed	Balance field irrigation channels to be created	Percentage pending completion
UKP Stage I-Phase III	1,50,000[∝]	1,47,785	98.52	1,33,617	14,168	9.59
UKP Stage II	1,97,120	1,79,512	91.07	1,61,345	18,167	10.12
Ghataprabha Stage III	1,57,120	1,47,401	93.81	1,17,031	30,370	20.60
Total	**5,04,240**	**4,74,698**	**94.14**	**4,11,993**	**62,705**	**13.21**

From the above it could be seen that though dry potential had been created, wet potential has not been created to the extent of 13 *per cent* affecting the objective of AIBP of providing water for irrigational purposes.

The Management stated (July 2009) that allocation of funds had to be done from its overall budgetary allocation. In the exit conference, the Management stated (September 2009) that dry potential was created. Audit noted that unless adequate budgetary support was provided to CADA for creation of wet potential, the ultimate objective of AIBP of providing water to the farmers would not be realised.

Reduction in potential creation due to non reclamation of water logged area

2.1.38 The prolonged water logging due to non availability of proper drainage system in the command area turned the soil saline and alkaline. As per DPR of UKP, water logging in an area of 1,862 Ha. and salinity of soil in an area of 356 Ha. were anticipated. The table below indicates the total command area affected in the project based on study by CADA:

Figures in Ha.

Name of the project	Saline	Alkaline	Water logged	Total
UKP	17,218	30,767	11,614	59,599
Ghataprabha	8,562	585	19,580	28,727
Total	**25,780**	**31,352**	**31,194**	**88,326**

Note : The figures given in table are for the projects as a whole (exclusive data on AIBP areas are not available / maintained).

The irrigable land reduced by 88,326 Ha. (both the projects as a whole) instead of the anticipated reduction of 2,218 Ha. due to non-reclamation of water logged area. Compared to the total potential envisaged under UKP (6.22 lakh Ha.) and Ghataprabha (3.11 lakh Ha.), the affected area not fit for cultivation represented 9 *per cent*.

[∝] **includes additional potential (6,161 Ha) proposed under Jewergi Branch canal and other canals.**

Monitoring

Monitoring mechanism in the State

Monitoring was inadequate.

2.1.39 A Monitoring and Evaluation Cell, headed by Superintending Engineer (SE), was created specifically to monitor AIBP projects. The cell had to review the physical and financial progress of all the AIBP projects of the state to evaluate and monitor their progress. The cell neither evaluated nor conducted any meetings to address the bottlenecks in execution of AIBP projects.

Though regular monthly monitoring review (MMR) meetings are held by the Chief Engineer at the zonal level and by the Pr.Secretary, Water Resources Department at the Government level to review and monitor the projects of the state as a whole, the bottlenecks faced in execution of AIBP projects were not redressed timely. The failure to monitor each project under AIBP assistance has resulted in delay in execution leading to cost and time overrun as brought out supra.

The Management stated (July 2009) that the Monitoring and Evaluation Cell regularly reviewed the AIBP projects of the entire state. Audit observed that the representative of Cell participated in the MMR meetings. However, in the MMR meetings the discussions were about all the projects and specific problems and bottlenecks of AIBP projects were not exclusively discussed. As the Cell was responsible for monitoring projects under AIBP, participating in the regular MMR meetings did not contribute to effective monitoring exclusively for AIBP.

Acknowledgement

Audit acknowledges the co-operation and assistance extended by the staff and the Management of the Companies at various stages of conducting the performance review.

Conclusion

- **The desired creation of potential of AIBP could not be derived in effective manner mainly on account of issues of land acquisition, change in scope and non-awarding of works resulting in increase in the cost of project.**

- **As the projects could not be completed within the committed period, the central assistance of Rs. 599.25 crore received in the form of grant is liable to be treated as loan.**

- **Though a dry potential of 44 *per cent* of target had been created as of March 2003, the companies could achieve 94 *per cent* till September 2009 *i.e.,* only 50 *per cent* was created in last six years. Wet potential to the extent of 13 *per cent* had not been created, thereby affecting the ultimate objective of AIBP.**

- **The monitoring system was inadequate and not commensurate with the task.**

Though the State projected projects for implementation since 1996-97, through AIBP programme, the intended objective of accelerating the irrigation benefit in four agricultural seasons are still to be achieved even after a delay of three to eight years and cost overrun of Rs. 2,012 crore.

Recommendations

- **The Company should plan and co-ordinate land acquisition appropriately so as to avoid delays in awarding of work and cost over run.**

- **Works should be estimated more cautiously so as to minimize the delays on account of change in scope of design.**

- **The Companies should ensure timely progress of work as committed to avoid loss of grant from the Central Government.**

- **The Government should ensure that CADA creates the Field Irrigation Channels in time so that benefits reach the farmers.**

- **Monitoring system needed to be strengthened to effectively redress the bottlenecks for timely completion of projects.**

2.2 Karnataka Soaps and Detergents Limited

System development of Supply Chain Management software

Executive Summary

The Karnataka Soaps and Detergents Limited was incorporated in 1980 by integrating the activities of the erstwhile Government Soap Factory in Bangalore and the sandal oil units at Shimoga and Mysore. The company manufactures toilet soaps, detergents, sandal oil, agarbathies and talcum powder.

Finances and Performance

The turnover of the company for the year 2007-08 was Rs. 146 crore and it earned a pre-tax profit of around Rs. 12 crore during the year. The company has six sales offices across the country.

IT initiatives

The Company decided (July 2008) to implement enterprise-wide computerisation covering all functional areas. It embarked (February 2009) for implementation of a customised software application for Supply Chain Management (SCM) covering purchases, inventory and sales / distribution at a cost of Rs. 10.85 lakh.

Absence of policy, strategy and planning

The Company has not formulated any IT policy or drawn up any IT strategy for preparation of long term and short term plans for computerisation. As a result, it could not realign and link its business / organisational strategy with the IT strategy for achievement of its business objectives / goals. The Company commenced implementation of SCM software without comprehensive planning and conducting a feasibility study to review the technology / hardware options. It did not adopt any formal system development life cycle methodology. Also, the project initiation and user requirement documents were not available.

Project Management

In the absence of an agreement, the system design documents, process control specification documents and test documents were not provided by the vendor. There was no provision for incorporating a performance monitoring and an embedded audit module in the SCM software. Though the entire work was to be completed by June 2009, not even design of a single module has been completed and installed in server of the State Data Centre.

Staffing

The company did not have an IT Head / Department. The Company has not taken any initiatives for defining the various positions required for IT functions and policies with regard to recruitment. As a result, competent personnel were not available to take over and run the SCM software.

Conclusion and recommendations

The Company does not have an IT policy, strategy and long-term plan. The progress of implementation of SCM software was slow. As the project is under implementation, required documents, specification, manuals etc., needs to be obtained from the vendor. Necessary physical and environmental controls need to be reviewed with reference to requirements. The Company should draw up and document IT policy and appoint a senior functionary to plan, monitor and implement its IT activities.

Introduction

2.2.1 The Karnataka Soaps and Detergents Limited was incorporated in 1980 by integrating the activities of the erstwhile Government Soap Factory in Bangalore and the sandal oil units at Shimoga and Mysore. The company manufactures toilet soaps, detergents, sandal oil, agarbathies and talcum powder. The turnover of the company for the year 2007-08 was Rs. 146 crore and it earned a pre-tax profit of around Rs 12 crore during the year. The company has six sales offices across the country. The affairs of the company are managed by a Board of Directors appointed by the State Government and the day to day activities are carried out by the Managing Director. In the absence of an IT Head / Department in the company, the IT initiatives were executed by the Deputy General Manager (Projects).

I T Initiatives

The company decided to implement Supply Chain Management software in February 2009.

2.2.2 In July 2008, the company decided to implement enterprise-wide computerisation (ERP system) covering all functional areas for improved sales forecasting, production planning, reduction of inventory and improved delivery performance for which an allocation of Rs. 25 lakh was approved by the Board. As part of this project, it embarked (February 2009) on implementation of a customized software application for Supply Chain Management (SCM) covering purchases, inventory and sales / distribution at a cost of Rs 10.85 lakh in the first phase. The SCM software was envisaged to take care of all activities related to sourcing and procurement of raw material, inventory management and distribution of finished goods to the market. The project is in the final stages of completion. ERP system to cover other functions like production, HRD, finance *etc.,* was proposed to be implemented under the next phase of the project.

Scope of Audit

2.2.3 The audit review covered the system development of the SCM software package under implementation along with a general review of the IT policy and strategy of the company. The audit review was conducted during May-June 2009. Audit attempted a parallel / concurrent review of the SCM project as the design stages were being executed. The entry and exit conferences were held in June 2009.

Audit Objectives

2.2.4 The development of Supply Chain Management software was reviewed with the following objectives to check and ensure whether:

- the company has formulated an IT policy by identifying its vision, goals and objectives and formulated the strategy and plan for achievement thereof.

- the company has realigned its organisational / business strategy with the IT strategy for realisation of its business objectives.
- the IT initiatives implemented / planned supported the business needs of the company and whether adequate controls were put in place to ensure data security, accuracy, and reliability.
- the various stages such as feasibility study, system design & development, implementation were carried out in a planned and systematic manner.
- the IT resources were used efficiently and effectively for optimum benefit and procedures were in place to safeguard IT assets.

Supply Chain Management (SCM)

2.2.5 Supply Chain Management (SCM) encompasses the planning and management of all activities along the supply chain, *i.e.,* like sourcing, procurement and movement of raw materials from the point of origin to movement of finished goods to the point of consumption. It also includes coordination and collaboration with suppliers, intermediaries, third party service providers and customers. SCM integrates supply and demand management within and across companies.

SCM Software refers to a range of software tools or modules used in executing supply chain transactions, managing supplier relationships and controlling associated business processes. The software often includes forecasting tools used to balance the supply and demand by improving business processes and using algorithms and consumption analysis to plan future needs. It may also include integration technology that allows organizations to trade electronically with supply chain partners.

Audit Findings

2.2.6 The general issues relating to planning and implementation of IT initiatives along with deficiencies noticed in system development of SCM application and project management are given in the succeeding paragraphs.

IT Policy and strategy

In the absence of a clear business strategy, the IT strategy to achieve business goals could not be formulated.

2.2.7 Though the company has implemented various IT initiatives since 1994, it has not formulated any IT policy for laying down its short and long term plans for computerisation. It has not drawn up any IT strategy and road map for IT initiatives, which may result in *ad-hoc* implementation of projects with risk of failure. The Company has not made any attempt to link its organisational / business strategy with the IT strategy before embarking on the new initiative which was part of enterprise-wide computerisation. In the absence of clear business strategy or goals, it was not possible to shape the IT strategy required to achieve the business goals or to prepare a road map for computerisation.

There was no Steering Committee or a standing committee of a permanent nature since 1994 to continuously evaluate / review the IT needs and to take timely decisions with regard to its IT needs. The company also did not have a functional IT Head / Manager to advice the top management and to oversee the functioning of the existing systems / implementation of new IT initiatives. The company has not taken any initiatives to formulate and document policies, procedures and external controls which are sufficient to ensure data integrity, security, accuracy and reliability and for utilisation of its IT assets to derive optimum benefit.

The Management stated (August 2009) that the company has not formulated any IT policy as the company had not planned for full computerisation of all activities, but also stated that computerisation was planned to be implemented in a phased manner.

The reply indicated that the IT initiatives taken up so far were implemented in an *ad-hoc* manner without formulating any policy and strategy, which was essential for orderly implementation of computerisation.

System development of Supply Chain Management (SCM) application

The SCM Project

The SCM software has three modules, sales, procurement and inventory.

2.2.8 In July 2008, a proposal for implementation of a project called "Implementation of networking systems in various branches, C & FA's Godowns and RDS points" was placed before the Board of Directors of the company. The Board approved implementation of a web based networking system for sales and distribution at a total cost of Rs. 25 lakh in a phased manner. The proposal did not contain specific details of computerization like the various technological / hardware options available and how the expected benefits were going to be realized through computerization. The Managing Director later approved implementation of sales, procurement and inventory modules and the project was christened SCM Project for the purpose of implementation.

Subsequently, the scope of work was prepared for implementation of SCM software with the above three modules, *viz.,* sales, procurement and inventory. It was decided to use the server in the State Data Centre of the State Government and to develop the software in Web enabled architecture. Competitive tenders were invited in November 2008, for development of SCM software under the two part system of technical and financial bids and CMR Design Automation (P) Limited, New Delhi (CMR) was selected based on their lowest tender. The work was awarded to them on 30 January 2009 at a total cost of Rs. 10.85 lakh and the entire work was to be completed by the end of November 2009. A core technical group comprising DGM (Projects) as Project Coordinator, and representatives from IT User groups in sales, purchase and stores was constituted to oversee the implementation in February 2009.

The date of completion of the work was rescheduled in March 2009. Though the entire work was to be completed by 30 June 2009, not a single module has been installed in the server of the State Data Centre as laid down in the work order.

System development methodology

The company did not adopt any formal system development life cycle methodology for implementing SCM project.

2.2.9 The Company did not adopt any System Development Life Cycle (SDLC) Methodology for implementing the SCM project by splitting the project into various stages like project initiation, feasibility, system design, implementation, installation and post installation for systematic and effective implementation. An SDLC methodology follows a structured approach which would permit ordered evaluation of the problem to be solved, an ordered design and development process and an ordered implementation of the solution. A structured approach with proper documentation would also enable proper monitoring of the project development by offering a number of points during the project where progress against pre-defined deliverables can be reviewed and corrective action taken.

Project Initiation stage

2.2.10 Though a business case or a need for a solution existed for the project, no formal Project Initiation Document was prepared after conducting a preliminary review of the existing system to conceptualize a solution to be implemented by computerisation. In the absence of detailed project initiation documents it could not be ensured that the business case or the justification for the project was analysed with reference to staff / training needs, present and future business needs *etc.* The Company did not constitute any steering committee for planning and executing computerisation. The core technical committee was constituted (February 2009) after the entire process relating to scrutiny of tenders, defining the scope of work and awarding the work was completed in January 2009.

Feasibility stage

No feasibility study was conducted to evaluate the various technology options and for assessing user requirements.

2.2.11 A feasibility study is required for determining the most appropriate solution to an identified problem in terms of organisational capability, economic justification and technical suitability. In this stage, the user requirements are established and documented for forming the basis for the proposed solution. It is in this stage that the various alternatives and their justification are examined before conceptualizing the solution. However, the company did not conduct and document any feasibility study for the implementation of the SCM project, which had the following consequences.

- in the absence of a proper feasibility study, it was not clear how the company evaluated its requirements and selected the technology options objectively. The evaluation based on which the decision was taken to implement SCM, in preference to increasing the level of computerization in areas like finance where data availability was high and the relative benefits of implementing other alternatives were also not documented.

- though it was reported that the other modules like finance *etc*., would be developed and installed in later phases, no document was available / prepared for the development of these modules without which the computerization would be incomplete. This indicated deficiency in planning which would come in the way of orderly implementation of later stages in case of change in personnel / top management.

- the SCM could not have been conceived without planning for the network and connectivity between various departments / users. It was not clear whether any plan was drawn up and approved for implementation of networking and communication software in synchronization with the software development.

- documents showing the detailed user requirements, internal control requirements *etc.,* were not prepared and as such the company could not ensure that all the user requirements were incorporated in the design stage. These were communicated to the developer orally through discussions / meetings.

- the capacity of the organization to manage the related technologies, skills required by the staff to handle the applications *etc.,* could not be ascertained. As such competent personnel would not be available to take over the system when it is completed.

Preparation of System Requirement Specifications (SRS)

2.2.12 CMR made a detailed study related to the project planning and analysis phase and submitted a detailed System Requirement Specifications (SRS) in February 2009. The SRS was tentatively approved by the Project Coordinator and signed off in March 2009. The SRS prepared by CMR envisaged development of 3 modules, *viz.,* 'e-distimate' for sales / distribution, 'e-procurement' for purchase of raw materials and 'e-inventory' for stores and consumables. The 'e-destimate' module was to take care of all activities from production delivery note (PDN stage) right up to warehousing and ultimate sale (Invoicing stage) and the 'e-procurement' from preparation of bill of materials (BOM stage) to placing of purchase order (PO stage), while the 'e-inventory' module was to deal with all stages of planning and procurement of stores.

System Design and detailed design stage

2.2.13 System design process is the translation of users' needs or goals into software products and is an important stage in system development. It comprises several stages like specifying user requirements, general design, detailed design, systems development, development testing, acceptance and so on. It is in this phase of the project that the conceptual solutions, determined through feasibility study would be translated into workable solutions ready for further detailed design improvement and ultimate implementation. This would be achieved through the following:

System design documents were not made available by the vendor for approval and the same could not be insisted due to absence of any agreement.

- preparation of detailed system outline, formats, flowcharts *etc.,* and defining of input and output formats.
- incorporation of all internal controls and operating procedures
- definition of all functional specifications.

Implementing the above procedure would ensure that the general design of the system expands on the finding of the preliminary study and user requirements to produce a functional description of manual and EDP processes and provides an overall system design that could be adopted for final implementation after necessary improvement.

The system design stage was not implemented properly as evidenced from the following:

- the company did not adopt any system development methodology covering the design issues relating to input, processing, output, internal controls, security, change management controls *etc.,* for implementation of the design stage.
- the system specifications prepared by CMR (Vendor) were not handed over to the company for approval by users and acceptance by the Core Committee created for implementation of the project. As a result, the completeness, accuracy, security *etc*., of the software was left to be ensured by the Vendor.
- after finalization of the preliminary design specifications, the final detailed design specifications were also not subjected to any management scrutiny by the Core Committee.
- in the absence of a software development agreement, it will not be possible to obtain the system development documents from the vendor. It was also not clear whether the detailed test plans created by the vendor were obtained and reviewed to ensure that all the user requirements have been tested.
- though the company did not have an IT Department or IT specialists, the documents relating to system design, process control specifications and test documents could have been obtained from the vendor by entering into an agreement for getting them scrutinized by third party experts / IS Auditors.

Though the entire work was to be completed by June 2009, the project was still under design stage and the design development has not been completed for implementation. In the absence of system design documents, process control specification documents and test documents, audit could not verify whether the system will operate efficiently and effectively after implementation.

The Management stated (August 2009) that tenders were invited after discussions with various software vendors and a core committee was constituted with members from various departments to study the user requirements. It was also stated that the various modules were proposed to be implemented in phases and the company would obtain all the required manuals, data structures, source code and other relevant documents from the vendor before making final payment.

However, the fact remained that the SCM project was implemented without conducting a feasibility study, preparation of project initiation documents and detailed design documents. Further, it was also clear that a structured system development methodology was not followed and no agreement was executed before commencement of the project.

Project Management - SCM

Contract / agreement for software development

No agreement or contract was executed with vendor for software development.

2.2.14 The vendor for implementation of SCM software was selected duly following the tendering procedure. A scope of work was prepared detailing the technology, system requirements, features required, transactions / work-flow, reports to be generated, hardware, training, time frame *etc.,* and the scope of work was made as part of the tender documents along with general conditions and information to bidders.

However, the company did not execute a separate formal contract / agreement with CMR for software development and the tender documents also did not incorporate any such conditions that the successful bidder should enter into an agreement. An analysis of the scope of work and general conditions which were part of the tender revealed that the following issues which were peculiar to software development contracts could not be assured in the absence of a formal software development agreement:

- assurance / warranty from the vendor that the product will perform as specified in the scope / SRS / terms and conditions and whether the vendor will continue to support the software for a reasonable period of time after the warranty period.
- the parameters for measuring the performance of the product / specifications.
- assurance / warranty that the product will meet the requirements in the company's operating environment.
- the indication as to the level of performance for the product and applications.
- the details of remedies available to the company in case the product fails to achieve the performance levels.
- provision for making available operating manuals for the system analysts and programmers to understand the application.

- the conditions as to the documentation required for tracking down and correcting problems in future.
- the period of maintenance warranty and the aspect relating to the right of the company to have the maintenance performed by a party other than the vendor.
- the conditions regarding the up-gradation of the application software in accordance with the operating system up-gradation.
- the procedure for making requests for change in software, conditions thereto and cost of enhancing the software in future.
- penalties in case the contractor fails to meet the contractual requirements in terms of technical performance requirements, provision for termination of contract, terms / conditions for termination and jurisdictions for legal proceedings.
- provisions as to whether the software could be moved from the present hardware to any other (next most logical) hardware in case of need and terms and conditions thereof.

The Company has paid an amount of Rs. 1.95 lakh, being 20 *per cent* of contact value to the vendor without executing any agreement. As there have been schedule slippages in the project, it will be difficult to handle disputes which may arise in case a proper / legally enforceable agreement is not entered into at the earliest.

The Management stated (August 2009) that the company has entered into a service level agreement on 29 June 2009 mentioning the details of deliverables under the project.

Project execution and progress

The terms in the amended work order regarding dates for completion of each stage were overlapping.

2.2.15 According to the work order issued to CMR, the procurement and inventory module was to be implemented first and completed before 31 March 2009, followed by the installation of Sales and Distribution Module at one sales office (Bangalore branch) by 15 April 2009. The entire work on the project was to be completed by 30 November 2009. As regards the payments to be made, it was stated that 30 *per cent* of the order value would be released on implementation of all the modules in the Bangalore sales Office and 50 *per cent* was to be paid on completion of the entire work. The balance 20 *per cent* was payable only after the performance guarantee period of one year from the date of completion of the project (30 November 2010).

The work order dated 30 January was accepted by CMR and they started the work on the project from February 2009. After starting the work CMR wrote to the company on 10 February 2009 and requested for implementation of the sales module first followed by purchase and inventory module and for some changes in the payment schedule.

In response to the above request of CMR, the company issued an amendment to the Work Order on 25 March 2009 stating that the work order has been amended only in terms of payment and other terms and conditions remained unchanged. It was also stated that the basic forms and tables of the sales module software are ready for installation at SDC and CMR has completed imparting of training to sales personnel and created the database relating to the sales and distribution activities.

Audit scrutiny revealed that:

- though it was stated in the amendment to the work order (25 March 2009) that only the payment terms had been changed, the amendment had, in effect, changed the order of implementation. The amendment also changed the date of completion from November 2009 to June 2009. The reason for these changes was not on record. The progress made so far indicated that the original time limit was more realistic.

Though the entire work on the project was to be completed by 30 June, even a single module has not been developed and installed in the SDC Server.

- dates indicated for completion of each item of work in the amended work order were ambiguous and lacked clarity and definiteness. The date for completion for stage 3 was indicated as 30 April 2009 while the completion date for stage 4 which was to happen later was indicated as 1 April 2009. Likewise, the date of completion indicated for stage 5 was 30 April 2009 while the completion date indicated for the next stage (Stage 6) was 10 April 2009. Even if two activities could be run concurrently, the percentage for making payments should have been combined while indicating the dates.

- it was reported that the basic formats and design tables of the sales module software are ready for installation and would be installed soon in the SDC server. It was not clear as to how this could be achieved after partial completion of the module and without completing the system study of all the modules and testing the software.

- the first stage could be deemed to have been completed only after installation of the software at SDC. As such, it cannot be said that CMR has completed the first stage of the project as per the amended work order. However, CMR has completed the second stage of imparting training for which they were eligible to receive 10 *per cent* payment.

Though the entire work of SCM project was to be completed by 30 June 2009, CMR has not been able to complete the detailed systems design stage even in respect of Sales module. Only partial implementation of the sales and distribution module up to depot level has been achieved along with system study of the other two modules, which was not in conformity with the amended time schedule. However, an amount of Rs. 1.95 lakh representing about 20 *per cent* of the contract value less service tax was paid to CMR on 9 June 2009.

The Management stated (August 2009) that the delay in execution of sales module was due to the time taken for collection and reconciliation of data from various depots and further payments would be made based on the progress of implementation.

The reply confirmed the delay in execution and poor project planning and execution. Further, it was clear that the payment already made was not in proportion to the progress achieved as only 15 *per cent* was payable after installation of e-distribution software, which has not been executed so far.

Performance Monitoring

2.2.16 An examination of the detailed SRS prepared for implementation of SCM Project revealed that there was no provision for incorporating a 'Performance / Activity Monitoring Module' and an Audit Module. The implementation of SCM software with the ultimate objective of enterprise-wide computerisation makes it imperative that the top management implement processes and procedures to ensure that performance of IT systems are continuously monitored. To ensure that exceptions are reported and appropriate actions are taken to maximize system availability, quality and level of performance, the following systems and procedures have to be established.

There was no module for performance monitoring or any provision for an embedded audit module in the software.

- Reporting System is created and periodical reporting is made to the management about the health / functioning and performance of the EDP centre.
- logs of hardware are maintained for recording their usage, downtime *etc.,* and the same are analyzed periodically for appropriate action.
- the nature of reports, periodicity, level to which reported, levels at which they are considered, the procedure for taking action *etc*., are laid out.
- business continuity, back-up and data / disaster recovery plans are implemented and constantly reviewed.
- Service Level Agreements are entered into with third-party service providers and their performances are continuously evaluated.
- third party evaluation and independent security and internal control certification are obtained periodically.

In the absence of a performance monitoring system, problems relating to software utilisation, enhancement, change management, controls, infrastructure, connectivity, maintenance and staffing will go unreported or even if reported would be left unattended by the top management.

The Management stated (August 2009) that action will be taken to implement the suggestion given by audit.

General

Organization and staffing

There was no IT department in the company. No action has been taken to recruit IT personnel to take over and run the SCM software after implementation.

2.2.17 Though the company has embarked on the implementation of SCM software, it does not have a separate IT Department. Having decided to implement SCM, the company would become increasingly dependent on information technology to carry out its business operations in the future. As a consequence, it becomes imperative to put in place a proper IT organization to manage the associated risks to data security, integrity, confidentiality and compliance with regulatory requirements in an efficient and effective manner. Continuous evaluation of staffing requirements also assumes great importance to ensure that the IT function has sufficient number of competent staff at all times to support the organisational needs.

- the Company has not taken any initiatives for defining the various positions required for IT functions, job descriptions, skills, authority, responsibility, performance indicators for various positions and policies with regard to recruitment *etc.,* which was essential to ensure that sufficient number of competent personnel is available to support the IT function especially after the SCM is implemented and for further enhancement to ERP.
- policies for recruitment, training, compensation, motivation and performance evaluation *etc.,* have not been established. The job descriptions of IT staff required, qualifications and skill-sets required have not been laid down even after taking the decision to implement SCM.
- policies and procedures for controlling the activities of consultants, vendors and outsourcing partners have not been established so as to assure the protection of the interests of the organization and its IT assets.
- adequate supervisory practices to ensure that the roles and responsibilities are established along with a scheme for segregation of duties should be implemented. A formal organisational structure should be created for formalizing data and system ownership and custodianship so as to make decisions about classification and access rights to data / systems.

As IT is poised to become a service department to all other departments, the IT function should be placed suitably in the overall organisational structure. The EDP set-up should ideally have a Manager (EDP) who will be responsible for planning, supervision and liaison with other departments in addition to the overall operation of the IT set-up.

The Management stated (August 2009) that action will be taken for recruitment and training of staff and for defining their roles and responsibilities.

There was no proper internal network to optimize the use of existing IT resources or to support the SCM software by enhancing data availability.

Absence of internal network management

2.2.18 The company has invested Rs. 36.79 lakh towards hardware consisting of 75 PCs and related peripherals without proper networking facilities. With the proposed introduction of SCM, creation of an internal networking of other areas not covered under SCM will assume importance for data availability and portability. Effective management of resources and proper networking will supplement SCM by providing the information base and procedural support and help early stabilization and expansion.

Environmental controls

2.2.19 Environmental controls like installation of fire sensors, air-conditioning and systems for protecting the equipments from electrical faults due to lightning storms, earthquakes, and other extreme weather conditions resulting in total failure (blackout), severely reduced voltage, sags, spikes and surges, electromagnetic interference (EMI) of computer and supporting systems which are vital to protect the data as well as hardware have not been implemented. Emergency procedures have not been formulated and documented.

The Management stated (August 2009) that action has been taken to implement LAN connectivity in the administrative block. It was also stated that action will be taken to provide necessary equipments and to document and display emergency procedures.

The matter was reported to Government (July 2009); their replies are awaited (September 2009).

Acknowledgement

Audit acknowledges the co-operation and assistance extended by the staff and the Management of the Company at various stages of conducting the review.

Conclusion

The company did not formulate an IT policy or draw up a road map for computerisation. The SCM project was conceived without linking the overall business strategy and IT strategy. There was lack of documentation at all stages of system development of SCM software and the project was initiated without feasibility study. No formal agreement was entered into with the software developer and the provisions in the amended work order lacked clarity. Though the SCM project was to be completed by end of June 2009, even the first module has not been fully developed and installed. There was no IT department in the company to take over, run and maintain the SCM application.

Recommendations

- **The Company should draw up and document an IT policy and strategy to implement the IT initiatives in a planned manner. Action should be**

taken to appoint a senior functionary to take over the IT applications and for planning and implementing the future initiatives.

- **Action may be taken to implement finance, production and HRD modules envisaged under ERP by drawing up an overall plan for computerisation so as to bring about integration of various activities.**

- **As IT is poised to become a service department to all other departments, the IT function should be placed suitably in the overall organisational structure. The EDP set-up should ideally be placed under a Manager (EDP) who will be responsible for planning, supervision and liaison with other departments in addition to the overall operation of the IT set-up.**

- **As the project is still under implementation, design documents, process control specifications, manuals *etc.,* may be obtained from the developer of the software. Possibility of incorporating a performance evaluation and embedded audit module may be explored.**

- **Internal networking may be implemented for optimum utilisation of IT resources and for increasing the data availability and portability. Physical and environmental controls may be reviewed with reference to requirements.**

CHAPTER III

3 Performance Reviews relating to Statutory Corporations

3.1. Bangalore Metropolitan Transport Corporation

Functioning of Bangalore Metropolitan Transport Corporation

Executive Summary

The Bangalore Metropolitan Transport Corporation (Corporation) provides public transport in the Bangalore city and agglomeration through its 30 depots. The Corporation had fleet strength of 5,542 buses as on 31st March 2009 and carried an average of 36.69 lakh passengers per day. The performance audit of the Corporation for the period from 2004-05 to 2008-09 was conducted to assess efficiency and economy of its operations, ability to meet its financial commitments, possibility of realigning the business model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the Corporation.

Finances and Performance

The Corporation earned a profit of Rs. 55.18 crore in 2008-09. Its accumulated profit and borrowings stood at Rs. 587.55 crore and Rs. 49.66 crore as at 31 March 2009, respectively. The Corporation earned Rs. 24.63 per kilometre and expended Rs. 23.28 per kilometre in 2008-09.

Share in Public Transport

Buses operated by the Corporation are the only authorised mode of public transport in Bangalore city and agglomeration. To cater to the increasing population of the city (0.69 crore in 2004-05 to 0.76 crore in 2008-09), the Corporation increased its fleet strength from 3,925 buses (2004-05) to 5,542 buses (2008-09). The vehicle density per lakh population increased from 57 (2004-05) to 73 (2008-09).

Vehicle profile and utilisation

Corporation's buses consisted of own fleet of 5,312 buses 190 buses taken over from private operators for operation and maintenance and 40 hired buses. Of its own fleet, 560 (10.54 per cent) were overage, i.e., which have covered more than eight lakh Kms. The percentage of overage buses increased from 3.15 per cent in 2004-05 to 10.54 per cent in 2008-09 though the Corporation acquired 3,491 new buses during 2004-09 at a cost of Rs. 621.96 crore. The acquisition was primarily funded through cash from operations and internal resources.

Corporation's fleet utilisation at 94.54 per cent in 2008-09 was above All India Average (AIA) of 84 per cent. Its vehicle productivity at 227.70 kilometres per day per bus was above the AIA of 187 kilometres. However, the achievement of the Corporation was marginally less than its own target of vehicle productivity. Its passenger load factor at 63.80 per cent, was less than the AIA of 71 per cent. No targets have been fixed for load factor. The Corporation did well on operational parameters. However, 44 per cent schedules of buses were unprofitable and 12 per cent schedules were not earning enough to meet even variable cost of operation. Corporation's performance on preventive maintenance was poor with only about 53.75 per cent maintenance done on time.

Economy in operations

Manpower and fuel constitute 74 per cent of total cost. Interest, depreciation and taxes account for 15 per cent and are not controllable in the short term. Thus, the major cost saving has to come from manpower and fuel. The Corporation succeeded in reducing the manpower per bus from 5.20 in 2004-05 to 5.02 in 2008-09. However, the expenditure on repairs and maintenance was Rs. 96.37 crore (Rs. 1.81 lakh per bus) in 2008-09, of which nearly 26.33 per cent was on manpower. The Corporation did not attain its own fuel consumption targets resulting in excess consumption of fuel valued at Rs. 15.76 crore during 2004-09.

As a result of cancellations due to controllable factors like want of crew and vehicles, the Corporation was deprived of contribution to an extent of Rs. 13 crore.

The Corporation has just 40 hired buses as at the end of 31 March 2009, where bus owners provide buses with drivers and incur all expenses. The Corporation provides conductors and makes payment as per kilometres operated. The Corporation earned a net profit of Rs. 40.76 crore from hired buses during 2004-09. Though this arrangement has the potential to cut down the cost substantially, the number of hired buses was reduced from 628 to 40 as the private operators have withdrawn their buses from operation.

Revenue Maximisation

The Corporation has been exploiting the commercial spaces built in the bus stations to generate additional revenue and has 32.26 lakh square metres of land for future development. However, the Corporation does not have any policy for tapping non-traffic revenue sources by taking up large scale PPP projects in the vacant land. The Corporation's claim of reimbursement of student concession was not fully accepted by the Government as the same was not in accordance with approved formula.

Need for a regulator

The Government had approved automatic fare revision whenever there is an increase in cost of fuel and DA. Though revision of fare is being effected, the revision does not take into consideration the increase in other operational costs. Thus, it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical routes and address grievances of commuters.

Monitoring

The fixation of targets for various operational parameters and an effective Management Information System (MIS) for obtaining feed back on achievement thereof are essential for monitoring by the top management. Internal targets are fixed by the Management. Monthly Performance Appraisal Report is compiled and reviewed by top Management. Depot-wise performance is monitored by Departmental Heads and directions issued for remedial actions.

Conclusion and Recommendations

Though the Corporation is earning profits, the margin is declining mainly due to its high cost of operations and very meagre increase in revenue. The Corporation can control the decline by tapping non-conventional sources of revenue and increased line checking. This review contains seven recommendations to improve the Corporation's performance. Creating a regulator to regulate fares and services and tapping non-conventional sources of revenue by undertaking PPP projects are some of these recommendations.

Introduction

3.1.1 In Karnataka the public road transport is primarily provided by four Corporations[31] *viz.,* BMTC, KSRTC, NWKRTC and NEKRTC which are mandated to provide an efficient, adequate, economical and properly co-ordinated road transport. The State also allows the private operators to provide public transport. The State has reserved certain routes exclusively for the Corporations while allowed both Corporations and private operators to operate on some other routes. The fare structure is controlled and approved by the Government.

3.1.2 The BMTC (Corporation) was incorporated on 15th August 1997 by the State Government under Section 3 of the Road Transport Corporations Act, 1950 as a wholly owned Corporation of the State Government. The Corporation operates buses in Bangalore city and agglomeration areas. The Corporation is under the administrative control of the Transport Department of the Government of Karnataka. The Management of the Corporation is vested with a Board of Directors comprising Chairman, Managing Director and Directors appointed by the Government of Karnataka. The day-to-day operations are carried out by the Managing Director, who is the Chief Executive of the Corporation, with the assistance of Director (Security, Vigilance and Environment), Director (Projects), Heads of Departments and Depot Managers. The Corporation had 30 Depots and two Central Workshops as at the end of March 2009. The bus body building is carried out at Central Workshop and through external agencies. The tyre retreading operations are done at own retreading plant at Central Workshop.

3.1.3 The Corporation had a fleet strength of 5,542 buses including 190 taken over buses[32] and 40 hired buses as on 31 March 2009. The Corporation carried an average of 36.69 lakh passengers *per* day during 2004-05 to 2008-09. The turnover of the Corporation was Rs. 1,000.63 crore in 2008-09, which was equal to 0.37 *per cent* of the State Gross Domestic Product worked out based on Advance Estimates for 2008-09. The Corporation employed 27,648 employees as at 31 March 2009.

Scope of Audit and Audit Methodology

3.1.4 The present review conducted during February 2009 to May 2009 covers the performance of the Corporation during the period from 2004-05 to 2008-09. The review mainly deals with operational efficiency, financial management, fare policy, fulfilment of social obligations and monitoring by top management of the Corporation. The audit examination involved scrutiny of

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[31] **Bangalore Metropolitan Transport Corporation (BMTC), Karnataka State Road Transport Corporation (KSRTC), North Western Karnataka Road Transport Corporation (NWKRTC), and North Eastern Karnataka Road Transport Corporation (NEKRTC).**

[32] **taken over from private operators by BMTC and run by it.**

records at the Head Office, one Central Workshop, and eight[33] out of 30 depots. Selection of depots is based on probability proportion to size without replacement independently considering the profit / loss for 2007-08 for each depot as the size measure. Traffic revenue earned by eight selected depots during 2008-09 was approximately Rs. 307.26 crore which constituted 33.86 *per cent* of the total traffic revenue of the Corporation. Fleet strength (own) of the selected depots as on 31 March 2009 was 1,731 against a total strength of 5,502 for the Corporation.

3.1.5 The methodology adopted for attaining the audit objectives with reference to audit criteria consisted of explaining audit objectives to top management, scrutiny of records at Head Office and selected units, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with the Management and issue of draft review to the Management for comments.

Audit Objectives

3.1.6 The objectives of the performance audit were to assess:

Operational Performance

- the extent to which the Corporation was able to keep pace with the growing demand for public transport;
- whether the Corporation succeeded in recovering the cost of operations;
- the extent to which the Corporation was running its operations efficiently;
- whether adequate maintenance was undertaken to keep the vehicles roadworthy; and
- the extent to which economy was ensured in cost of operations.

Financial Management

- whether the Corporation was able to meet its commitments and recover its dues efficiently; and
- the possibility of realigning the business model of the Corporation to tap non-conventional sources of revenue and adopting innovative methods of accessing such funds.

Fare Policy and Fulfilment of Social Obligations

- the existence and adequacy of fare policy; and
- whether the Corporation operated adequately on uneconomical routes.

[33] **Jayanagar, Subashnagar, Yeswanthpur, Kengeri, Kathriguppe, Kalyannagar, Koramangala and Deepanjalinagar.**

Monitoring by Top Management

- whether the monitoring by Corporation's top management was effective.

Audit Criteria

3.1.7 The audit criteria adopted for assessing the achievement of the audit objectives were:

- all India averages for performance parameters;
- performance standards and operational norms fixed by the Association of State Road Transport Undertakings (ASRTU);
- physical and financial targets/ norms fixed by the Management;
- manufacturers' specifications, norms for life of a bus, preventive maintenance schedule, fuel efficiency norms, *etc*.;
- instructions of the Government of India (GOI) and the State Government and other relevant rules and regulations;
- corporate policy for investment of funds; and
- procedures laid down by the Corporation.

Financial Position and Working Results

3.1.8 The financial position of the Corporation for the five years up to 2008-09 is given below:

(Rs. in crore)

	2004-05	**2005-06**	**2006-07**	**2007-08**	**2008-09 (provisional)**
A. Liabilities					
Paid up Capital	64.72	92.72	158.16	173.53	157.71
Reserve and Surplus (including Capital Grants but excluding Depreciation Reserve)	197.24	298.56	525.35	637.40	735.00
Borrowings (Loan Funds)	28.93	26.42	22.65	14.45	49.66
Current Liabilities and Provisions	64.00	49.10	61.36	73.51	160.97
Total	**354.89**	**466.80**	**767.52**	**898.89**	**1103.34**
B. Assets					
Gross Block	379.65	433.52	582.42	699.93	1071.40
Less: Depreciation	152.53	194.72	236.58	287.46	359.43
Net Fixed Assets	227.12	238.80	345.84	412.47	711.97
Capital works-in-progress (including cost of chassis)	27.01	55.86	91.57	161.07	243.20
Investments	0.00	0.00	194.02	194.02	20.02
Current Assets, Loans and Advances	100.76	172.14	136.09	131.33	128.15
Accumulated losses	0.00	0.00	0.00	0.00	0.00
Total	**354.89**	**466.80**	**767.52**	**898.89**	**1103.34**

3.1.9 The details of working results like operating revenue and expenditure, total revenue and expenditure, net surplus/loss and earnings and cost *per* kilometre of operation are given below:

(Rs. in crore)

Sl. No.	Description	2004-05	2005-06	2006-07	2007-08	2008-09 (provisional)
1	Total Revenue	572.19	703.40	887.59	939.80	1,000.63
2	Operating Revenue[34]	542.40	667.71	817.10	853.72	909.15
3	Total Expenditure	**492.18**	**588.50**	**663.27**	**799.58**	**945.45**
4	Operating Expenditure[35]	479.52	580.24	649.54	782.85	929.82
5	Operating Profit/Loss	62.88	87.47	167.56	70.87	-20.67
6	Profit for the year	**80.01**	**114.90**	**224.32**	**140.22**	**55.18**
7	Accumulated profit	172.07	261.13	460.12	560.02	587.55
8	Fixed Costs					
	Personnel Costs	170.52	205.38	211.94	282.28	325.05
	Depreciation	37.18	44.31	56.73	67.57	97.66
	Interest	1.85	2.33	0.76	0.45	0.67
	Other Fixed Costs	18.92	18.89	28.87	37.90	27.42
	Total Fixed Costs	**228.47**	**270.91**	**298.30**	**388.20**	**450.80**
9	Variable Costs					
	Fuel and Lubricants	144.25	202.20	255.12	295.41	365.36
	Tyres and Tubes	6.52	8.84	11.62	16.70	21.37
	Other Items/ spares	11.29	14.06	25.12	33.39	47.28
	Taxes (MV Tax, Passenger Tax, *etc.*)	28.39	34.39	39.27	44.31	50.28
	Other Variable Costs	73.26	58.10	33.84	21.57	10.36
	Total Variable Costs	**263.71**	**317.59**	**364.97**	**411.38**	**494.65**
10	Effective KMs operated (in lakh)	2,973.50	3,163.34	3,334.49	3,766.85	4,062.43
11	Earnings *per* KM (Rs.)(1/10)	19.24	22.24	26.62	24.95	24.63
12	Fixed Cost *per* KM (Rs.) (8/10)	7.68	8.56	8.95	10.31	11.10
13	Variable Cost *per* KM (Rs.) (9/10)	8.87	10.04	10.95	10.92	12.18
14	Cost *per* KM (Rs.) (12+13)	16.55	18.60	19.90	21.23	23.28
15	Net Earnings *per* KM (Rs.)(11-14)	2.69	3.64	6.72	3.72	1.35
16	Traffic Revenue[36] (Rs. in crore)	506.19	623.34	707.43	801.49	907.50
17	Traffic Revenue *per* KM (Rs.) (16/10)	17.02	19.71	21.22	21.28	22.34

[34] **operating revenue includes traffic earnings, passes and season tickets, re-imbursement against concessional passes, fare realised from private operators under 'KM Scheme', *etc.***

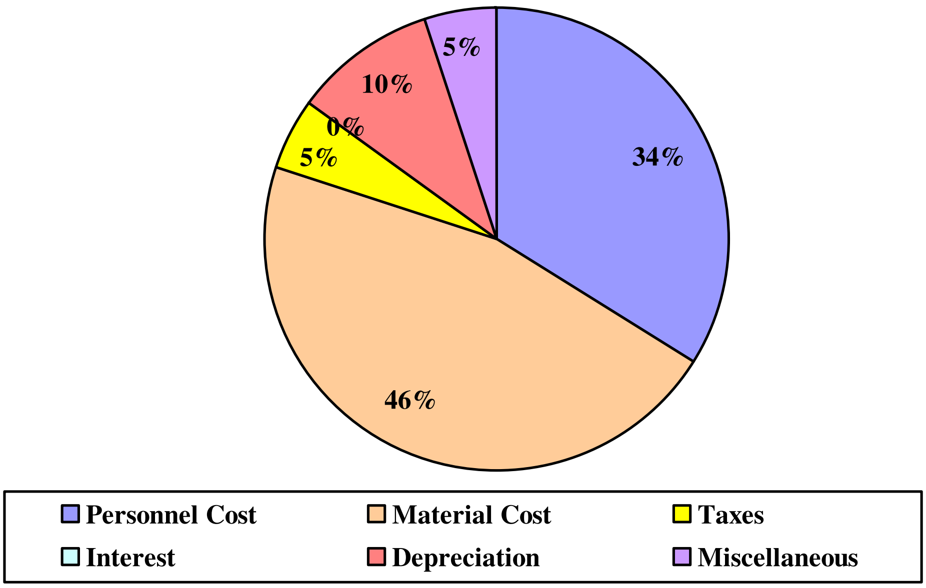
[35] **operating expenditure include expenses relating to traffic, depreciation on fleet, repair and maintenance, electricity, welfare and remuneration, licences and taxes and general administration expenses.**

[36] **traffic revenue represents sale of tickets, advance booking, reservation charges and contract services earnings.**

Elements of Cost

3.1.10 Personnel cost and material costs constitute the major elements of cost. The percentage break-up of costs for 2008-09 is given below in the pie-chart.

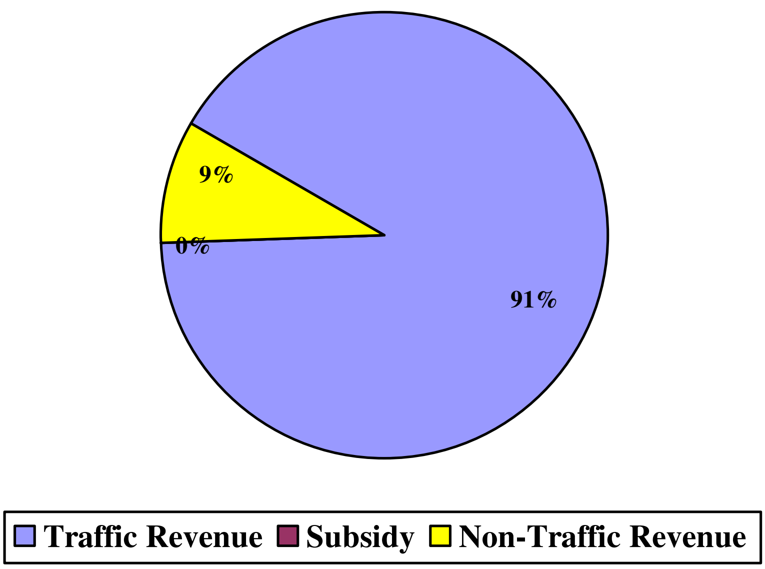
Components of various elements of cost



Elements of revenue

3.1.11 Traffic revenue and non-traffic revenue constitute the major elements of revenue. The percentage break-up of revenue for 2008-09 is given below in the pie-chart.

Components of various elements of revenue



Audit Findings

3.1.12 Audit explained the audit objectives to the Corporation during an 'entry conference' held on 11th February 2009. Subsequently, audit findings were reported to the Corporation and the Government on 18th August 2009 and discussed in an 'exit conference' held on 22nd September 2009, which was attended by Deputy Secretary, Transport Department, Government of Karnataka and Managing Director of the Corporation. The views expressed by the Government and Management in the exit conference have been considered while finalising this review. The audit findings are discussed below.

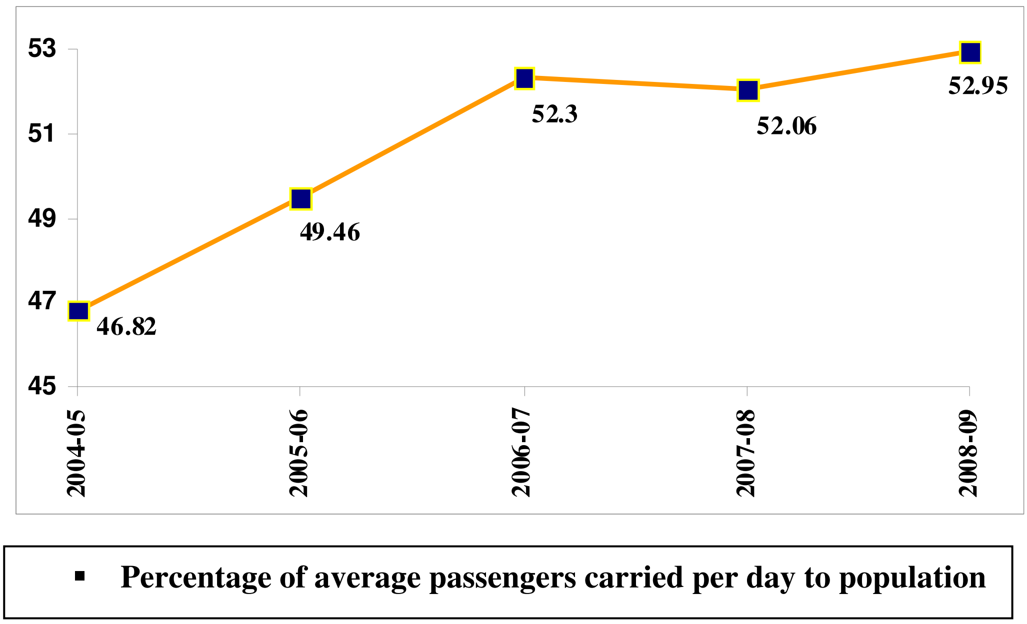
Operational Performance

3.1.13 The operational performance of the Corporation for the five years ending 2008-09 is given in the **Annexure – 7**. The operational performance of the Corporation was evaluated on various operational parameters as described below. It was also seen whether the Corporation was able to maintain pace with the growing demand of public transport. Audit findings in this regard are discussed in the subsequent paragraphs. These audit findings show that the profits can be enhanced and there is scope for improvement in performance.

Share of Corporation in public transport

3.1.14 State does not have a transport policy. The Government stated (July 2009) that the policy was under preparation.

3.1.15 Line-graph depicting the percentage of average passengers carried *per* day by the Corporation to the population of the city during five years ending 2008-09 is given below:



3.1.16 The bus transport service in Bangalore and agglomeration is exclusively provided by the Corporation and no private stage carriages are allowed. Table below depicts the density of Corporation's vehicles *per* one lakh population.

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Corporation's buses including hired buses	3,925	4,106	4,606	4,891	5,542
Estimated population in Bangalore and agglomeration (crore)	0.69	0.70	0.72	0.74	0.76
Vehicle density *per* one lakh population	57	58	64	66	73

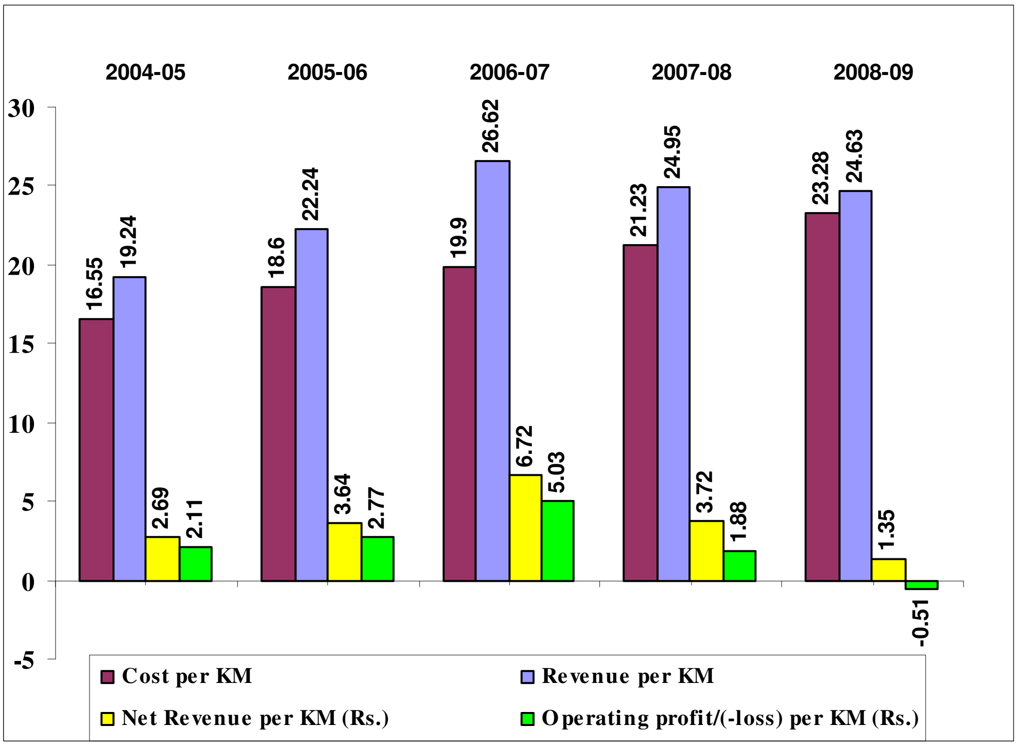
3.1.17 Audit noticed that effective *per* capita KM operated *per* year as given below and the number of buses *per* one lakh population showed an increasing trend indicating that the Corporation was able to keep pace with the growing demand of public transport.

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Effective KM operated (lakh)	2,973.50	3,163.34	3,334.49	3,766.85	4,062.43
Estimated Population (crore)	0.69	0.70	0.72	0.74	0.76
Per Capita KM *per* year	43.09	45.19	46.31	50.91	53.45

3.1.18 Public transport has definite benefits over personalised transport in terms of costs, congestion on roads and environmental impact. The public transport services have to be adequate to derive those benefits. In the instant case, the Corporation succeeded in enhancing the reach of public transport.

Recovery of cost of operations

3.1.19 The Corporation was able to recover the cost of operations in all the five years. The cost *per* KM, revenue *per* KM, net revenue *per* KM and operating profit / loss *per* KM during the last five years ended 2008-09 is shown in the graph[37] below:



The Cost *per* KM increased by 16.98 *per cent* during 2006-09 mainly due to increase in staff cost and operation of Volvo buses.

3.1.20 It can be observed that the net revenue *per* KM showed an increasing trend up to 2006-07 but decreased from there on. Both revenue *per* KM and cost *per* KM were less than the All India Average under the relevant categories during the period under review. The Corporation incurred operating loss during 2008-09. During the last three years (2006-09) revenue *per* KM (EPKM) dropped by 7.48 *per cent*, while the cost *per* KM increased by 16.98 *per cent*. The reduction in revenue in spite of increase in fare was attributed to decline in receipt of subsidy on account of free/concessional passes (Rs. 109.66 crore in 2006-07 to Rs. 1.64 crore in 2008-09 as discussed in paragraph 3.1.56). The increase in cost was due to increase in staff cost and operating of Volvo buses. The increased operations of Volvo buses, most of which were not recovering the costs (paragraph 3.1.34) resulted in reduced profits. This may affect the ability of the Corporation to provide adequate public transport and timely replacement of fleet to meet the growing demand.

[37] **Cost *per* KM represents total expenditure divided by effective KM operated.
Revenue *per* KM is arrived at by dividing total revenue with effective KM operated.
Net Revenue *per* KM is revenue *per* KM reduced by cost *per* KM.
Operating loss *per* KM would be operating expenditure *per* KM reduced by operating income *per* KM.**

Efficiency and Economy in operations

Fleet strength and utilisation

Fleet Strength and its Age Profile

3.1.21 The Corporation has its own fleet of buses. It also hires buses from contractors. Audit findings in respect of hired buses are given in paragraph 3.1.51. The table below explains the position of Corporation's own fleet.

3.1.22 The Association of State Road Transport Undertakings (ASRTU) had prescribed (September 1997) the desirable age of a bus as eight years or five lakh kilometres, whichever was earlier. However, the Corporation has adopted a policy of scrapping the buses which have covered eight lakh KMs. The table below shows the age-profile of the buses held by the Corporation for the period of five years ending 2008-09.

Sl. No.	Particulars[38]	2004-05	2005-06	2006-07	2007-08	2008-09
1	Total No. of buses at the beginning of the year	2,750	3,297	3,680	4,266	4,657
2	Additions during the year	695	430	794	623	949
3	Buses scrapped during the year	148	47	208	232	294
4	Buses held at the end of the year	3,297	3,680	4,266	4,657	5,312
5	Of (4), No. of buses more than eight lakh kms run[39]	104	215	315	442	560
6	Percentage of overage buses to total buses	3.15	5.84	7.38	9.49	10.54

3.1.23 The above table shows that the percentage of buses which have crossed the scrapping limit is gradually increasing over the years. During 2004-09, the Corporation added 3,491 new buses at a cost of Rs. 621.96 crore. The expenditure was funded through cash from operations and internal resources. To achieve the norm of right age buses, as adopted by the Corporation, it required to buy 560 buses which would have cost Rs. 70.50 crore approximately.

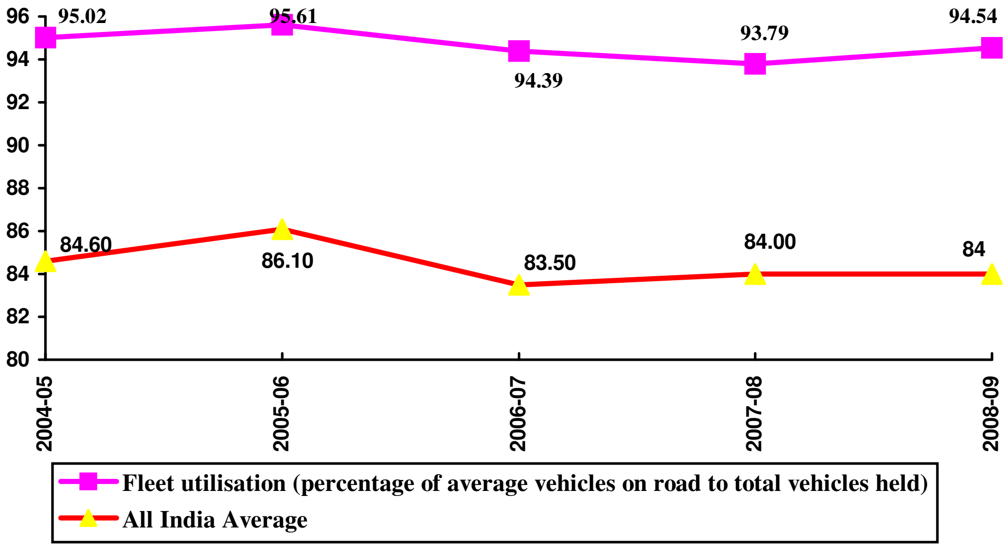
[38] **excludes hired buses and buses taken over from private owners for operation by the Corporation.**

[39] **the break-up of buses more than eight lakh kilometres is not available. On the basis of available information only in respect of buses more and less than 7.5 lakh kilometres, all buses which have run more than 7.5 lakh kilometres have been considered over-age.**

Fleet utilisation

3.1.24 Fleet utilisation represents the ratio of buses (including hired) on road to the buses held by the Corporation. The Corporation had not set target of fleet utilisation in any of the years under review. The fleet utilisation varied from 95.02 *per cent* in 2004-05 to 94.54 *per cent* in 2008-09 as indicated in graph below:

> **Andhra Pradesh, Tamil Nadu (Kumbakonam) and Tamil Nadu (Coimbatore) registered best fleet utilisation at 99.4, 98.4 and 98.3 *per cent* respectively during 2006-07. (Source : STUs profile and performance 2006-07 by CIRT, Pune)**



3.1.25 The fleet utilisation was more than All India Average in all the years. The performance can be improved by minimising the cancellations due to breakdowns and shortage of crew (driver / conductors) as brought out in paragraph 3.1.36.

Vehicle productivity

3.1.26 Vehicle productivity refers to the average Kilometres run by each bus (including hired buses) *per* day in a year. The vehicle productivity of the Corporation *vis-à-vis* the overage fleet for the five years ending 2008-09 is shown in the table below.

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Vehicle productivity (KMs run *per* day *per* bus)	229.70	229.20	231.70	227.20	227.70
All India Average	194	199	189	187	187♣
Overage fleet (percentage)	3.15	5.84	7.38	9.49	10.54

♣ **All India Average for 2008-09 is not available. Hence, figures for 2007-08 are adopted.**

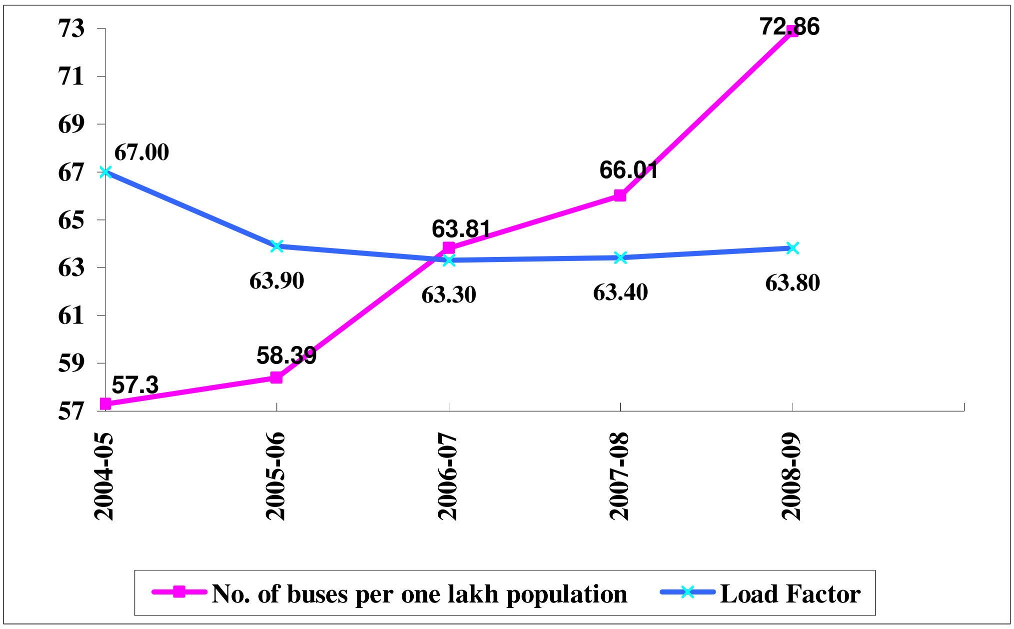
3.1.27 The vehicle productivity was higher than All India Average in all the years under review. The vehicle productivity, which was 229.70 in 2004-05, however, declined marginally to 227.70 in 2008-09. The Management attributed (June 2009) the lower productivity to traffic blockages and bottlenecks on the routes operated by the buses.

Capacity Utilisation

Load Factor

The Load factor decreased from 67 to 63.8 *per cent* during 2004-09.

3.1.28 Capacity utilisation of a transport undertaking is measured in terms of Load Factor, which represents the percentage of actual passenger earnings to expected passenger earnings at full load including standees allowed. The schedules to be operated are to be decided after proper study of routes and periodical reviews are necessary to improve the load factor. The load factor of the Corporation decreased from 67 *per cent* in 2004-05 to 63.8 *per cent* in 2008-09 which was less than the All India Average in all the years except 2004-05. A graph depicting the Load factor vis-à-vis number of buses *per* one lakh population is given below.



3.1.29 The reasons for decrease in load factor were increase in the fleet of the Corporation and lower line checking. Although the number of trips operated increased from 160.80 lakh in 2004-05 to 250.08 lakh in 2008-09, the percentage of trips checked to the trips operated declined from 1.65 *per cent* in 2004-05 to 1.17 *per cent* in 2008-09. The Management stated (June 2009) that the high percentage of operations has now reached a stage where it did not fully translate into revenue, instead it partly contributed to improving the level of passenger comfort. Further, the Management stated (September 2009) that the load factor was being watched closely.

3.1.30 The table below provides the details for break-even load factor (BELF) for traffic revenue. Audit worked out this BELF at the given level of vehicle productivity and total cost *per* KM.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1	Cost *per* KM (Rs.)	16.55	18.60	19.90	21.23	23.28
2	Traffic Revenue *per* KM (Rs.) (Actual)	17.02	19.71	21.22	21.28	22.34
3	Earnings *per* KM at 100 *per cent* Load Factor	25.40	30.85	33.52	33.56	35.02
4	BELF considering only traffic revenue (1/3)	65.2	60.3	59.4	63.3	66.5

3.1.31 The present level of load factor was better than the break even load factor up to 2007-08 and hence even with declining load factor the Corporation was able to recover the cost and earn profit. For 2008-09, actual load factor was less than the Break even load factor. While the scope to improve upon the load factor remains limited, there is scope to reduce the cost of operation.

Route Planning

3.1.32 Appropriate route planning to tap demand leads to higher load factor. The Corporation carries out an ABC analysis of various schedules[40] operated by it. Schedules which are profitable are categorised as 'A', schedules which earn adequate revenue for meeting variable cost but do not cover fixed cost fully are categorised as 'B' while schedules which do not even cover the full variable cost are categorised as 'C'. The position in this regard is given in the table below:

Particulars	Total No. of schedules	No of schedules making profit	No of schedules not meeting Total cost	No of schedules not meeting variable cost
2004-05	3,580(100)	1,968(55)	1,612 (45)	339 (9)
2005-06	3,870 (100)	2,443 (63)	1,427 (37)	247 (6)
2006-07	4,097 (100)	3,114 (76)	983 (24)	134 (3)
2007-08	4,665 (100)	3,128 (67)	1,537 (33)	231 (5)
2008-09	5,064 (100)	2,816 (56)	2,248 (44)	617 (12)

Figures in brackets indicate percentage to total schedules

3.1.33 The percentage of uneconomical schedules operated to total schedules in the Corporation increased from 9 *per cent* in 2004-05 to 12 *per cent* in 2008-09. This was mainly due to inherent unviability of certain schedules and induction of Volvo services as discussed below.

[40] **daily operation of a bus.**

Un-economical operation of Volvo Services

Volvo operations resulted in loss of Rs. 24.03 crore since inception (February 2006) till March 2009.

3.1.34 As part of its Metro Bus Pilot Project and to offer eco-friendly transport, the Corporation decided (2003) to induct buses from Volvo India Limited. As per the feasibility study, the operations would be viable at 60 *per cent* load factor. As at the end of March 2009, the Corporation had 310 Volvo buses in its fleet. Out of an average 165 schedules operated during 2008-09, only 13 schedules were profit making, while 33 schedules covered variable cost and 119 schedules did not earn enough to recover the variable cost. The total loss suffered calculated on monthly cost and traffic revenue earned on operation of Volvo Services since induction (February 2006) up to March 2009 worked out to Rs. 24.03 crore. The Management stated (September 2009) that the Volvo buses were introduced to divert personalised transport to public transport. However, it was seen that actual load factor for 2008-09 was 52.3 *per cent* and the KMPL achieved was only 2.09 against the estimated KMPL of 2.50 (paragraph 3.1.49), which was the cause for loss in Volvo operations.

3.1.35 Though some of the routes now appearing unprofitable would become profitable once the Corporation improves its efficiency, there would still be some uneconomical routes. Given the scenario of mixed routes and obligation to serve uneconomical routes, an organisation should decide an optimum quantum of services on different routes so as to optimise its revenue while serving the cause. The Corporation carries out periodical review of all the ‘B’ and ‘C’ schedules and modifies the routes and effect changes in the time table.

Cancellation of Scheduled kilometres

3.1.36 The details of scheduled kilometres, effective kilometres, and cancelled kilometres are furnished in the Table below. Cancelled KMs are the KMs not operated though originally scheduled. However, effective KMs include the scheduled KMs operated as well as additional KMs operated on account of fares, casual contracts, *etc.,* which were not originally scheduled.

(in lakh KMs)

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1	Scheduled kilometres	3,042.86	3,306.36	3,459.05	3,864.00	4,130.33
2	Effective kilometres	2,973.50	3,163.34	3,334.39	3,766.85	4,062.43
3	Kilometres cancelled	115.77	184.16	156.20	129.56	116.24
4	Percentage of cancellation	3.80	5.57	4.52	3.35	2.81
Cause-wise analysis						
5	Want of buses	1.10	2.19	1.24	1.00	2.01
6	Want of crew	26.05	33.43	26.32	23.84	17.08
7	Others[41]	88.62	148.54	128.64	104.72	97.15
8	Contribution *per* KM (in Rs.)	8.15	9.67	10.27	10.36	10.16
9	Avoidable cancellation (want of buses and crew)	27.15	35.62	27.56	24.84	19.09
10	Loss of contribution (8x9) (Rs. in crore)	2.21	3.45	2.83	2.57	1.94

[41] **others include Vehicle repair, breakdown, tyre puncture, bad road, late departure, Bundh *etc.***

The percentage of cancellation declined from 3.80 in 2004-05 to 2.81 in 2008-09.

3.1.37 It can be seen from the above table that the percentage of cancellation which was 3.80 *per cent* in 2004-05 declined to 2.81 *per cent* in 2008-09. Due to cancellation for want of buses and crew, the Corporation was deprived of contribution of Rs. 13 crore. A review of the operations indicated that the scheduled kilometres were not fully operated mainly due to non-availability of adequate number of buses, shortage of crew and other factors like breakdown, accidents, late arrivals *etc.*

Tamil Nadu (Salem), State Express Transport Corporation (Tamil Nadu) and Tamil Nadu (Villupuram) registered least cancellation of scheduled KMs at 0.45, 0.67 and 0.78 *per cent* respectively during 2006-07. (Source: STUs profile and performance 2006-07 by CIRT, Pune)

Maintenance of vehicles

Preventive Maintenance

3.1.38 Preventive maintenance was essential to keep the buses in good running condition and to reduce breakdowns / other mechanical failures. The Corporation had Tata and Leyland make buses, for which the following schedule of maintenance has been adopted by the Corporation.

Particulars	Schedule
Engine Oil Change	
Tata make	Every 18,000 KMs
Leyland make	Every 16,000 KMs
Docking[42]	
For both Tata and Leyland make	Every 20,000 KMs

3.1.39 In case of Leyland make vehicles engine oil change is done every 16,000 KMs and 24,000 KMs in case of Euro III vehicles. In case of Tata vehicles engine oil change is done for every 18,000 KMs.

Test check revealed that there were delays in carrying out preventive maintenance schedules.

3.1.40 Test check in Audit of preventive maintenance schedules revealed that out of 3,608 buses for engine oil change, there was delay in respect of 1,363 buses and the delay varied from 40 KMs (Depot 8 Yeswanthpur) to 4,749 KMs (Depot 7 Subashnagar). In case of docking out of 3,503 buses docked in the test audit months there was delay in 1,745 buses.

Year	Engine Oil Change			Docking		
	Total no. of vehicles	No. of cases delayed	Percentage of delay	Total no. of vehicles	No. of cases delayed	Percentage of delay
2004-05	272	81	29.78	276	119	43.12
2005-06	636	272	42.77	633	323	51.03
2006-07	910	344	37.80	858	415	48.37
2007-08	905	368	40.66	864	463	53.59
2008-09	885	298	33.67	919	425	46.25

The Management attributed (September 2009) the delay to shortage of mechanical staff and stated that action was taken to recruit the personnel.

[42] **in each Docking of vehicles for maintenance break system, steering system, gearbox, suspension, clutch, axle system, frames and cross membranes of the bus body, *etc*., are inspected.**

Repairs & Maintenance

3.1.41 A summarised position of fleet holding, over-aged buses, repairs and maintenance (R&M) expenditure for the last five years up to 2008-09 is given below.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1	Total buses (No.) (own + taken over)	3,297	3,680	4,396	4,819	5,502
2	Over-age buses (more than 8 lakh KMs)	104	215	315	442	560
3	Percentage of over age buses	3.15	5.84	7.38	9.49	10.54
4	R&M Expenses (Rs. in crore)	36.79	44.16	56.89	75.77	96.37
5	R&M Expenses *per* bus (Rs. in lakh) (4/1)	1.12	1.20	1.29	1.57	1.75
6	Percentage of manpower cost to R & M expenses	47.97	44.13	32.62	28.89	26.33

Repairs and maintenance expenditure *per* bus increased from Rs. 1.12 lakh to Rs. 1.75 lakh during 2004-09.

3.1.42 With the increase in percentage of over-aged vehicles to total fleet held from 3.15 *per cent* during 2004-05 to 10.54 *per cent* during 2008-09, the cost of repairs and maintenance *per* bus also increased from Rs. 1.12 lakh *per* vehicle in 2004-05 to Rs. 1.75 lakh *per* vehicle in 2008-09. The Corporation did not maintain expenditure incurred on repairs and maintenance of over-aged buses separately and hence audit could not ascertain the extent to which the increase in repairs and maintenance expenditure was attributable to old age buses.

Docking of vehicles for Fitness Certificates

3.1.43 The buses were required to be repaired and made fit before sending the same to Regional Transport Office (RTO) for renewal of fitness certificate under Section 62 of the Central Motor Vehicle Rules 1989. As the date of expiry of the old fitness certificate was known in advance, Management should plan accordingly to get the buses repaired in time so that bus days were not lost due to delay in renewal. In the Corporation**,** the vehicles were sent to Central Workshop for necessary repairs, painting and other jobs before the vehicles were produced before RTO for Fitness Certificate. As the time required for entire operation of repairs and Fitness Certificate varied depending upon the nature of repair, no specific time limit was fixed for obtaining Fitness Certificates. A test check in Audit of the records in Central Workshop of the records indicated that 414 buses out of 1,956 vehicles were held up for periods ranging from 10 to 39 days due to delay in attending to repairs necessary for obtaining Motor Vehicle Inspection Report / Certificate resulting in loss of 2,191 bus days and loss of potential revenue of Rs. 1.04 crore in respect of test audit months[43].

[43] July 2004 and February 2005 (2004-05), August 2005 and March 2006 (2005-06), April 2006 and September 2006 (2006-07), May 2007 and October 2007 (2007-08), June 2008 and January 2009 (2008-09).

Manpower Cost

3.1.44 The cost structure of the organisation shows that manpower and fuel constitute 74 *per cent* of total cost. Interest, depreciation and taxes – the costs which are not controllable in the short-term – account for 15 *per cent*. Thus, the major cost saving can come only from manpower and fuel.

Manpower cost *per* KM increased from Rs. 6.91 to Rs. 8.07 during 2004-09.

3.1.45 Manpower is an important element of cost which constituted 34 *per cent* of total expenditure of the Corporation in 2008-09. Therefore, it is imperative that this cost is kept under control and the manpower is utilised optimally to achieve high productivity. The State Government had prescribed (August 2004) norm of six employees *per* bus, which includes 2.3 drivers and conductors each. The Corporation also employs driver-*cum*-conductors who besides driving the bus also perform the duty of conductors. As such the operation of the bus needs only one crew. Out of 17,303 drivers, there are 8,691 driver-*cum*-conductors employed by the Corporation at the end of March 2009. The Table below provides the details of manpower, its cost and productivity for operating own buses including buses taken over from private owners for operation but excluding hired buses. Manpower and manpower cost indicated in the table excludes conductors deployed for hired buses and their cost.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1	Total manpower	17,131	18,583	20,372	25,470	27,608
2	Manpower cost Rs. in crore	165.96	202.16	210.20	281.64	324.42
3	Effective KMs (lakh)-Own	2,400.29	2,755.39	3,119.87	3,648.45	4,018.63
4	Cost per KM (Rs.)	6.91	7.34	6.74	7.72	8.07
5	Productivity *per* day *per* person (Kms)	38.39	40.62	41.96	39.25	39.88
6	Total number of buses at the end (Own + buses taken over for own operation)	3,297	3,680	4,396	4,819	5,502
7	Man power *per* bus (1/6)	5.20	5.05	4.63	5.29	5.02

3.1.46 The manpower cost *per* effective kilometre increased from Rs. 6.91 in 2004-05 to Rs. 8.07 in 2008-09 due to revision of pay and increase in the number of employees. The productivity *per* day *per* employee varied from 38.39 KMs in 2004-05 to 39.88 KMs in 2008-09. The manpower *per* bus which was 5.20 in 2004-05 was reduced to 5.02 in 2008-09 due to increase in number of buses. Both the manpower cost *per* effective KM and productivity *per* day *per* person were better than the All India Average in all the years under review.

Fuel Cost

3.1.47 Fuel is a major cost element which constituted 38.64 *per cent* of total expenditure for the Corporation in 2008-09. Control of fuel costs by a road transport undertaking has a direct bearing on its productivity. The table below gives the targets fixed by the Corporation for fuel consumption, actual consumption, mileage obtained *per* litre (Kilometre *per* litre *i.e.,* KMPL), All India Average and extra expenditure incurred thereon.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1	Gross Kilometres (in lakh) (own buses)	2,483.61	2,883.06	3,269.77	3,837.42	4,232.45
2	Target of KMPL fixed by Corporation	4.75	4.75	4.58	4.60	4.37
3	Kilometre obtained *per* litre (KMPL)	4.74	4.66	4.55	4.45	4.37
4	All India Average in the category[44]	3.71	3.83	3.83	3.79	3.79
5	Actual Consumption (in lakh litres)	524.12	619.28	719.11	862.84	969.07
6	Consumption as per target (in lakh litres) (1/2)	522.87	606.96	713.92	834.22	969.07
7	Excess Consumption (in lakh litres) (5-6)	1.25	12.32	5.19	28.62	0
8	Average cost *per* litre (in Rs.)	27.39	32.30	35.21	33.58	0
9	Extra expenditure (Rs. in crore)	0.34	3.98	1.83	9.61	0

Mileage obtained *per* litre declined during 2004-09 even though it was higher than the AIA.

3.1.48 It could be seen from the above table that the mileage obtained *per* litre continuously declined in 2004-09 even though it was higher than the All India average for Urban STUs. The target was reduced in 2008-09 due to introduction of Volvo and Euro III compliant buses into the fleet. The overall mileage obtained during the period 2006-09 (excluding Volvo buses) was 4.55, 4.45 and 4.37 KMs *per* litre respectively. Due to excess consumption of fuel as compared to targets, the Corporation incurred an extra expenditure of Rs. 15.76 crore during 2004-09. The Corporation had set depot wise target and the fuel performance was being monitored vehicle wise as well as driver wise at depot level and at Central Office. The vehicles performing below the target were identified and remedial measures like tuning of engines, adjustment of fuel injection pump *etc*, were taken. On a test check of eight depots during the period under review, it was found that the depots had identified 819 low performing vehicles out of 8,594 buses held by these Depots during these months and remedial measures were taken.

North Eastern Karnataka State Road Transport, Uttar Pradesh and Andhra Pradesh registered mileage of 5.45, 5.33 and 5.26 KMPL.
(Source : STUs profile and performance 2006-07 by CIRT, Pune)

3.1.49 In the feasibility report for induction of Volvo Services, the vehicles were estimated to perform at 2.5 KM *per* litre (KMPL). The gross kilometres operated, fuel consumed and KMPL achieved and excess consumption of fuel

[44] **All India Average for the year 2008-09 is not available hence figures of 2007-08 are adopted.**

compared to the estimated fuel consumption are indicated below:

Particulars	2006-07	2007-08	2008-09
Gross Kilometres (lakh)	21.93	34.17	137.54
HSD consumed (lakh litres)	11.75	18.04	65.79
KMPL	1.87	1.89	2.09
HSD required at 2.5 KMPL (lakh litres)	8.77	13.67	55.02
Excess consumption (lakh litres)	2.98	4.37	10.77
Average rate / litre (Rs.)	35.21	33.58	36.73
Value of excess consumption (Rs. in crore)	1.05	1.47	3.96

3.1.50 It can be seen from the above that though there was improvement in KMPL from 1.87 in 2006-07 to 2.09 in 2008-09, it was well below the estimated 2.5 KMPL in all the years. This resulted in excess consumption of Diesel to the extent of 18.12 lakh litres during the period 2006-07 to 2008-09 valued at Rs. 6.48 crore calculated at average rate *per* litre for respective years, which has been included in the paragraph 3.1.48.

Cost effectiveness of hired buses

3.1.51 The Corporation was hiring private buses on Kilometre payment basis (KM Scheme). Agreements with the private bus owners were entered into for a period of six years under KM scheme. The owners of these buses were required to provide buses with drivers and to incur all expenditure on the running of the buses. The Corporation was to provide conductors and make payment as *per* the actual Kilometres operated by the hired buses. There were 628 buses as at the end of 2005 and 40 buses as at the end of 2009 and during the period 2004-09, the Corporation earned a profit of Rs. 40.76 crore as detailed below:

(Amount in Rs.)

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
	Own fleet[45]					
1	Cost *per* effective KM	16.50	18.66	19.88	21.28	23.30
2	Traffic Revenue *per* effective KM	16.67	19.35	21.00	21.22	22.32
3	Net Revenue *per* effective KM	0.17	0.69	1.12	(-)0.06	(-)0.98
	Hired buses					
4	No. of Hired buses at the end of the year	628	426	210	72	40
5	Cost *per* effective KM[46]	16.77	18.20	20.08	19.52	20.63
6	Traffic Revenue *per* effective KM	18.51	22.07	24.40	22.91	24.51
7	Net Revenue *per* effective KM	1.74	3.87	4.32	3.39	3.88
8	Total effective KMs operated (in lakh)	573.21	407.95	214.62	118.40	43.80
9	Profit from hired buses (Rs in crore)	9.98	15.79	9.26	4.02	1.70
10	Earnings *per* KM at 100 *per cent* load factor[47]	27.63	34.54	38.55	36.14	38.42
11	Break-even load factor considering traffic revenue (5/10)	60.70	52.70	52.10	54.00	53.70

[45] figures in Sl. No. 1 to 3 will not tally with figures given in the table under paragraph 3.1.9 as the same are for the Corporation as a whole and includes hired uses.
[46] this includes contract price *plus* conductors pay *plus* overheads.
[47] calculated based on the existing load factor of the Corporation.

3.1.52 Net revenue *per* effective KM from hired vehicles is more than that of own fleet. In view of the higher profitability from the hiring of vehicles, the number of hired buses should have increased over the years. However, the number of hired buses decreased from 628 in 2004-05 to 40 in 2008-09. It was stated by the Management (June 2009) that the private operators were cancelling the schedules abruptly for want of buses, crew, *etc*. The Management further stated (September 2009) that there was deterioration in the quality of services provided by the private operators and hence the Corporation was not in favour of hiring buses.

Body Building

3.1.53 The Corporation has a body building unit for fabrication of bus bodies. Fabrication is made by giving labour contract to outsourced agencies with materials being supplied by the Corporation. The total cost of fabricating 1,738 bus bodies during 2004-05 to 2008-09 was Rs. 85.31 crore. The Corporation has no proper costing system and only records direct material and labour charges paid towards fabrication without absorption of overheads. The Corporation also gets bus bodies built from private contractors. During 2004-08, the Corporation got 478 bus bodies built from private contractors. Besides, in 2008-09, the Corporation had procured fully built buses from Ashok Leyland on which the Corporation need not incur any cost for building bodies. The cost of bus bodies built in-house compared to those built by private contractors is indicated below.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1	No. of buses fabricated in house	322	395	452	306	263
2	Cost of fabrication *per* bus (Rs. in lakh)	3.83	4.27	4.39	5.03	6.32
3	No. of days taken to fabricate a bus	58	45	41	47	43
4	No. of buses fabricated through private contractors	367	21	65	25	Nil
5	Cost of fabrication *per* bus (Rs. in lakh)	4.62	4.40	4.54	4.54	Nil
6	No. of days taken to fabricate a bus	32	41	30	31	Nil

From the above table, it may appear that the cost of fabrication of in-house bus bodies was less than the cost incurred in fabrication through private contractors. However, in the absence of absorption of overhead costs, Audit could not ascertain the actual expenditure incurred on in-house fabrication, which in any case would be higher than that stated above.

Financial Management

3.1.54 Raising of funds for capital expenditure, *i.e.,* for replacement/ addition of buses happens to be the major challenge in financial management of Corporation's affairs. This issue has been covered in Paragraph 3.1.23. The section below deals with the Corporation's efficiency in raising claims and their recovery. This section also analyses whether an opportunity exists to realign the business model to generate more resources without compromising on service delivery.

Claims and Dues

3.1.55 The Corporation gives its buses on hire for which parties are required to pay in advance the charges at prescribed rates *per* kilometre basis at the time of booking. Hire charges are revised periodically taking into account the increase in the cost of operations. The Corporation collects additional amount of 10 *per cent* of the estimated amount as security. All the vehicles, which are sent on casual contract, are fitted with speedometers and billing is made on the basis of actual kilometres recorded. Charges from the private parties are recovered immediately and charges from the Government are being recovered in due course. The balance outstanding as at 31 March 2009 was Rs. 1.51 crore and these were less than one year old mainly due from Government departments.

The Corporation had not initiated action to propose a suitable alternative formula for claiming subsidy in respect of concessional passes.

3.1.56 The Corporation provides free / concessional passes to various categories of public like students, senior citizens, freedom fighters *etc*. The State Government agreed (August 2004) to reimburse 50 *per cent* of the estimated travel cost for each student pass based on the formula devised by TNS Mode Company (an agency appointed to recommend the basis of calculating the operational cost incurred on the student passes). The Corporation did not adopt the above formula and raised claim for subsidy on the basis of its own calculations. The claims of Rs. 386.58 crore were raised by the Corporation during 2004-09. The Corporation did not initiate any action to propose a suitable alternative formula for approval by the Government based on field study / survey. Government released Rs. 224.28 crore as subsidy for concessional passes issued to students from 2004-05 to 2007-08. However, Government directed (September 2008) the Corporation to re-submit the claims based on the approved formula. The Corporation requested (March 2009) the Government, to reconsider their claim stating that TNS mode basis was not scientific as far as the Corporation was concerned. The Government, however, rejected (April 2009) the claim and assessed the amount due at Rs. 176.08 crore[48] for the period 2004-05 to 2008-09 against which subsidy of Rs. 224.28 crore had been released up to 2007-08 and directed adjustment of excess release against future claims. Audit observed that the Corporation's case for excess claim for subsidy was weak as it is not based on any study/ survey. Had the Corporation initiated steps to devise an alternative formula, the Corporation could have made a favourable case for higher subsidy.

Realignment of business model

3.1.57 The Corporation was mandated to provide an efficient, adequate and economical road transport to public. Therefore, the Corporation can not take

[48] 2004-05 Rs. 24.35 crore, 2005-06 Rs. 30.12 crore, 2006-07 Rs. 43.33 crore, 2007-08 Rs. 38.78 crore and 2008-09 Rs. 39.50 crore.

an absolutely commercial view in running its operations. It has to cater to uneconomical routes to fulfil its mandate and keep the fares affordable. In such a situation, it was imperative for the Corporation to tap non-traffic revenue sources to cross-subsidize its operations. The share of non-traffic revenues (other than interest on investments) was nominal at 6.21 *per cent* of total revenue during 2004-09. This revenue mainly came from advertisements, commercial establishments, *etc.*

The Corporation did not have any policy for tapping non-traffic revenue sources through PPP projects.

3.1.58 Over a period of time, the Corporation had acquired 82 sites occupying the land of 32.26 lakh square metres at prime locations in Bangalore city and its agglomerations. The Corporation constructed various commercial establishments in bus stands to provide basic amenities to the public besides generating revenue by letting out the spaces. During the period under review (2004-09), the revenue generated from these establishments was Rs. 22.79 crore. However, the Corporation did not have any policy for tapping non-traffic revenue sources by taking up large scale PPP projects in the vacant land.

3.1.59 The construction of 10 Travel Transit Management Centre (TTMCs) had been taken up by the Corporation under Jawaharlal Nehru National Urban Renewal Mission (JnNURM) funding which are intended to provide modern basic passenger amenities *viz.,* parking facilities, various commercial establishments fetching rent to the Corporation besides bus stations maintenance. As against the tendered amount of Rs. 444.42 crore, the total expenditure incurred up to March 2009 was Rs. 120.81 crore. These centres are planned to be completed during 2009-10 and 2010-11.

3.1.60 The Corporation was providing advertisement space on its buses to individuals and agencies at agreed terms and conditions. The Regional Transport Authority banned (December 2005) display of advertisements on the exterior panel of buses which was partially relaxed (June 2008) in case of Volvo buses. The revenue from advertisements on its buses increased from Rs. 1.95 crore in 2004-05 to Rs. 7.12 crore in 2008-09.

Fare policy and fulfilment of social obligations

Existence and fairness of fare policy

3.1.61 Section 67 of Motor Vehicles Act, 1988 empowered the State Government to fix the minimum and maximum rates for stage contract and goods carriages. The Government of Karnataka approved (September 2000) an Automatic Fare Adjustment Procedure to enable the Corporation to revise the passenger bus fares from time to time to offset increases and decreases in the price of diesel and revision of dearness allowances to employees. The revised fares are implemented after approval by the Government. Based on this order, during the period 2004-05 to 2008-09 the fare was increased four times and decreased once.

3.1.62 The table below indicates approximate fare existing during the period under review in respect of ordinary buses.

Stages	2004-05	2005-06	2006-07	2007-08	2008-09
First 5 KMs	4.00	5.00	6.00	6.00	7.00
First 10 KMs	6.00	7.00	8.00	8.00	9.00
25 KMs	8.00	10.00	10.00	10.00	11.00
100 KMs	--	21.00	22.00	22.00	23.00

3.1.63 The fare policy of the Corporation has no scientific basis as it does not take into account the normative cost. However, the performance of the Corporation with respect to vehicle productivity, manpower productivity and KMPL was better than the All India Average in all the years and the Corporation was considered the best performer during 2006-07 by the Association of State Road Transport Undertakings (ASRTU) under the above category.

Adequacy of services on uneconomical routes

In the absence of norms, the adequacy of services on uneconomical routes could not be ascertained in audit.

3.1.64 The Corporation had about 56 *per ce*nt profit making schedules as of March 2009 as shown in table under paragraph 3.1.32. Though the Corporation was required to cater to uneconomical routes, they had not formulated any norms for providing such services. In the absence of norms, the adequacy of services on uneconomical routes could not be ascertained in audit. An independent regulatory body to specify the quantum of services on uneconomical routes, taking into account the specific needs of commuters, would be desirable.

Monitoring by top management

MIS data and monitoring of service parameters

3.1.65 For an organisation like a Road Transport Corporation to succeed in operating economically, efficiently and effectively, there has to be written norms of operations, service standards and targets. Further, there has to be a Management Information System (MIS) to report on achievement of targets and norms. The achievements need to be reviewed to address deficiencies and also to set targets for subsequent years. The targets should generally be such that the achievement of which would make an organisation self-reliant. In the light of this, Audit reviewed the system obtaining in the Corporation. The status in this regard is given below.

3.1.66 Internal targets for various parameters are fixed by the Heads of the Department in consultation with functional Directors/Managing Director. The MIS cell headed by Chief Manager (MIS) compiles monthly data on all the physical and financial parameters of each depot and prepares a monthly Performance Appraisal Report (PAR). The PAR is issued to all Heads of Department and functional Directors. The performance of each depot is monitored by each Head of Department through periodical internal meetings held at the depot and at Central Office. Directions are issued for remedial actions. The overall performance of the Corporation is being reviewed by the Board on quarterly basis.

Acknowledgement

Audit acknowledges the co-operation and assistance extended by the staff and the Management of the Corporation at various stages of conducting the performance review.

Conclusion

Operational performance

- **The Corporation could keep pace with the growing demand for public transport in terms of vehicle *per* lakh population, which increased from 57 in 2004-05 to 73 in 2008-09.**

- **The Corporation could recover the cost of operation in all the years under review. However, the same showed a declining trend from 2006-07 onwards.**

- **The vehicle productivity of the Corporation was above all India average. However, the passenger load factor was lower and declined compared to 2004-05.**

- **The Corporation did not carry out timely preventive maintenance in 46.25 *per cent* of the vehicles becoming due for docking and EOC as seen in selected depots affecting the road worthiness of its buses.**

- **The manpower *per* bus has reduced from 5.39 in 2004-05 to 5.02 in 2008-09.**

- **The Corporation could not ensure economy in fuel consumption which had decreased from 4.74 in 2004-05 to 4.37 in 2008-09. Even the internal targets could not be achieved except in 2008-09.**

- **Despite hiring of buses being a profitable venture, the number of buses hired by the Corporation declined from 628 at the end of 2004-05 to just 40 in 2008-09.**

Financial Management

- **Though the non-conventional sources of revenue constituted 6.21 *per cent* of total revenue during 2004-09, the Corporation did not have a policy in place for tapping the non-conventional sources.**

Fare policy and fulfilment of social obligations

- **The automatic Fare Adjustment Procedure prescribed by the State Government does not take into account increase in costs other than fuel and Dearness Allowance.**

- **In the absence of norms, the adequacy of services on uneconomical routes could not be ascertained in Audit.**

Monitoring by top management and future needs

- **The MIS system of the Corporation is effective to exercise sufficient control over its operation and monitor key operational parameters.**

However, on the whole, there is still some scope to improve the performance.

Recommendations

Operational performance

- **The operations of Volvo services on a large scale needs a re-look.**

- **The Corporation needs to pay attention to passenger load factor in order to enhance it.**

- **In order to improve performance of buses preventive maintenance schedules should be adhered to.**

Financial Management

- **The Corporation may consider devising a policy for tapping non-conventional sources of revenue by undertaking PPP (Public Private Partnership) projects.**

Fare Policy and fulfilment of social obligations

- **The Government may consider creating a regulator to regulate fares and also services on uneconomical routes.**

- **The Government may consider reimbursing the Corporation the actual cost of free / concessional travel facility provided on its instructions.**

- **A policy yardstick to decide on the operation of uneconomical routes / schedules needs to be laid down.**

3.2 Karnataka State Road Transport Corporation, North Western Karnataka Road Transport Corporation and North Eastern Road Transport Corporation

Functioning of Rural Transport Corporations

Executive Summary

The Karnataka State Road Transport Corporation (KSRTC), North Western Karnataka Road Transport Corporation (NWKRTC), North Eastern Karnataka Road Transport Corporation (NEKRTC) provide public transport in Karnataka. The three Corporations had a collective fleet strength of 14,684 buses as on 31st March 2009 and carried an average of 49.67 lakh passengers per day. The performance audit of the Corporations for the period from 2004-05 to 2008-09 was conducted to assess efficiency and economy of its operations, ability to meet its financial commitments, possibility of realigning the business model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the Corporation.

Finances and Performance

The Corporations suffered loss of Rs. 39.53 crore in 2008-09. The accumulated losses and borrowings of the three Corporations stood at Rs. 694.25 crore and Rs. 756.78 crore as at 31 March 2009, respectively. The Corporations earned Rs. 16.56 per kilometre and expended Rs. 19.09 per kilometre in 2008-09.

Share in Public Transport

Out of 22,828 buses licensed for public transport in 2008-09, about 64.3 per cent belonged to the three Corporations. The percentage share increased from 54.3 per cent in 2004-05. Vehicle density (including private operators' buses) per one lakh population increased from 37 in 2004-05 to 38 in 2008-09.

Vehicle profile and utilisation

The three Corporations together added 11,259 buses during 2004-09 at a total cost of Rs. 1,469.55 crore thereby reducing the overage fleet from 20.13 per cent in 2004-05 to 16.16 per cent in 2008-09. The acquisition was primarily funded through commercial borrowings and Government support.

The overall fleet utilisation of the Corporations declined from 95.47 per cent in 2004-05 to 90.86 per cent in 2008-09, which was less than the all India average (AIA) of 94.10 per cent in 2008-09. The overall vehicle productivity at 352 kilometres per day per bus in 2008-09 was higher than the AIA of 351 kilometres. Their passenger load factor at 63.9 per cent, was less than the AIA of 68 per cent. The Corporations did well on operational parameters. However, 82 per cent schedules of buses were unprofitable and 50 per cent schedules were not earning enough to meet even variable cost of operation. Corporations' performance on preventive maintenance was poor as the maintenance done on time reduced from 76.07 to 52.37 per cent from 2004-05 to 2008-09.

Economy in operations

Manpower and fuel constitute 69 per cent of total cost. Interest, depreciation and taxes account for 16 per cent and are not controllable in the short term. Thus, the major cost saving has to come from manpower and fuel. The Corporations succeeded in reducing the manpower per bus from 5.59 in 2004-05 to 4.89 in 2008-09. However, the expenditure on repairs and maintenance was Rs. 375.84 crore (Rs. 2.58 lakh per bus) in 2008-09, of which nearly 25.90 per cent was on manpower. The Corporations did not attain their own fuel consumption targets resulting in excess consumption of fuel valued at Rs. 171.35 crore during 2004-09.

The cancellation of scheduled Kilometres for want of buses and crew was about 48.92 per cent of the total cancellations during 2004-09. As a result of this, the Corporations were deprived of contribution to an extent of Rs. 87.06 crore.

The Corporations have just 140 hired buses as at the end of 31 March 2009, where bus owners provide buses with drivers and incur all expenses. The Corporations provide conductors and makes payment as per kilometres operated. The Corporations earned a net profit of Rs. 65.87 crore from hired buses during 2004-09. Though this arrangement has the potential to cut down the cost substantially, the number of hired buses was reduced from 1,450 to 140 as the private operators had withdrawn their buses from operation.

Revenue Maximisation

The Corporations have about 100.63 lakh square metres of land. As they mainly utilise ground floor/ land for their operations, the space above can be developed on public private partnership (PPP) basis to earn steady income, which can be used to cross-subsidise their operations. However, the Corporations do not have any policy for the same.

Need for a regulator

The Government had approved automatic fare revision whenever there is an increase in cost of fuel and DA. Though revision of fare is being effected, the revision does not take into consideration the increase in other operational costs. In the absence of norms, the adequacy of services on uneconomical routes could not be ascertained in Audit. Thus, it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical routes and address grievances of commuters.

Monitoring

The fixation of targets for various operational parameters and an effective Management Information System (MIS) for obtaining feed back on achievement thereof are essential for monitoring by the top management. Internal targets are fixed by the Management. Monthly Performance Appraisal Report is compiled and reviewed by top Management. Depot-wise performance is monitored by Departmental Heads and directions issued for remedial actions.

Conclusion and Recommendations

Though the Corporations are incurring losses, it is mainly due to their high cost of operations (excess consumption of fuel) and negligible reliance on hired buses. The Corporations can control the losses by controlling excess consumption of fuel and tapping non-conventional sources of revenue. This review contains nine recommendations to improve the Corporations' performance. Examining reasons for high consumption of fuel, creating a regulator to regulate fares and services and tapping non-conventional sources of revenue by undertaking PPP projects are some of these recommendations.

Introduction

3.2.1 In Karnataka, the public road transport is primarily provided by four Corporations[49] *viz.,* KSRTC, NWKRTC, NEKRTC and BMTC, which are mandated to provide an efficient, adequate, economical and properly co-ordinated road transport. The State also allows the private operators to provide public transport. The State has reserved certain routes exclusively for the Corporations while allowed both Corporations and private operators to operate on some other routes. The fare structure is controlled and approved by the Government.

3.2.2 The KSRTC was incorporated (August 1961) by Government under Section 3 of the Road Transport Corporation Act, 1950 as a wholly owned Corporation of the State Government. In order to avoid financial loss and to improve the transport services in the State, two other corporations were formed *viz.,* NWKRTC on 1st November 1997 which catered mainly to Belgaum, Dharwad, Bijapur, Uttara Kannada, Gadag, Bagalokot and Haveri districts and NEKRTC on 15th August 2000 which catered to Bidar, Gulbarga, Raichur, Bellary and Koppal. The KSRTC covered operations in the remaining districts of the State.

3.2.3 The Corporations are under the administrative control of the Transport Department of the Government of Karnataka. The Management of the Corporations is vested with the Board of Directors for each Corporation comprising Chairman, Managing Director and Directors appointed by the Government of Karnataka. As at the end of March 2009, the Board of KSRTC comprised one non official[50] Chairman, one non official Vice Chairman and 11 Directors including Managing Director. The Board of NEKRTC and NWKRTC consisted of 11 Directors (including the Managing Director) and a Chairman respectively. The Managing Director is the Chief Executive of respective Corporations. These Corporations function under a three tier system with Depots at the operational level being controlled by the Division and the Central Office. Each Division is an accounting unit. The day-to-day functioning of each Corporation is carried out by the Managing Director, with the assistance of Heads of Departments at Central Office, Divisional Controllers and the Depot Managers. The Corporations had 27 Divisions consisting of 148 Depots and three Regional Workshops as at the end of March 2009. The bus body building is carried out at Central Workshop and through external agencies. The tyre retreading operations are done at own retreading plants at Divisional Workshops.

3.2.4 The three Corporations had a collective fleet strength of 14,684 buses as on 31 March 2009 including 140 hired buses and 98 taken over buses[51] by KSRTC. No buses were taken over by NEKRTC and NWKRTC. The

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[49] Karnataka State Road Transport Corporation (KSRTC), North Western Karnataka Road Transport Corporation (NWKRTC), North Eastern Karnataka Road Transport Corporation (NEKRTC) and Bangalore Metropolitan Transport Corporation (BMTC).

[50] Honourable Minister of Transport, Government of Karnataka.

[51] taken over from private operators by KSRTC and run and maintained by it.

Corporations carried an average of 49.67 lakh passengers *per* day during 2004-05 to 2008-09. The turnover of the Corporations was Rs. 3,191.85 crore in 2008-09, which was equal to 1.19 *per cent* of the State Gross Domestic Product as *per* Advance Estimate for 2008-09[52]. The Corporations together employed 71,202 employees as at 31 March 2009.

Scope of Audit and Audit Methodology

3.2.5 The present review conducted during February 2009 to May 2009 covers the performance of the Corporations during the period from 2004-05 to 2008-09. The review mainly deals with operational efficiency, financial management, fare policy, fulfilment of social obligations and monitoring by top management of the Corporations. The audit examination involved scrutiny of records at the Head Office of each Corporation, two Regional Workshops, and seven[53] out of the 27 divisions. Selection of depots is based on probability proportion to size without replacement independently for each corporation considering the profit / loss for 2007-08 for each division as the size measure.

3.2.6 Traffic revenue earned by the seven divisions during 2008-09 and their Fleet Strength as on 31 March 2009 *vis-à-vis* the Traffic Revenue and fleet Strength of the respective Corporations is tabulated below:

Sl. No	Particulars	KSRTC	NEKRTC	NWKRTC
1	No. of Divisions selected	3	2	2
2	Traffic Revenue of selected Divisions (Rs. in crore)	498.72	196.63	236.83
3	Percentage to the Traffic revenue of the Corporation	35	38	27
4	Total fleet strength of the selected divisions (own buses)	1,945	982	1,315
5	Percentage to the fleet strength of the Corporation	29	35	27

3.2.7 The methodology adopted for attaining the audit objectives with reference to audit criteria consisted of explaining audit objectives to top management, scrutiny of records at Head Office and selected units, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with the Management and issue of draft review to the Management for comments.

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[52] **Source: Directorate of Economics and Statistics, Bangalore.**

[53] **KSRTC – Bangalore Central Division, Mysore Urban Division, Hassan Division.**
NEKRTC - Gulbarga Division, Bidar Division.
NWKRTC - Hubli Division and Uttar Kannada Division. The depots were:
KSRTC – Depots 2 and 4 at Bangalore, Depot 2 and City-Transport-1 depot at Mysore, Depots at Hassan and Channarayapatna.
NEKRTC – Depots at Gulbarga, Jeevargi, Humnabad and Bidar.
NWKRTC – Depots at Hubli (Mofussil-1), Dharwad, Kumta, Sirsi.

Audit Objectives

3.2.8 The objectives of the performance audit were to assess:

Operational Performance

- the extent to which the Corporations were able to keep pace with the growing demand for public transport;
- whether the Corporations succeeded in recovering the cost of operations;
- the extent to which the Corporations were running their operations efficiently;
- whether adequate maintenance was undertaken to keep the vehicles roadworthy; and
- the extent to which economy was ensured in cost of operations.

Financial Management

- whether the Corporations were able to meet their commitments and recover their dues efficiently; and
- the possibility of realigning the business model of the Corporations to tap non-conventional sources of revenue and adopting innovative methods of accessing such funds.

Fare Policy and Fulfilment of Social Obligations

- the existence and adequacy of fare policy; and
- whether the Corporations operated adequately on uneconomical routes.

Monitoring by Top Management

- whether the monitoring by Corporations' top management was effective.

Audit Criteria

3.2.9 The audit criteria adopted for assessing the achievement of the audit objectives were:

- all India averages for performance parameters;
- performance standards and operational norms fixed by the Association of State Road Transport Undertakings (ASRTU);
- physical and financial targets/ norms fixed by the Management;
- manufacturers' specifications, norms for life of a bus, preventive maintenance schedule, fuel efficiency norms, *etc*.;
- instructions of the Government of India (GOI) and State Government and other relevant rules and regulations;

- corporate policy for investment of funds; and
- procedures laid down by the Corporation.

Financial Position and Working Results

3.2.10 The consolidated[54] financial position of all the Corporations for the five years up to 2008-09 is given below:

(Rs. in crore)

	2004-05	2005-06	2006-07	2007-08	2008-09 (provisional)
A. Liabilities					
Paid up Capital	415.53	452.53	452.53	552.52	674.71
Reserve and Surplus (including Capital Grants but excluding Depreciation Reserve)	79.79	87.68	95.90	106.16	119.59
Borrowings (Loan Funds)	383.47	475.58	588.38	740.31	756.78
Current Liabilities & Provisions	462.21	537.59	618.69	739.54	770.89
Total of liabilities	**1,341.00**	**1,553.38**	**1,755.50**	**2,138.53**	**2,321.97**
B. Assets					
Gross Block	1,191.00	1,458.88	1,741.65	2,095.39	2,315.37
Less: Depreciation	718.58	804.29	907.89	1,037.05	1,192.29
Net Fixed Assets	472.42	654.59	833.76	1,058.34	1,123.08
Capital works-in-progress (including cost of chassis)	71.44	42.78	48.81	111.07	111.94
Investments	1.85	0.10	0.10	8.10	0.10
Current Assets, Loans and Advances	197.19	226.60	260.56	306.27	392.60
Accumulated losses	598.10	629.31	612.27	654.75	694.25
Total of Assets	**1,341.00**	**1,553.38**	**1,755.50**	**2,138.53**	**2,321.97**

[54] **the year-wise financial position for individual Corporation are given in Annexure 5.**

3.2.11 The details of consolidated[55] working results like operating revenue and expenditure, total revenue and expenditure, net surplus/loss and earnings and cost *per* kilometre of operation are given below:

(Rs. in crore)

Sl. No.	Description	2004-05	2005-06	2006-07	2007-08	2008-09 (provisional)
1	Total Revenue	1,843.10	2,180.28	2,541.18	2,862.74	3,195.36
2	Operating Revenue[56]	1,777.14	2,064.73	2,457.28	2,766.24	2,946.52
3	Total Expenditure	**1,919.16**	**2,211.49**	**2,524.15**	**2,905.22**	**3,234.89**
4	Operating Expenditure[57]	1,833.50	2,121.97	2,426.43	2,754.53	3,084.27
5	Operating Profit/Loss	-56.36	-57.24	30.85	11.71	-137.75
6	Profit/Loss for the year	**-76.06**	**-31.21**	**17.03**	**-42.48**	**-39.53**
7	Accumulated profit/loss	-598.10	-629.31	-612.27	-654.75	-694.25
8	Fixed costs					
	Personnel Costs	642.28	663.44	735.95	849.57	926.63
	Depreciation	126.39	156.80	197.32	241.36	295.98
	Interest	24.86	26.75	42.91	62.74	80.55
	Other Fixed Costs	68.77	87.23	89.11	108.64	101.41
	Total Fixed Costs	**862.30**	**934.22**	**1,065.29**	**1,262.31**	**1,404.57**
9	Variable Costs					
	Fuel and Lubricants	590.63	772.12	956.89	1,089.45	1,307.62
	Tyres and Tubes	55.65	65.51	89.83	116.94	128.34
	Other Items/ spares	149.46	158.35	145.64	185.98	205.11
	Taxes (MV Tax, Passenger Tax, *etc.*)	125.06	146.64	170.25	189.84	164.60
	Other Variable Costs	136.06	134.65	96.25	60.70	24.65
	Total Variable Costs	**1,056.86**	**1,277.27**	**1,458.86**	**1,642.91**	**1,830.32**
10	Effective KMs operated (in lakh) (own + hired)	12,990.71	13,575.23	14,788.72	16,111.78	16,942.56
11	Earnings *per* KM (Rs.)(1/10)	14.19	16.06	17.18	17.77	18.86
12	Fixed Cost *per* KM (Rs.) (8/10)	6.64	6.88	7.20	7.83	8.29
13	Variable Cost *per* KM (Rs.) (9/10)	8.14	9.41	9.86	10.20	10.80
14	Cost *per* KM (Rs.) (12+13)	14.78	16.29	17.06	18.03	19.09
15	Net Earnings *per* KM (Rs.) (11-14)	- 0.59	- 0.23	0.12	- 0.26	- 0.23
16	Traffic Revenue[58] (Rs. in crore)	1680.49	1967.89	2290.49	2577.22	2804.93
17	Traffic Revenue *per* KM (Rs.) (16/10)	12.94	14.50	15.49	16.00	16.56

[55] **the year-wise working results for individual Corporations are given in Annexure 6.**

[56] **operating revenue includes traffic earnings, passes and season tickets, re-imbursement against concessional passes, fare realised from private operators under 'KM Scheme', *etc.***

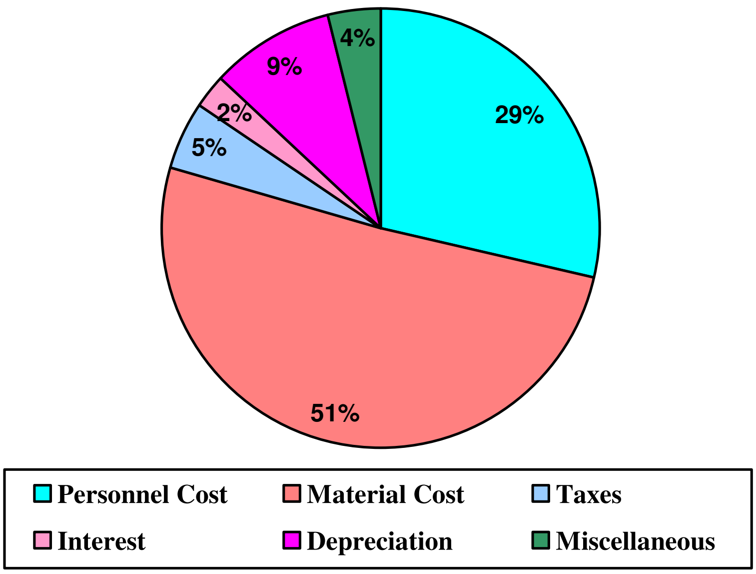
[57] **operating expenditure include expenses relating to traffic, repair and maintenance, Depreciation on fleet, electricity, welfare and remuneration, licences and taxes and general administration expenses.**

[58] **traffic revenue represents sale of tickets, advance booking, reservation charges and contract services earnings.**

Elements of Cost

3.2.12 Personnel cost and material cost constitute the major elements of cost. The percentage break-up of costs for 2008-09 is given below in the pie-chart.

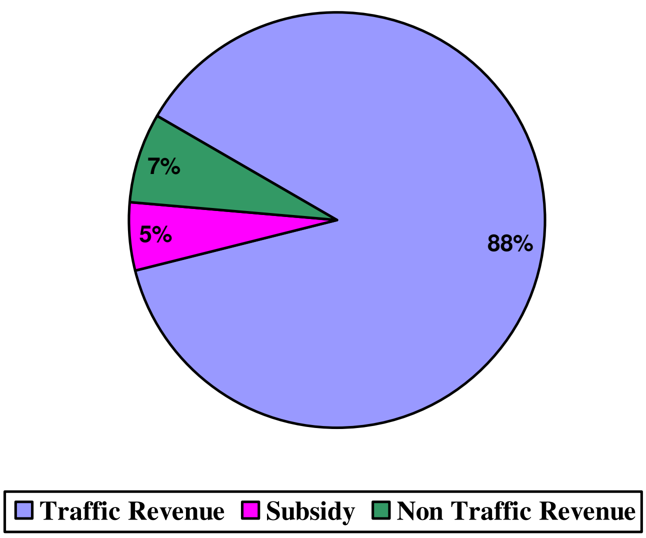
Components of various elements of cost



Elements of revenue

3.2.13 Traffic revenue, subsidy/ grant and non-traffic revenue constitute the major elements of revenue. The percentage break-up of revenue for 2008-09 is given below in the pie-chart.

Components of various elements of revenue



Audit Findings

3.2.14 Audit explained the audit objectives to the Corporation during an 'entry conference' held on 11th February 2009. Subsequently, audit findings were reported to the Corporation and the Government on 18th August 2009 and discussed in an 'exit conference' held on 22nd September 2009, which was attended by Deputy Secretary, Transport Department, Government of Karnataka and the Managing Directors of three Corporations. The views expressed by them have been considered while finalising this review. The audit findings are discussed below.

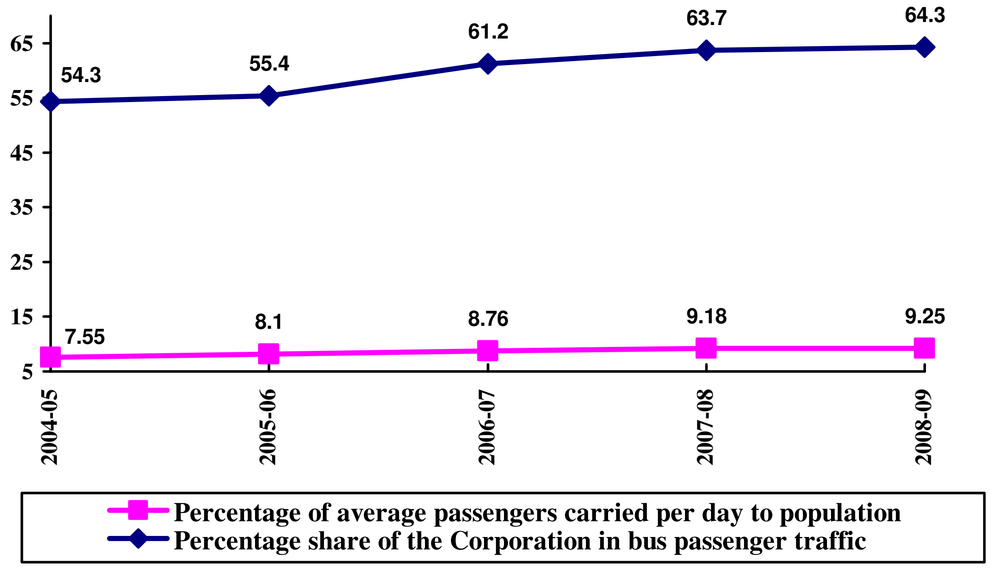
Operational Performance

3.2.15 The operational performance of the Corporations for the five years ending 2008-09 is given in the **Annexure 7**. The operational performance of the Corporation was evaluated on various operational parameters as described below. It was also seen whether the Corporation was able to maintain pace with the growing demand of public transport. Audit findings in this regard are discussed in the subsequent paragraphs. These audit findings show that the losses were controllable and there is scope for improvement in performance.

Share of Corporation in public transport

3.2.16 State does not have a transport policy. The Government stated (July 2009) that the policy was under preparation.

3.2.17 Line-graphs depicting the share of the Corporations' buses in the bus passenger traffic[59] of the State and percentage of average passengers carried *per* day by the Corporation to the population of the State during five years ending 2008-09 are given below:



[59] **worked out by Audit on the basis of buses held by the Corporations *vis-à-vis* private operators.**

3.2.18 The table below depicts the growth of public transport in the State.

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Corporations buses including hired buses	11,235	12,214	13,203	14,405	14,684
Private stage carriages	9,441	9,844	8,382	8,214	8,144
Total buses for public transport	20,676	22,058	21,585	22,619	22,828
Percentage share of Corporation	54.3	55.4	61.2	63.7	64.3
Percentage share of private operators	45.7	44.6	38.8	36.3	35.7
Estimated population (crore)	5.56	5.65	5.75	5.84	5.94
Vehicle density *per* one lakh population	37	39	38	39	38

The Corporations were able to keep pace with growing demand of public transport.

3.2.19 It may be seen from the above table that the Corporations were able to maintain pace with the growing demand of public transport. Audit noticed that effective *per* capita KM (as given in the table below) and the capacity utilization (*i.e.,* number of buses *per* one lakh population referred in paragraph 3.2.34) also showed an increasing trend.

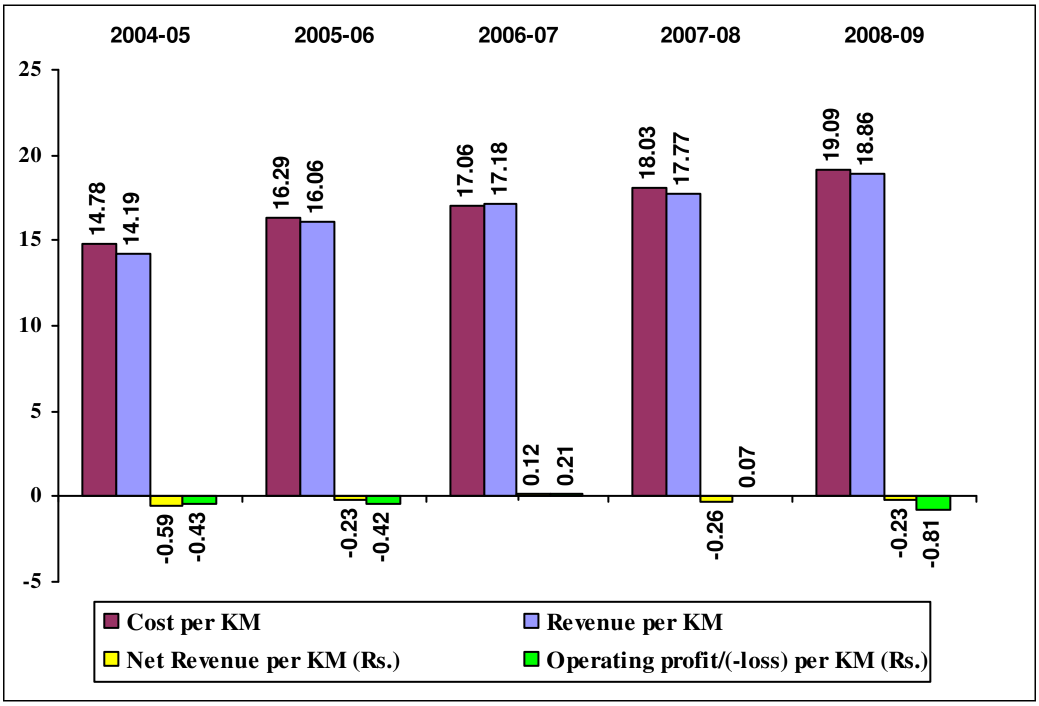
Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Effective KM operated (lakh)	12,990.71	13,575.23	14,788.72	16,111.78	16,942.56
Estimated Population (crore)	5.56	5.65	5.75	5.84	5.94
Per Capita KM *per* year	23.36	24.03	25.72	27.59	28.52

3.2.20 Public transport has definite benefits over personalised transport in terms of costs, congestion on roads and environmental impact. The public transport services have to be adequate to derive those benefits. In the instant case, the Corporations have succeeded in enhancing the reach of public transport.

Recovery of cost of operations

3.2.21 The Corporations were able to recover the cost of operations collectively only in 2006-07. The cost *per* KM, revenue *per* KM, net revenue *per* KM and operating profit / loss per KM during the last five years ended 2008-09 is shown in the graph[60] below:

[60] **Cost *per* KM represents total expenditure divided by effective KM operated.
Revenue *per* KM is arrived at by dividing total revenue with effective KM operated.
Net Revenue *per* KM is revenue *per* KM reduced by cost *per* KM.
Operating loss *per* KM would be operating expenditure *per* KM reduced by operating income *per* KM.**



While KSRTC was able to recover the cost of operations in all the years, NWKRTC could recover the costs only in 2006-07 and NEKRTC was not able to recover in any of the years during 2004-09.

3.2.22 Collective revenue *per* KM for the three Corporations was less than the AIA in all the years under review. Cost *per* KM was less than AIA during 2004-05 to 2006-07, but was above AIA during 2007-08 and 2008-09. Detailed analysis in audit revealed that KSRTC was able to recover its cost of operations in all the five years. However, NWKRTC was able to recover its cost of operations only during 2006-07 due to receipt of increased subsidy of Rs. 69.25 crore from the Government. Further, NEKRTC was not able to recover its cost of operations in any of the years under review. The Management of these Corporations attributed (July 2007 and March 2009) the losses to unhealthy and unethical competition by the private operators, compulsion to operate uneconomical routes, abrupt cancellation of hired buses on premier revenue earning long distance routes and reduced load factor. Audit noticed that continuous losses in NWKRTC affected the liquidity position of the Corporation so that even employees related payments like gratuity and other terminal benefits were being made belatedly. Dues as on 31 March 2008 towards employees related payments (Rs. 54.53 crore) and society dues[61] (Rs. 11.21 crore) were not discharged even as on 31 March 2009. Since September 2008, salaries to operating crew were being made belatedly ranging from 15 to 30 days. State Government permitted (August 2001) NEKRTC to retain the Motor Vehicle Tax (MV Tax) to the extent of cash loss suffered by it. Hence, the amount of Rs. 193.12 crore due to the Government towards MV Tax as on 31 March 2009 was utilised to meet current liabilities.

[61] **amount deducted from employees salaries for remittance to various thrift and credit societies.**

Efficiency and Economy in operations

Fleet strength and utilisation

Fleet Strength and its Age Profile

3.2.23 The Corporations have their own fleet of buses. They also hire buses from contractors. Audit findings in respect of hired buses are given in paragraph 3.2.55. The table below explains the position of Corporations' own fleet as a whole.

3.2.24 The Association of State Road Transport Undertakings (ASRTU) had prescribed (September 1997) the desirable age of a bus as eight years or five lakh kilometres, whichever was earlier. However, the Corporations have adopted a policy of scrapping the buses which have reached 8.5 lakh KMs (KSRTC), 7.5 lakh KMs (NEKRTC and NWKRTC). The table below shows the age-profile of the buses held by the Corporations[62] for the period of five years ending 2008-09.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1	Total No. of buses at the beginning of the year (own vehicles)	9,433	9,785	10,989	12,462	13,895
2	Additions during the year	1,329	2,302	2,641	3,050	1,937
3	Buses scrapped during the year (1+2-4)	977	1,098	1,168	1,617	1,386
4	Buses held at the end of the year	9,785	10,989	12,462	13,895	14,446
5	Of (4), No. of buses over-age buses as *per* Corporations' norms	1,970	2,600	2,794	2,529	2,335
6	Percentage of overage buses to total buses	20.13	23.66	22.42	18.20	16.16

Percentage of overage buses which had crossed the scrapping limit decreased over the years in all the Corporations.

3.2.25 It may be seen from the above table that percentage of buses which have crossed scrapping limit is gradually decreasing over the years. During 2004-09, the Corporations added 11,259 new buses at a cost of Rs. 1,469.55 crore. To achieve the norm of right age buses adopted by NEKRTC, it would require buying 818 buses which would cost Rs. 103.33 crore and NWKRTC would require Rs. 187.56 crore to buy 1,485 buses. Replacement of 32 buses in KSRTC would require Rs. 4.04 crore.

3.2.26 KSRTC borrowed Rs. 519.58 crore from commercial banks and also utilised Rs. 319.55 crore from internal resources during 2004-09 for purchase of 6,073 buses. NEKRTC and NWKRTC purchased 2,039 and 3,147 buses, respectively during 2004-09. Since they did not generate adequate internal resources to finance the replacement of buses, they borrowed Rs. 179.91 crore and Rs. 411.55 crore, respectively from commercial banks. Further, they got

[62] the position for individual Corporation are given in Annexure 10.

NWKRTC and NEKRTC did not have internal resources for acquiring new buses.

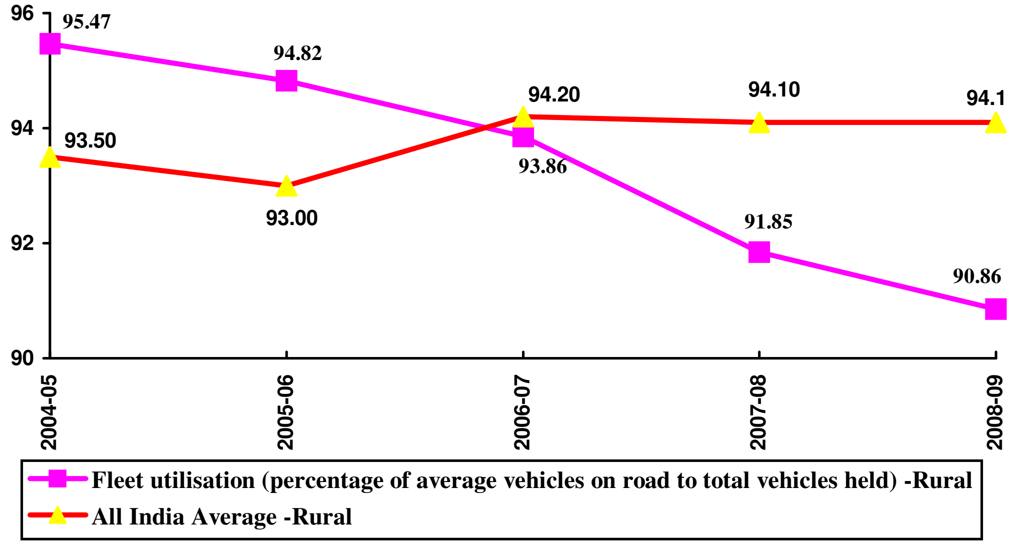
Rs. 65.75 crore and Rs. 120.75 crore as Government support in the form of Capital contribution during that period. Thus, the ability of these Corporations to survive and grow depends on their efforts to remove operational inefficiencies, cut costs and tap non-conventional revenue sources so that they can fund their capital expenditure and be self-reliant.

Fleet utilistation

Fleet utilisation declined from 95.47 *per cent* in 2004-05 to 90.86 *per cent* in 2008-09.

3.2.27 Fleet utilisation represents the ratio of buses on road (including hired) to the buses held by the Corporation. The Corporations had not set target of fleet utilisation in any of the years under review. The fleet utilisation varied from 95.47 *per cent* in 2004-05 to 90.86 *per cent* in 2008-09 as compared to the All India Average[63] as indicated in the graph given below.

Andhra Pradesh, Tamil Nadu (Kumbakonam) and Tamil Nadu (Coimbatore) registered best fleet utilisation at 99.4, 98.4 and 98.3 *per cent* respectively during 2006-07. (Source : STUs profile and performance 2006-07 by CIRT, Pune)



3.2.28 The individual Corporation-wise fleet utilisation during 2004-09 is given in the table below.

Corporation	2004-05	2005-06	2006-07	2007-08	2008-09
	per cent				
KSRTC	95.05	93.70	92.53	91.11	88.87
NWKRTC	95.64	95.85	94.74	91.68	92.46
NEKRTC	96.00	95.54	95.00	93.92	92.99
AIA[63]	93.50	93.00	94.20	94.10	94.10

[63] **All India Average for the year 2008-09 is not available. Hence figures for 2007-08 are adopted.**

3.2.29 In KSRTC, Audit analysed that the main reasons for declining trend in fleet utilization was increase in percentage of spare fleet (*i.e.,* fleet held in the Depots to replace the on road running fleet due to breakdowns, accidents, *etc*.) to 10.70 *per cent* in 2008-09 which was much more than the norm of 8 *per cent* fixed by the Corporation. Further, there was delay in repair of vehicles ranging from 3 to 151 days in excess of the time limit prescribed for minor (two days), medium (five days) and major repairs (15 days). In all the Corporations, breakdowns and shortage of crew as discussed in paragraph 3.2.41 led to reduction in fleet utilisation. These impacted the operational performance adversely.

Vehicle productivity

3.2.30 Vehicle productivity refers to the average Kilometres run by each bus (including hired buses) *per* day in a year. The vehicle productivity of the Corporations *vis-à-vis* the overage fleet for the five years ending 2008-09 is shown in the table below.

Corporation	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
KSRTC	Vehicle productivity (KMs run *per* day *per* bus)	367	360	350	365	364
	Overage fleet (percentage)	1.82	2.91	3.29	1.52	0.47
NEKRTC	Vehicle productivity (KMs run *per* day *per* bus)	316	317	333	336	343
	Overage fleet (percentage)	36.97	36.81	37.90	36.34	29.45
NWKRTC	Vehicle productivity (KMs run *per* day *per* bus)	330	320	327	344	343
	Overage fleet (percentage)	37.39	45.26	40.78	32.15	30.61
Overall	Vehicle productivity (KMs run *per* day *per* bus)	346	339	340	353	352
	Overage fleet (percentage)	20.13	23.66	22.42	18.20	16.16
AIA[64]	Vehicle Productivity	328	330	341	351	351

3.2.31 The vehicle productivity, of KSRTC was above the All India Average in all the years under review. However, it was lower than AIA during 2005-2009 in NWKRTC. Further, it remained lower than AIA during all the years under review in respect of NEKRTC. The Management of NEKRTC stated (September 2009) that jurisdictional districts of the Corporation are situated on the border of the State and extending operations beyond notified routes are not possible as it needs to be approved in the interstate agreements. Moreover, some Divisions are located in such a manner that extension of operations beyond a particular distance can not be done due to the jurisdiction of other Corporations.

Tamil Nadu (Villupuram), Tamil Nadu (Salem) and Tamil Nadu (Kumbakonam) registered best vehicle productivity at 474, 469 and 462.8 KMs per day respectively during 2006-07. (Source : STUs profile and performance 2006-07 by CIRT, Pune)

[64] **AIA for the year 2008-09 is not available. Hence figures for 2007-08 are adopted.**

Capacity Utilisation

Load Factor

3.2.32 Capacity utilisation of a transport undertaking is measured in terms of Load Factor, which represents the percentage of actual passenger earnings to expected passenger earnings at full load. The schedules to be operated are to be decided after proper study of routes and periodical reviews are necessary to improve the load factor. The table below gives the capacity utilisation in respect of all the Corporations.

Corporation	2004-05	2005-06	2006-07	2007-08	2008-09
	per cent				
KSRTC	70.7	68.6	70.2	72.2	70.9
NWKRTC	64.3	68.0	62.4	63.1	63.4
NEKRTC	68.8	60.8	58.0	61.0	59.6
Overall	70.5	67.1	68.3	65.8	63.9
AIA[65]	61	62	63	68	68

Load factor of NWKRTC and NEKRTC was below AIA during 2006-09 and 2005-09 respectively.

3.2.33 The load factor in KSRTC was above All India Average in all the years. In respect of NWKRTC and NEKRTC it was below AIA during 2006-09 and 2005-09, respectively. The Management stated (September 2009) that decrease in load factor was mainly due to operation of unauthorized / illegal operations by private operators and operation of obligatory services. Audit analysed that inadequate line checking also led to lower load factor.

3.2.34 A table depicting the Load factor in relation to number of buses *per* one lakh population is given below.

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Corporations' buses *per* one lakh population	20	22	23	25	25
Load factor	70.5	67.1	68.3	65.8	63.9

3.2.35 It may be seen from the above table that though there is increase in Corporations' buses *per* one lakh population, the Load Factor is showing a declining trend.

3.2.36 The table below provides the details for break even load factor (BELF) for traffic revenue. Audit worked out this BELF at the given vehicle productivity and total cost *per* KM.

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[65] AIA for the year 2008-09 is not available. Hence figures for 2007-08 are adopted.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
KSRTC						
1	Cost *per* KM (Rs.)	14.95	16.56	17.93	18.52	19.52
2	Traffic revenue *per* KM at current load factor (Rs.)	13.75	15.47	17.00	17.37	17.64
3	Traffic revenue at 100 *per cent* load factor (Rs.)	19.45	22.55	24.22	24.06	24.88
4	BELF considering only traffic revenue (1/3)	76.9	73.4	74.0	77.0	78.5
NEKRTC						
1	Cost *per* KM (Rs.)	14.61	15.67	16.48	17.13	17.88
2	Traffic revenue *per* KM at current load factor (Rs.)	12.29	13.63	14.32	15.24	15.54
3	Traffic revenue at 100 *per cent* load factor (Rs.)	17.86	22.42	24.69	24.98	26.07
4	BELF considering only traffic revenue (1/3)	81.8	69.9	66.7	68.6	68.6
NWKRTC						
1	Cost *per* KM (Rs.)	14.63	16.26	16.21	17.85	19.19
2	Traffic revenue *per* KM at current load factor (Rs.)	12.27	13.62	14.06	14.50	15.58
3	Traffic revenue at 100 *per cent* load factor (Rs.)	19.08	20.03	22.53	22.98	24.57
4	BELF considering only traffic revenue (1/3)	76.7	81.2	71.9	77.7	78.1

3.2.37 The break-even load factor of all three Corporations is quite high and is not likely to be achieved given the present load factor and the fact that the Corporations are also required to operate uneconomical routes. Thus, while the scope to improve upon the load factor remains limited, there is tremendous scope to cut down costs of operations as explained later.

Route Planning

3.2.38 Appropriate route planning to tap demand leads to higher load factor. All the Corporations in the State carry out an ABC analysis of various schedules operated by them. Schedules which are profitable are categorised as 'A', while those which earn adequate revenue for meeting variable cost but do not cover fixed cost fully are categorised as 'B'. The schedules which do not even cover the variable cost are categorised as 'C'.

3.2.39 Some schedules are profitable while others are not. The position in this regard is given in the table below.

The no of schedules not meeting variable cost was 50 *per cent* as at end of March 2009.

Particulars	Total No. of schedules	No. of schedules making profit	No. of schedules not meeting total cost	No. of schedules not meeting variable cost
2004-05	12,441 (100)	2,545 (20)	9,896 (80)	4,317 (35)
2005-06	13,392 (100)	2,815 (21)	10,577 (79)	4,709 (35)
2006-07	13,695 (100)	3,210 (23)	10,485 (77)	4,569 (33)
2007-08	14,637 (100)	2,435 (17)	12,202 (83)	6,463 (44)
2008-09	15,313 (100)	2,697 (18)	12,616 (82)	7,667 (50)

Figures in brackets indicate percentage to total schedules

The percentage of uneconomical schedules operated increased from 35 *per cent* to 50 *per cent* during the period of review. Audit analysed that increase in uneconomical schedules were mainly due to augmentation of schedules as a social obligation and increase in the cost of operations.

3.2.40 Though some of the schedules now appearing unprofitable would become profitable once the Corporations improve their efficiency, there would still be some uneconomical schedules. Given the scenario of mixed routes and obligation to serve uneconomical schedules, an organisation should decide an optimum quantum of services on different schedules so as to optimise its revenue while serving the cause. However, no such exercise was carried out by the Corporations. The Corporations carry out periodical review of all the 'B' and 'C' schedules and modify the schedules and effect changes in the time table.

Cancellation of Scheduled kilometres

3.2.41 The details of scheduled[66] kilometres, effective kilometres and cancelled kilometres are furnished in the Table below. Cancelled kilometres are the kilometres not operated though originally scheduled. However, effective kilometres include the scheduled kilometres operated as well as additional kilometres operated on account of fairs, casual contracts *etc*., which are not originally scheduled.

(in lakh KMs)

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1	Scheduled kilometres	12,984.79	13,747.28	15,034	16,623.43	17,259.55
2	Effective kilometres	12,990.71	13575.24	14,788.72	16,111.78	16,942.56
3	Kilometres cancelled	336.76	538.69	656.24	887.80	814.44
4	Percentage of cancellation	2.59	3.92	4.37	5.34	4.72
Cause wise cancellation						
5	Want of buses	43.34	81.54	119.29	227.86	172.28
6	Want of crew	124.13	188.61	172.80	243.54	201.79
7	Others	169.29	268.54	364.15	416.40	440.37
8	Contribution *per* KM (in Rs.)	4.80	5.09	5.62	5.80	5.76
9	Avoidable cancellation (want of buses and crew)	167.47	270.15	292.09	471.40	374.07
10	Loss of contribution (8x9) (Rs. in crore)	8.04	13.75	16.42	27.34	21.55

The percentage of cancellations varied from 2.59 to 5.34 *per cent* during 2004-05 to 2008-09.

3.2.42 The percentage of cancellations varied from 2.59 *per cent* to 5.34 *per cent* during 2004-05 to 2008-09 and remained on the higher side as compared to the best performers. The cancelled kilometres due to avoidable reasons such as non-availability of crew and buses was about 48.92 *per cent* of the total cancellations. Due to

Tamil Nadu (Salem), State Express Transport Corporation (Tamil Nadu) and Tamil Nadu (Villupuram) registered least cancellation of scheduled KMs at 0.45, 0.67 and 0.78 *per cent* respectively during 2006-07. (Source: STUs profile and performance 2006-07 by CIRT, Pune)

[66] **the position for individual Corporation are given in Annexure 11.**

the above cancellations, Corporations were deprived of contribution of Rs. 87.10 crore during 2004-09. The Management stated (May 2009) that action was taken to control the incidence of cancellation by initiating disciplinary action.

Maintenance of vehicles

Preventive Maintenance

3.2.43 Preventive maintenance was essential to keep the buses in good running condition and to reduce breakdowns / other mechanical failures. The Corporations had Tata and Leyland make buses, for which the following schedule of maintenance has been adopted by the Corporations.

Particulars	Schedule
Engine Oil change (EOC)	
Tata make	Every 18,000 KMs
Leyland make	Every 16,000 KMs
Docking[67]	
For both Tata and Leyland make	Every 18,000 KMs

Test check in Audit revealed that there were delays in carrying out preventive maintenance schedules.

3.2.44 Test check in Audit of preventive maintenance schedules carried out in selected depots revealed that out of 36,140 buses docked during the five years under review, there was delay in respect of 14,270 buses after giving a reasonable margin of three days beyond the due date. In case of EOC there were delays in respect of 8,905 buses out of 37,754 buses due as indicated in the table below.

Year	Engine Oil change			Docking		
	Total no. of vehicles	No. of cases delayed	Percentage of delay	Total no. of vehicles	No. of cases delayed	Percentage of delay
2004-05	5,026	337	6.71	4,710	1,127	23.93
2005-06	7,565	1,306	17.26	7,004	2,351	33.57
2006-07	8,162	2,050	25.12	7,336	3,055	41.64
2007-08	8,224	2,077	25.26	7,486	3,163	42.25
2008-09	8,777	3,135	35.72	9,604	4,574	47.63

3.2.45 It may be seen from the above table that the percentage of maintenance done in time decreased from 76.07 *per cent* in 2004-05 to 52.37 *per cent* in 2008-09. The Management of KSRTC attributed (September 2009) the delay to shortage of mechanical staff and stated that action was taken to recruit the personnel.

[67] **in each Docking of vehicles for maintenance break system, steering system, gearbox, suspension, clutch, axle system, frames and cross membranes of the bus body, *etc*., are inspected.**

Repairs & Maintenance

3.2.46 A summarised position of fleet holding, over-aged buses, repairs and maintenance (R&M) expenditure[68] for the last five years up to 2008-09 is given below.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1	Total buses (own + taken over)	9,785	10,989	12,462	13,895	14,544
2	Over-age buses (as per Corporations' norms) (own)	1,970	2,600	2,794	2,529	2,335
3	Percentage of over age buses (own)	20.13	23.66	22.42	18.20	16.16
4	R&M Expenses (Rs. in crore)	200.76	232.45	265.54	323.15	375.84
5	R&M Expenses *per* bus (Rs. in lakh) (4/1)	2.05	2.12	2.13	2.33	2.58
6	Percentage of manpower cost in R&M expenses	41.37	36.89	32.01	28.19	25.90

The Repairs and Maintenance expenditure *per* bus increased from Rs. 2.05 lakh in 2004-05 to Rs. 2.58 lakh in 2008-09.

3.2.47 Percentage of overage buses to total fleet held reduced from 20.13 in 2004-05 to 16.16 in 2008-09 but repair and maintenance expenses *per* bus increased from Rs. 2.05 lakh in 2004-05 to Rs. 2.58 lakh in 2008-09. The Corporations did not maintain details of expenditure incurred on repairs and maintenance of over-aged buses separately and hence Audit could not ascertain the extent to which the increase in repairs and maintenance expenditure was attributable to old age buses.

Docking of vehicles for Fitness Certificates

3.2.48 The buses were required to be repaired and made fit before sending the same to Regional Transport Office (RTO) for renewal of fitness certificate under Section 62 of the Central Motor Vehicle Rules 1989. As the date of expiry of the old fitness certificate was known in advance, Management should plan accordingly to get the buses repaired in time so that bus days were not lost due to delay in renewal. The time fixed for carrying out repair works to make the buses fit for getting Fitness Certificate was two days for ordinary buses and six days for other buses. It was noticed in Audit that in KSRTC delay in repairs of vehicles ranged from 2 days to 71 days in respect of 39 buses in the test checked months[69] for renewal of Fitness Certificate. This resulted in loss of 433 bus days and a potential loss of Rs. 27.18 lakh.

Manpower Cost

3.2.49 The cost structure of the organisation shows that manpower and fuel constitute 69 *per cent* of total cost. Interest, depreciation and taxes – the costs which are not controllable in the short-term – account for 16 *per cent*. Thus, the major cost saving can come only from manpower and fuel.

[68] the position for individual Corporation is given in Annexure 12.

[69] July 2004 and February 2005 (2004-05), August 2005 and March 2006 (2005-06), April 2006 and September 2006 (2006-07), May 2007 and October 2007 (2007-08), June 2008 and January 2009 (2008-09).

3.2.50 Manpower is an important element of cost which constituted 29 *per cent* of total expenditure of the Corporations in 2008-09. Therefore, it is imperative that this cost is kept under control and the manpower is utilised optimally to achieve high productivity. The Corporations also employ driver-*cum*-conductors who besides driving the bus also perform the duty of conductors. As such the operation of the bus needs only one crew. Out of 36,371 drivers, there are 16,411 driver-*cum*-conductors employed by the three Corporations collectively at the end of March 2009. The Table below provides the details of manpower[70], its cost and productivity for operating own buses including buses taken over from private owners for operation but excluding hired buses. Manpower and manpower cost indicated in the table excludes conductors deployed for hired buses and their cost.

Gujarat, Tamil Nadu (Villupuram) and Tamil Nadu (Salem) registered best performance at Rs. 6.10, Rs. 6.13 and Rs. 6.21 cost *per* effective KMs respectively during 2006-07.
(Source: STUs profile and performance 2006-07 by CIRT, Pune)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Total Manpower (Nos.)	54,685	54,547	60,546	63,229	71,062
Manpower Cost (Rs. in crore)	631.76	654.18	729.81	845.02	925.21
Effective KMs (in lakh)	10,958.41	11,887.75	13,665.01	15,362.90	16,582.74
Cost per effective KM (Rs.)	5.77	5.50	5.34	5.50	5.58
Productivity *per* day *per* person (KMs)	54.90	59.71	61.83	66.57	63.93
Total Buses (No.)	9,785	10,989	12,462	13,895	14,544
Manpower *per* bus	5.59	4.96	4.86	4.55	4.89

3.2.51 The manpower cost *per* effective kilometre has decreased from Rs. 5.77 in 2004-05 to Rs. 5.58 in 2008-09 despite revision of pay and increase in the number of employees. The productivity *per* day *per* employee which was 54.90 KMs in 2004-05, increased to 63.93 KMs in 2008-09. The manpower *per* bus also reduced from 5.59 in 2004-05 to 4.89 in 2008-09 due to increase in number of buses. The manpower cost and productivity was better than the All India Average in all the Corporations for the period under review.

North Western Karnataka Road Transport Corporation, Karnataka State Road Transport Corporation and Himachal Pradesh registered best performance at 4.89, 4.99 and 4.94 manpower *per* bus.
(Source : STUs profile and performance

3.2.52 The State Government has prescribed (November 2006) a norm of 5.65 employees *per* schedule without prescribing category-wise break-up. As on 31 March 2009, 13,400 schedules were under operation in all the Corporations collectively. Considering the manpower as on that date, the actual position in this regard works out to 5.31 employees *per* schedule, which was within the prescribed limit.

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[70] **the position for individual Corporation are given in Annexure 13.**

Fuel Cost

3.2.53 Fuel is a major cost element which constituted 40.42 *per cent* of total expenditure for the Corporations during 2008-09. Control of fuel costs by a road transport undertaking has a direct bearing on its productivity. The table below gives the targets fixed by the Corporations for fuel consumption, actual consumption, mileage obtained *per* litre (Kilometre *per* litre *i.e.,* KMPL), All India Average and extra expenditure incurred thereon.

Sl. No.	Particulars		2004-05	2005-06	2006-07	2007-08	2008-09
1	Gross Kilometres[71] (in lakh)	KSRTC	5,608.63	6,284.33	7,061.57	7,807.89	8,330.65
		NEKRTC	1,759.30	1,912.40	2,337.76	2,642.55	3,201.21
		NWKRTC	3,869.70	4,031.55	4,652.83	5,352.06	5,576.66
		Total	**11,237.63**	**12,228.28**	**14,052.16**	**15,802.50**	**17,108.52**
2	Target of KMPL fixed by STUs	KSRTC	5.40	5.36	5.22	5.20	5.19
		NEKRTC	5.60	5.54	5.55	5.50	5.43
		NWKRTC	5.52	5.56	5.45	5.37	5.30
3	Kilometre obtained *per* litre (KMPL)	KSRTC	5.28	5.13	5.07	5.02	4.92
		NEKRTC	5.44	5.44	5.45	5.41	5.34
		NWKRTC	5.36	5.25	5.23	5.10	5.07
4	All India Average in the category		4.93	5.00	5.11	5.11[ϒ]	5.11[ϒ]
5	Actual Consumption (in lakh litres)	KSRTC	1,062.24	1,225.02	1,392.81	1,555.36	1,693.22
		NEKRTC	323.54	351.62	428.83	488.48	600.25
		NWKRTC	721.96	767.91	889.64	1,049.42	1,099.93
		Total	**2,107.74**	**2,344.55**	**2,711.28**	**3,093.26**	**3,393.40**
6	Consumption as per target (in lakh litres)	KSRTC	1,038.64	1,172.45	1,352.79	1,501.52	1,605.13
		NEKRTC	314.16	345.20	421.22	480.46	589.54
		NWKRTC	701.03	725.10	853.73	996.66	1,052.20
		Total	**2,053.83**	**2,242.75**	**2,627.74**	**2,978.64**	**3,246.87**
7	Excess Consumption (in lakh litres) (5-6)	KSRTC	23.60	52.57	40.02	53.84	88.09
		NEKRTC	9.38	6.42	7.61	8.02	10.71
		NWKRTC	20.93	42.81	35.91	52.76	47.73
		Total	**53.91**	**101.80**	**83.54**	**114.62**	**146.53**
8	Average cost per litre (Rs.)	KSRTC	26.87	32.23	35.27	34.03	37.25
		NEKRTC	27.41	32.88	35.76	34.53	38.09
		NWKRTC	28.71	32.66	33.44	35.18	38.19
9	Extra expenditure (Rs. in crore)	KSRTC	6.34	16.94	14.12	18.32	32.81
		NEKRTC	2.57	2.11	2.50	2.77	4.08
		NWKRTC	6.01	13.98	12.01	18.56	18.23
		Total	**14.92**	**33.03**	**28.63**	**39.65**	**55.12**

3.2.54 In KSRTC, the mileage obtained *per* litre continuously declined over the period of review from 5.28 to 4.92 during 2004-09. Further, it was below all India average during 2006-09. In NEKRTC, the Corporation could not achieve its own targets in any of the years under review. In NWKRTC, the KMPL continuously declined from 5.36 in 2004-05 to 5.07 in 2008-09. The

[71] excluding hired buses.

[ϒ] in the absence of availability of All India Average for 2007-08 and 2008-09, All India Average of 2006-07 has been considered.

depots of all the Corporations are maintaining KMPL register showing the details of driver-wise information regarding kilometres operated, consumption of HSD during each month for monitoring the performance of each driver in terms of KMPL. Even though there was reduction in over aged buses, the excess consumption of fuel compared to targets resulted in extra expenditure of Rs. 171.35 crore during 2004-09. Corrective measures like adjustment of fuel injection pumps, tuning of engines, *etc*., were carried out. The drivers were given training on improving mileage. In spite of this, the mileage obtained deteriorated.

Cost effectiveness of hired buses

3.2.55 The Corporations were hiring private buses on Kilometre payment basis (KM Scheme). Agreements with the private bus owners were entered into for a period of four years under KM scheme. The owners of these buses were required to provide buses with drivers and to incur all expenditure for the running of the buses. The Corporations were to provide conductors and make payment as per the actual Kilometres operated by the hired buses. There were 1,450 hired buses as at the end of 2005 which declined to 140 buses as at the end of 2009. The operation of these buses resulted in a profit of Rs. 65.87 crore during 2004-09 as detailed below:

(Amount in Rs.)

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
	Own fleet[72]					
1	Cost *per* effective KM	15.35	16.75	17.33	18.22	19.18
2	Traffic Revenue *per* effective KM	12.87	14.54	15.56	16.07	16.58
3	Net Revenue *per* effective KM	(-) 2.48	(-) 2.21	(-) 1.77	(-) 2.15	(-) 2.60
	Hired buses					
4	No. of Hired buses at the end of the year	1,450	1,225	741	510	140
5	Cost *per* effective KM[73]	11.64	13.05	13.94	14.11	14.01
6	Traffic Revenue per effective KM	13.27	14.16	14.62	14.52	15.24
7	Net Revenue per effective KM	1.63	1.11	0.68	0.41	1.23
8	Total effective KMs operated (in lakh)	2,032.30	1,687.48	1,123.71	748.88	268.56
9	Profit from hired buses (Rs. in crore)	33.13	18.73	7.64	3.07	3.30
10	Earnings per KM at 100 per cent load factor[74]	18.83	21.10	21.41	22.06	23.86
11	Break-even load factor considering traffic revenue	61.8	61.9	65.1	64.0	58.7

[72] figures in Sl. No. 1 to 3 will not tally with figures given in the table under paragraph 3.2.11 as the same are for the Corporations as a whole and includes hired uses.
[73] this includes contract price *plus* conductors pay *plus* overheads.
[74] calculated based on the existing load factor of the Corporation.

3.2.56 Net revenue *per* effective KM from hired vehicles is more than that of own fleet. In view of the higher profitability from the hiring of vehicles, the number of hired buses should have increased over the years. However, the number of hired buses decreased from 1,450 in 2004-05 to 140 in 2008-09. It was stated by the Management of KSRTC (September 2009) that the private operators were cancelling the schedules abruptly for want of buses, crew, *etc*. The Management further stated that there was deterioration in the quality of services provided by the private operators and hence the Corporation was not in favour of hiring buses. Audit noticed that the Corporations were invoking the penalty clause as *per* the terms of contract entered into with the private operators and collecting the penal charges. However, this did not act as a deterrent for the operators to cancel the schedules as the amount of penalty *per* day was very low.

Body Building

3.2.57 The bus body building activity is undertaken at the Regional Workshops of KSRTC situated at Hassan and Bangalore besides getting the same fabricated through private contractors while NWKRTC has a body fabrication unit at Regional Workshop, Hubli. In NEKRTC, the bus body building is completely outsourced through private contractors. In KSRTC the in-house fabrication of different models of ordinary buses is done in two ways *i.e.,* completely by the Corporation and by outsourcing labour contract only with materials being supplied by the Corporation. NWKRTC does not outsource the fabrication of ordinary buses. During the period under review, 1,988 buses of different models were built completely by KSRTC at a total expenditure of Rs. 105.95 crore whereas 1,125 buses were built with outsourced labour at a total cost of Rs. 60.26 crore. 939 buses were got built from private contractors during 2004-09, for which KSRTC paid Rs. 48.25 crore. NWKRTC built 2,167 buses of different models in-house at a total expenditure of Rs. 111.13 crore during the period under review. However, none of the Corporations maintain adequate costing system to record model-wise details of expenditure incurred on in-house or outsourced fabrication costs. In the absence of model-wise details of cost of fabrication of different types of ordinary buses, Audit could not ascertain the cost effectiveness of fabrication of buses in-house *vis-à-vis* private contractors.

Financial Management

3.2.58 Raising of funds for capital expenditure, *i.e.,* for replacement/ addition of buses happens to be the major challenge in financial management of Corporation's affairs. This issue has been covered in paragraph 3.2.25. The section below deals with the Corporation's efficiency in raising claims and their recovery. This section also analyses whether an opportunity exists to realign the business model to generate more resources without compromising on service delivery.

Claims and Dues

3.2.59 The Corporations give their buses on hire for which parties are required to pay in advance the charges at prescribed rates *per* kilometre basis at the time of booking. Hire charges are revised periodically taking into account the increase in the cost of operations. The Corporations collect additional amount of 10 *per cent* of the estimated amount as security. All the vehicles, which are sent on casual contract, are fitted with speedometers and billing is made on the basis of actual kilometres recorded. Charges from the private parties are recovered immediately and charges from the Government are being recovered in due course. The balance amount in respect of NEKRTC receivable from the Government departments was Rs. 1.25 crore, which was less than one year old. However, there were no dues in respect of KSRTC and NWKRTC.

3.2.60 The Corporations provide free / concessional passes to various categories of public like students, senior citizens, freedom fighters *etc*. The State Government agreed (August 2004) to reimburse 50 *per cent* of the estimated travel cost for each student pass based on the formula devised by TNS Mode Company (an agency appointed to recommend the basis of calculating the operational cost incurred on the student passes). The number of student passes issued, amount recoverable from the Government as *per* the approved formula and the amount actually received are shown in the table below. During the years 2004-05, 2005-06 and 2008-09, KSRTC received Rs. 29.45 crore, Rs. 12.07 crore and Rs. 4.84 crore in excess of the amount receivable from the Government whereas there were unrealised claims in respect of NEKRTC and NWKRTC. However, the Government did not reimburse the claims of NEKRTC and NWKRTC completely though the Corporations had raised the claims as per the approved formula of TNS Mode Company.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1	No. of student passes issued (lakh)	7.89	6.17	7.81	7.59	7.37
2	Amount recoverable from the Government (Rs. in crore)	68.88	89.56	132.45	141.17	140.24
3	Amount actually received (Rs. in crore)	94.75	83.21	121.75	130.50	119.48
4	Unrealised claims (Rs. in crore)[75]	3.58	18.42	10.70	10.67	26.11

3.2.61 The amount due from the Government in respect of KSRTC, NWKRTC and NEKRTC were Rs. 0.26 crore, Rs. 46.43 crore and Rs. 22.79 crore respectively as of March 2009.

[75] **this represents the amounts due by the Government to the individual Corporations in each year without setting off the amount paid in excess to KSRTC during 2004-05, 2005-06 and 2008-09, which is included in amount received.**

Realignment of business model

3.2.62 The Corporations were mandated to provide an efficient, adequate and economical road transport to public. Therefore, the Corporations can not take an absolutely commercial view in running their operations. They have to cater to uneconomical routes to fulfil their mandate and keep the fares affordable. In such a situation, it was imperative for the Corporations to tap non-traffic revenue sources to cross-subsidize their operations. The share of non-traffic revenues (other than interest on investments) was nominal at 1.24 *per cent*; 0.72 *per cent* and 1.28 *per cent* in respect of KSRTC, NWKRTC and NEKRTC respectively, of total revenue during 2004-09. This revenue of Rs. 78.92 crore, Rs. 28.99 crore and Rs. 17.09 crore, respectively, mainly came from commercial establishments, advertisement, *etc.*

3.2.63 Over a period of time, the Corporations had acquired sites at prime locations in cities, district and tehsil headquarters. KSRTC and NEKRTC were holding 41.19 and 32.67 lakh square metres of land as on 31 March 2009. The details of land in terms of number of sites in cities, districts and tehsils were not made available to Audit. The total land holding by NWKRTC was not made available to Audit. However, the land occupied by it as on 31 March 2009 is as follows.

Particulars	Cities (Municipal areas)	District headquarters	Tehsil headquarters	Total
Number of sites	38	31	207	276
Occupied Land (lakh Sq. mtrs.)	8.46	4.98	13.33	26.77

3.2.64 KSRTC, NEKRTC and NWKRTC generated Rs. 75.06 crore, Rs. 26.49 crore and Rs. 17.09 crore, respectively from commercial establishments on these lands.

3.2.65 The Corporations generally use the ground floor / land for its operations, leaving an ample scope to construct and utilise spaces above. It is, thus, possible for the Corporations to undertake projects on public private partnership (PPP) basis for construction of shopping complexes, malls, hotels, office spaces, *etc*., above (from first or second floor onwards) the existing sites so as to bring in a steady stream of revenues without any investment by it. Such projects can be executed without curtailing the existing area of operations of the Corporations, which can yield substantial revenue for the Corporations which can only increase year after year.

Corporations did not frame any policy for tapping non-traffic revenue sources through PPP projects.

3.2.66 Audit observed that the Corporations have not studied this aspect to assess the likely benefits from such activities or framed any policy regarding tapping of non-traffic revenue sources by taking up large scale PPP projects in the vacant land. Since substantial non-traffic revenue will help the Corporations cross-subsidize their operations and fulfil the mandate effectively, the Corporations may like to study realigning their business model and frame a policy in this regard.

Fare policy and fulfillment of social obligations

Existence and fairness of fare policy

3.2.67 Section 67 of Motor Vehicles Act, 1988 empowered the State Government to fix the minimum and maximum rates for stage contract and goods carriages. The Government of Karnataka approved (September 2000) an Automatic Fare Adjustment Procedure to enable the Corporations to revise the passenger bus fares from time to time to offset increases and decreases in the price of diesel and revision of dearness allowances to employees. The revised fares are implemented after approval by the Government. Based on this order, during the period 2004-05 to 2008-09 the fare was increased four times and decreased once.

3.2.68 The table below indicates approximate fare that existed during the period under review in respect of ordinary buses.

Stages	2004-05	2005-06	2006-07	2007-08	2008-09
First 5 KMs	4.00	5.00	6.00	6.00	7.00
First 10 KMs	6.00	7.00	8.00	8.00	9.00
25 KMs	8.00	10.00	10.00	10.00	11.00
100 KMs	--	21.00	22.00	22.00	23.00

3.2.69 The fare policy of the Corporations had no scientific basis as it does not take into account the normative cost. However, the performance of KSRTC and NWKRTC with respect to manpower productivity and performance of NEKRTC with respect to fuel consumption *per* KM were considered the best during 2006-07 by the Association of State Road Transport Undertakings (ASRTU) under the above categories.

Adequacy of services on uneconomical routes

In the absence of norms, the adequacy of services on uneconomical routes could not be ascertained in audit.

3.2.70 The Corporations had about 18 *per cent* profit making routes / schedules as of March 2009 as shown in table under paragraph 3.2.39. Though the Corporations were required to cater to uneconomical routes, they had not formulated norms for providing such services. In the absence of norms, the adequacy of services on uneconomical routes could not be ascertained in Audit. An independent regulatory body to specify the quantum of services on uneconomical routes, taking into account the specific needs of commuters would be desirable.

Monitoring by top management

MIS data and monitoring of service parameters

3.2.71 For an organisation like a Road Transport Corporation to succeed in operating economically, efficiently and effectively, there has to be written norms of operations, service standards and targets. Further, there has to be a

Management Information System (MIS) to report on achievement of targets and norms. The achievements need to be reviewed to address deficiencies and also to set targets for subsequent years. The targets should generally be such that the achievement of which would make an organisation self-reliant. In the light of this, Audit reviewed the system obtaining in the Corporation. The status in this regard is given below.

3.2.72 Internal targets for various parameters are fixed by the Heads of the Department in consultation with functional Directors / Managing Director of each Corporation. Each Corporation has an MIS Cell headed by Chief Planning and Statistical Officer, which compiles monthly data on all the physical and financial parameters of each depot and prepares a monthly Performance Appraisal Report (PAR). The PAR is issued to all Head of Departments and functional Directors / Managing Director. The performance of each Depot / Division and Central Office is monitored by each Head of Departments through periodical internal meetings held at the depot and at Central Office. Directions are issued for remedial actions. The overall performance of the Corporations is being reviewed by the respective Boards on quarterly basis.

Acknowledgement

Audit acknowledges the co-operation and assistance extended by the staff and the Management of the Corporations at various stages of conducting the performance review.

Conclusion

Operational performance

- **The Corporations could keep pace with the growing demand for public transport in terms of number of vehicles *per* lakh population, which increased from 20 in 2004-05 to 25 in 2008-09.**

- **While KSRTC was able to recover the cost of operations in all the years under review, NEKRTC could not recover the same in any of the years. NWKRTC was able to recover the cost of operations only during 2006-07.**

- **During 2004-05 and 2008-09, fleet utilisation in respect of KSRTC declined from 95.05 *per cent* to 88.87 *per cent*, in NEKRTC it declined from 96 *per cent* to 93 *per cent*. In NWKRTC it declined from 95.64 *per cent* to 92.46 *per cent*. This was due to increase in spare fleet held at depots and delay in repair of vehicles besides shortage of crew.**

- **Load factor in KSRTC was above all India average whereas it was below all India average in NEKRTC and NWKRTC due to**

unauthorised operation by private operators and operation of obligatory schedules by the Corporations.

- **Though the Corporations carried out periodical review of schedules not making profit and modified them, the percentage of schedules not meeting variable costs increased from 35 to 50 during 2004-09 due to augmentation of obligatory schedules.**

- **None of the Corporations carried out timely preventive maintenance schedule. Test check in Audit revealed that of 9,604 buses docked, there was delay in respect of 4,574 buses. This affected the road worthiness of the buses. The repair and maintenance expenditure *per* bus increased from Rs. 2.05 lakh in 2004-05 to Rs. 2.58 lakh in 2008-09.**

- **The manpower cost *per* effective KM decreased from Rs. 5.77 to Rs. 5.58 during 2004-09. Also, manpower *per* bus declined from 5.59 to 4.89 due to increase in number of buses.**

- **The Corporations could not ensure economy in fuel consumption, which had decreased from 5.44 KMPL in 2004-05 to 4.92 KMPL in 2008-09.**

Financial Management

- **The liquidity position of NWKRTC was so poor that even employees related payments were being made belatedly. NEKRTC was utilising the Government dues for meeting the current liabilities.**

- **The share of non-traffic revenue was nominal at 1.24 *per cent*, 0.72 *per cent* and 1.28 *per cent* of total revenue during 2004-09 in respect of KSRTC, NWKRTC and NEKRTC, respectively.**

- **The Corporations had not studied the aspect of tapping non-traffic revenue by taking up large scale PPP projects on their vacant land.**

- **The Government is not reimbursing fully the claim towards subsidy in respect of concessional student passes though the Corporations are raising the claims as per an accepted formula.**

Fare policy and fulfilment of social obligations

- **The automatic Fare Adjustment Procedure prescribed by the State Government does not take into account increase in costs other than fuel and Dearness Allowance.**

- **In the absence of norms, the adequacy of services on uneconomical routes could not be ascertained in Audit.**

Monitoring by top management and future needs

- **The MIS system of the Corporation is effective to exercise sufficient control over its operation and monitor key operational parameters.**

The three Corporations increased the reach of public transport but also together incurred a loss of Rs. 172.25 crore during 2004-09. The weak areas are cost of fuel and repairs and maintenance expenses. Achieving the internal targets for fuel consumption could have saved them Rs. 171.35 crore. The repairs and maintenance expenditure of Rs. 1,397.74 crore during 2004-09 (Rs. 2.58 lakh *per* bus in 2008-09) is very high and needs to be controlled. The Corporations can enhance the revenue by avoiding controllable cancellations and undertaking projects under PPP. Full reimbursement of subsidy in respect of concessional passes will also help. Thus, on the whole, there is scope to cut down costs and increase revenue.

Recommendations

Operational performance

- **The Corporations should carry out timely preventive maintenance in respect of docking and EOC thereby enhancing the road worthiness of vehicles.**

- **The Corporations can enhance fleet utilization by taking action to reduce off-road vehicles by undertaking timely repairs and avoid cancellation for want of crew.**

- **The Corporations may examine the reasons for excess consumption of fuel and take remedial measures to control it.**

- **The Corporations need to analyse the reasons for high cost of repairs and maintenance to take corrective actions.**

Financial Management

- **The Corporations may have a re-look in favour of hiring more buses by attracting private participation as the same is economical in operations.**

- **The Government may consider reimbursing in full the subsidy in respect of concessional student passes based on the accepted formula.**

- **The Corporations may consider devising a policy for tapping non-conventional sources of revenue by undertaking PPP (Public Private Partnership) projects.**

Fare Policy and fulfillment of social obligations

- **The Government may consider creating a regulator to regulate fares and also services on uneconomical routes.**

- **A policy yardstick to decide on the operation of uneconomical routes / schedules needs to be laid down.**

CHAPTER IV

4. Transaction Audit Observations

Important audit findings emerging from test check of transactions made by the State Government companies and Statutory Corporations are included in this Chapter.

Government companies

Bangalore Electricity Supply Company Limited

4.1 Loss of Revenue

Failure to monitor and enforce guidelines for laying of cables on BESCOM supports by cable operators resulted in loss of revenue of Rs. 5.45 crore.

The Company (BESCOM) accorded right of way to nine cable operators in December 2002[∅] and eight cable operators in September 2004 to lay Optic Fibre Cables (OFC) and Co-axial Cables (CC) on its transmission and distribution lines on a non-exclusive basis subject to payment of charges. The charges applicable were Rupees twenty thousand per kilometre (km) of OFC per year subject to enhancement by five *per cent* every year from the fourth year of the agreement and rupees fifty per pole per year for CC. Advance of 50 *per cent* of the charges for the first year was to be paid while entering into the agreement and quarterly payments were to be made thereafter.

Subsequent to fatal electrocution of a child in Bangalore City, the Company issued (July 2004) guidelines to field staff to inspect the cables under their jurisdiction and submit monthly reports to the General Manager (Technical). The field staff, which was authorized to check the use of supports, could not succeed in enforcing the guidelines and check the unauthorized use of the Company's supports. Accordingly, the Company ordered (July 2007) the removal of all the cables strung on its supports of all the operators, except in respect of four operators who had obtained injunction orders from the court.

Audit noticed (June 2009) that:

- in respect of the four cable operators who had obtained injunction against removal of cables from the court, it was observed that the Company was not raising demands on these operators. The total amount due from them from July 2007 up to March 2009, as worked out by Audit, was Rs. 1.77 crore. The Management has intimated (September 2009) that Rs. 48.17 lakh[76] was demanded from three parties and Rs. 39.81 lakh had been collected from them. However, it

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[∅] the permission was given by Karnataka Power Transmission Corporation Limited and later transferred on behalf of Bangalore Electricity Supply Company Limited on its formation.

[76] this amount is already included in Rs. 3.88 crore.

has been observed that these details pertain to the period from 2004 to 2007 and the Management has not furnished any details in respect of the demands raised and amount collected from the 4th party. It has also been intimated that they have instructed the Circle Offices to demand and collect right of way charges in respect of these four operators for the period from July 2007 to date.

- the operator wise details of amount demanded and received from the date of agreement of each contract up to July 2004 (issue of guidelines) were not available on record. The individual agreements of all the cable operators were not produced to Audit. Based on sanction orders, the charges receivable as worked out by Audit from 25 operators[77] for the period 2004-2007 amounted to Rs. 3.88 crore. Of this, Rs. 1.38 crore was received leaving a balance of Rs. 2.50 crore[78]. Even though two years had lapsed since these cables were removed, the Company had not initiated any action against the cable operators to effect recoveries.

- in respect of one cable operator Sunray Computers (Private) Limited, an amount of Rs. 1.18 crore was receivable as of March 2004 which has not been recovered so far (August 2009).

Thus failure to monitor and enforce guidelines for laying cables on BESCOM supports by cable operators resulted in loss of revenue of Rs. 5.45 crore[79].

The Management stated (September 2009) that details of payment have been called for from the field officers and on receipt of the data, information will be compiled and legal action has been initiated against Sunray Computers (Private) Limited.

Audit suggests the Company should take immediate steps to secure its financial interests and recover dues of Rs. 5.45 crore, as the Company is not having any security from the parties.

The matter was reported to the Government (June 2009); its reply was awaited (September 2009).

4.2 Under insurance

The Company adopted the wrong Schedule of Rates for declaration of value of transformer in its insurance policy resulting in under insurance and foregoing claim of Rs. 1.72 crore.

The Company (BESCOM) took (December 2005) a Machinery Insurance policy with National Insurance Company Limited (NICL) (a Government of India Undertaking) to indemnify the insured against unforeseen and sudden physical damage and entered into a Memorandum of Understanding (MOU) in

[77] eight cable operators were given permission to lay cables by the Divisional heads of the Company and further details regarding these operators are not on record.
[78] including the amount of Rs. 1.89 lakh due from Sunray Computers (Private) Limited.
[79] loss of revenue Rs. 5.45 crore includes (Rs. 1.77 crore + Rs. 2.50 crore + Rs. 1.18 crore).

January 2006. The policy was valid for the period from 1 January 2006 to 31 December 2006 and covered 29,904 transformers (25 KVA : 7,302 nos and 63 KVA : 22,602 nos) with a sum insured of Rs. 91.01 crore. The premium paid was Rs. 1.25 crore.

The provisions of the policy *inter alia* stipulated that sum insured shall be equal to the cost of replacement of the insured property by new property of the same kind and same capacity, which meant its replacement cost including freight, dues and customs duties and erection costs. Further, it stipulated that if the sum insured was less than the amount required to be insured, only such proportion as the sum insured bears to the amount required to be insured would be paid.

Audit observed (September 2008) that the Company declared (January 2006) the unit price of transformer based on Schedule of Rates (SR) of 2003, instead of adopting Schedule of Rates of 2005 which was already adopted by the Company with effect from June 2005. The Company preferred (January 2006 to May 2007) insurance claims of Rs. 5.86 crore in respect of 5,159 transformers. The claim was revised to Rs. 5.59 crore in respect of 4,701 transformers as the remaining transformers were identified as non-insured transformers. Based on negotiations (May / June 2008) between the Company, surveyors and insurance brokers, NICL agreed for settlement of Rs. 2.10 crore out of which an amount of Rs. 75.89 lakh was pending receipt as of August 2009. The details of rates declared *vis-à-vis* the effect of under insurance are detailed below:

Transformer Capacity	**25 KVA**	**63 KVA**
	(Rs.)	
Rate per transformer at which it was insured (*i.e.,* as per SR of 2003) (A)	25,793	31,935
Rate per transformer as per SR of 2005 (effective from 1 June 2005) - (B)	44,260	66,200
Settlement		
Rate adopted for settlement – Towards Material	44,260	59,600
Towards Incidental	9,143	9,143
Total (C)	**53,403**	**68,743**
Value insured	25,793 (48 *per cent*)	31,935 (46 *per cent*)
Under insurance (C-A)	**27,610 (52 *per cent*)**	**36,808 (54 *per cent*)**

It could be seen from above that NICL admitted claims proportionate to SR 2003 at Rs. 2.10 crore.

Though the Company had rates of transformer as per SR 2005 at the time of taking insurance policy in January 2006, the declaration of rates of transformers as per SR 2003 for insurance purposes, resulted in underinsurance and foregoing claims of Rs. 1.72 crore[80].

The matter was reported to the Management / Government (April 2009); their reply was awaited (September 2009).

[80] under insurance of Rs. 2.97 crore *less* additional premium towards insuring at SR 2005 rates of Rs. 1.25 crore.

4.3 Delay in invoking risk purchase clause

Delay in issuing orders under risk purchase clause resulted in non-recovery of Rs. 1.58 crore from outstanding bills of the supplier.

The Company (BESCOM) placed (February 2005) purchase order on Mohan Aluminum Pvt Ltd. (supplier) for supply of 2,500 kilometres (km) of 'Rabbit ACSR conductor' at an ex-works price of Rs. 18,750 per km. The delivery schedule was from April 2005 to August 2005. The terms and conditions of tender *inter alia* specified that the supplier was liable for penalty, subject to maximum of 10 *per cent* on the contract value for the materials not delivered within the period stipulated in the order. For failure to supply the Company could purchase the material at the risk of the supplier and prefer claim for the difference in price, which the Company could recover from any money due to the supplier on bills or deposits or any account.

The supplier failed to commence supplies in spite of requests (June to September 2005) and a final notice was served in December 2005. As the supplier did not respond, the purchase order was withdrawn in January 2006 and earnest money deposit of Rs. 12,500 forfeited.

The Company placed (February 2006) purchase order on another supplier for supply of conductors at an ex-works price of Rs. 19,900 per km.

Audit observed (March 2009) that even though the order was cancelled (January 2006) and fresh purchase order placed in February 2006, the Company failed to initiate action on suppliers as per terms and conditions of risk purchase and penalty. The Managing Director took exception (December 2006) to the inordinate delay in taking action under risk purchase clause. The Company finally issued (December 2006) the order under risk purchase clause for recovery of Rs. 1.11 crore towards difference in price[81] and Rs. 0.47 crore towards maximum penalty to be recovered from the pending running bills. The Company encashed bank guarantee of Rs. 1 lakh in February 2007.

81

(Rs.)

	Mohan Aluminium Pvt. Ltd. (1st tender)	**Sharavathy Conductors Pvt. Ltd. (2nd tender)**
Ex-works price	18,750	19,900
Price variation, duties, taxes, freight and insurance	5,437	8,747
Total	24,187	28,647
Difference	4,460	
Risk : Rs. 4,460 * 2,500 kms = Rs. 111.50 lakh		
Penalty : 10 *per cent* of (Rs. 18,750 * 2,500 kms) = Rs. 46.87 lakh		

Audit observed that during the intervening period of withdrawing the purchase order (January 2006) and issue of orders under risk purchase clause (December 2006), an amount of Rs. 0.16 crore[82] towards outstanding bills was released (August 2006) to supplier in one Division alone.

At the instance of Audit, directions were issued (January 2009) after a lapse of two years, to other divisions of the Company to recover the amount from any outstanding bills pending payment in respect of the supplier. But, the amount was yet to be recovered (August 2009) and the Company had not initiated any legal action so far (August 2009).

This delay in issuing orders under risk purchase clause resulted in non-recovery of Rs. 1.58 crore from outstanding bills of the supplier. Audit recommends that the Company should prefer risk purchase claims as per the tender agreement, in the event of the supplier failing to supply as agreed.

The matter was reported to the Management / Government (June 2009); their reply was awaited (September 2009).

Karnataka Power Transmission Corporation Limited

4.4 Avoidable expenditure

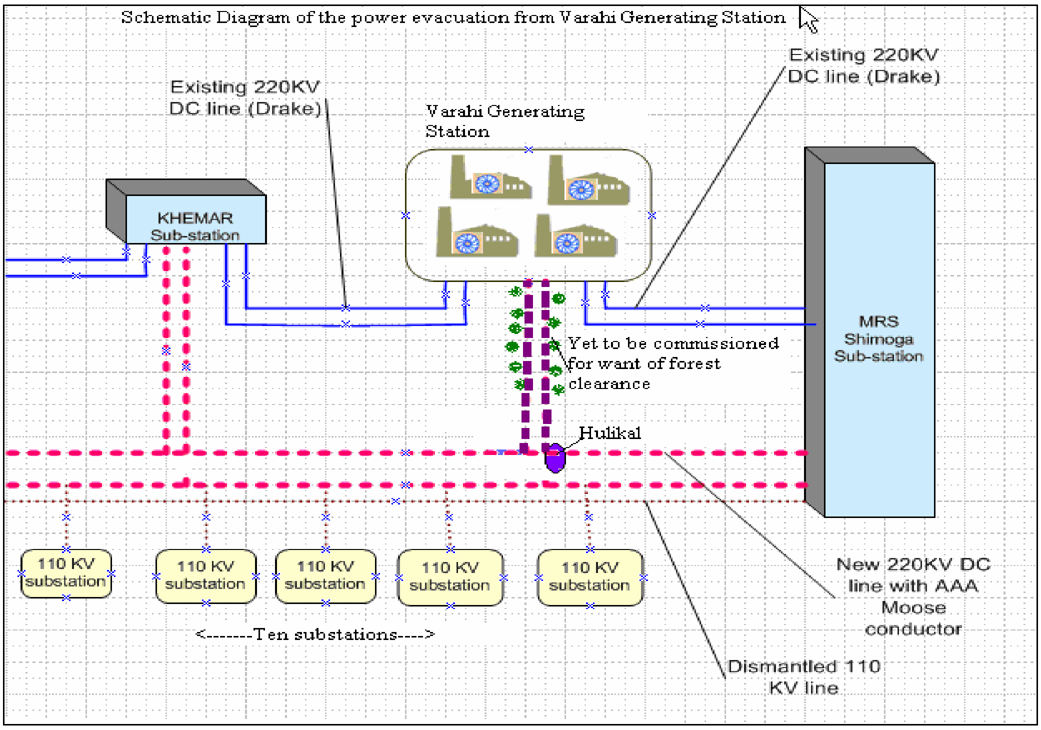
The use of higher capacity conductor, which was not need based, resulted in injudicious expenditure of Rs. 11.60 crore.

The electric power generated from a generating station is evacuated and transmitted to various substations through transmission lines known as conductors. The capacity of the different conductors is as given below:

Voltage (KV)	Generic name of conductor	Capacity (in MW)
110	Lynx	72
110	Drake	117
220	Drake	233
220	AAA Moose	270
400	AAA Moose	492

The Varahi Underground Power House (VUPH) of Karnataka Power Corporation Limited commissioned in 1989-90 had an installed capacity of 230MW in Stage 1. The Schematic diagram of the evacuation of power generation is as given below:

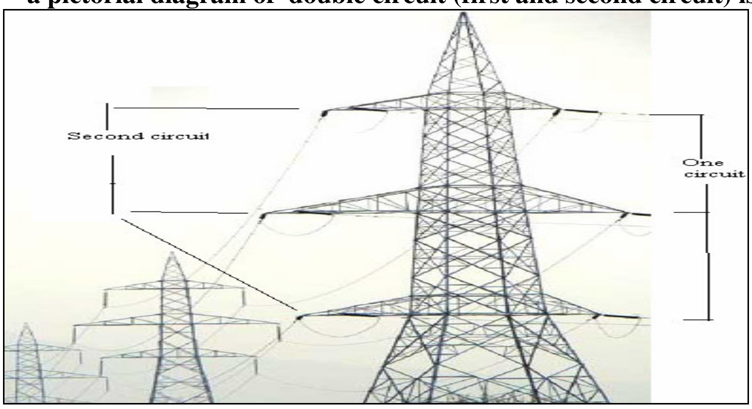
[82] **in respect of supplies made against another purchase order (April 2005) at Rural South Division.**



The power generated from VUPH was evacuated to Master Receiving Station (MRS)-Shimoga and Khemar substations on double circuit (DC)[83] conductors (drake). As each circuit of drake conductor had the capacity to carry 233MW (total for double circuit: 466MW on each side), the entire power (230MW) could be evacuated to either MRS-Shimoga or Khemar substations. Power received at MRS Shimoga was transmitted to 110 KV stations in the vicinity, through Lynx conductor (110KV line).

The Company had proposed (January 1998), to construct a double circuit line using Moose conductor in the existing 110KV corridor between Varahi and MRS Shimoga. The work (82.5 kilometers) was completed (2001) between MRS Shimoga and Hulikal and balance (5.5 kilometers) from Hulikal to Varahi could not be completed for want of forest clearance / permission.

[83] **a pictorial diagram of double circuit (first and second circuit) is given below:**



For evacuation of power of 230 MW in 2nd phase (units 3 and 4) at VUPH, the Company prepared (December 2002), Detailed Project Report (DPR) for construction of 220KV double circuit line with Moose conductor from Hulikal to Khemar in the existing 110KV corridor at a total cost of Rs. 84.56 crore. The work order was issued (February 2007) after a lapse of four years and the work is still in progress (August 2009). In the meanwhile, unit 3 and 4 of VUHP were commissioned in January 2009.

In this connection Audit observed that:

- the Moose conductor from Hulikal to Khemar replaced the old 110KV line. However, as power required for 110KV sub-stations was transmitted through this line, one circuit was necessarily to be kept charged at 110KV. Hence, the use of higher capacity (Moose) conductor was not need based.
- at present the work between Varahi and Hulikal could not be taken up for want of permission of forest department. The entire power (460MW) from all the four units of VUPH was evacuated to MRS Shimoga or to Khemar through the existing lines (drake). The Company could have opted for Drake conductors on the MRS Shimoga–Hulikal-Khemar line, which would have the capacity to evacuate another 466MW. The Company, however, went in for higher capacity double circuit Moose conductor, with a capacity of 540MW, which was not need based as one line is to be kept charged at 110KV and evacuation facilities already existed between Varahi and Khemar.

This decision of the company to use higher capacity Moose conductor which was not need based resulted in injudicious expenditure of Rs.11.60 crore[84].

The Management accepted (October 2008), that one line of the newly constructed Moose conductor line was charged at 110KV to facilitate supply to substations in the vicinity. The Management further stated that once the third and fourth units of VUPH were commissioned, both the newly constructed lines (Moose) and one drake line would be used for evacuation, whereas the other drake line would be used for providing power to 110KV substations. The reply of the Management is contrary to projection in the DPR in which one of the newly constructed lines was proposed to feed 110KV stations. Further, when the Company is unable to get forest clearance for the last eight years for 5.5 kilometers stretch (Hulikal-Varahi), the feasibility of providing power from one drake line to all the ten 110KV sub-stations is remote.

The matter was reported to the Government (June 2009); its reply was awaited (September 2009).

[84] **total 495 kilometres (six lines of 82.5 Kms) from MRS Shimoga to Hulikal and 701 kilometres (six lines) from Hulikal to Khemar. Standard price of AAA Moose conductor is Rs. 2.95 lakh per Km. and drake is Rs. 1.98 lakh per kilometre. Thus additional cost for 1,196 kilometres is Rs. 11.60 crore.**

4.5 Avoidable expenditure

Under *Grama Jyothi Scheme*, the Company drew excess funds, did not use it for the intended purpose and delayed repayment resulting in avoidable interest payment of Rs. 3.19 crore.

The Company (KPTCL), engaged in transmission of power in the State, proposed (March 2003) 'Grama Jyothi Scheme (GJS)' for providing continuous power supply to rural domestic consumers (non-irrigation pumpset consumers) with loan assistance from Rural Electrification Corporation (REC). The GJS was to be implemented in four Electricity Supply Companies (ESCOMS)[85], with the technical assistance of KPTCL at a cost of Rs. 744.53 crore and completed within a year.

The Detailed Project Report (DPR) prepared for implementation of first stage of the project which envisaged investment of Rs. 535.20 crore, was not available on record. This DPR included pilot schemes in five stations (two in BESCOM and one each in other three ESCOMS) with an estimated cost of Rs. 7.42 crore (March 2003). Based on the request (March 2003) of KPTCL for implementing GJS, the Rural Electrification Corporation Limited (REC) sanctioned (March 2003) a loan of Rs. 580.51 crore and released Rs. 116 crore as 'Bridge Loan assistance' at 10.25 *per cent* interest (March 2003). The conditions of bridge loan assistance *inter alia* stipulated that all documentation would have to be completed within six months (*i.e.,* September 2003) and REC further stipulated (July 2003) that the total value of the assets that have to be mobilised for Equitable Mortgage was to be 130 *per cent* of the loan amount. There was a delay in conversion of bridge loan to term loan due to non-identification of assets.

While the implementation of GJS on a pilot basis in one station of BESCOM was completed in December 2003 and results were under study, the BESCOM experimented with another scheme – 'Rural Load Management Scheme' (RLMS) for improving the power supply in the rural electricity distribution system. The Managing Director of BESCOM informed (3 March 2004) KPTCL to keep on hold the tenders called for GJS. The RLMS presented (4 March 2004) before the Technical Advisory Committee of KPTCL, was well received. The Board of Directors of BESCOM, which discussed the matter on 12 March 2004, resolved to implement RLMS.

Instead of short closing the GJS scheme as RLMS was a better option, KPTCL executed[86] (31 March 2004) the loan documents for Rs. 580.51 crore with REC and provided bank guarantee of Rs. 148.58 crore as part of the loan documentation. The REC treated (March 2004) the bridge loan sanctioned earlier as term loan[87] carrying 9.5 *per cent* interest. The interest paid

[85] Bangalore Electricity Supply Company Limited (BESCOM), Mangalore Electricity Supply Company Limited, Gulbarga Electricity Supply Company Limited and Hubli Electricity Supply Company Limited.

[86] a tripartite agreement between KPTCL, ESCOMs and REC.

[87] bridge loan of Rs. 116 crore and a part of accrued interest Rs. 0.10 crore totaling to Rs. 116.10 crore being 20 *per cent* of the total loan of Rs. 580.51 crore and carried an interest rate of 10.25 *per cent.*

(March 2004) on the bridge loan amounted to Rs. 12.39 crore. The GJS pilot scheme was not implemented in respect of other stations.

KPTCL closed the implementation of GJS only in March 2005, after a lapse of one year, on the grounds that the RLMS was much more feasible and suitable option. The entire term loan of Rs. 116.10 crore was repaid (March 2005) to REC along with interest for the period from March 2004 to March 2005 amounting to Rs. 10.52 crore.

Audit scrutiny revealed (September 2007) that though the estimated cost of implementation of GJS in pilot stations was Rs. 7.42 crore, loan drawn was for Rs. 116 crore. The Company had furnished (March 2003) an undertaking to REC that the loan availed would be utilised exclusively for implementation of GJS. The funds were, however, diverted for making payment to power suppliers and the Company had borrowed short term funds from the open market at rates ranging from 6.75 to 7.25 *per cent* during this period.

Audit concludes that the GJS was not conceptualized and therefore the execution of loan agreement in March 2004 lacked justification. The bank guarantee for Rs. 148.58 crore furnished for this purpose alongwith guarantee commission of Rs. 0.58 crore could have been avoided.

Audit further observed that there was delay in the closure of the GJS by over a year (March 2004 to March 2005) and considering a difference of 2.25 *per cent* in interest rates between term loan borrowings from REC and short term borrowings from commercial banks, the additional expenditure for the period from March 2004 to March 2005 of Rs. 2.61 crore, was avoidable and unnecessary.

This excess drawal of funds without analyzing results of pilot studies of GJS coupled with non-utilisation of funds for the intended purpose and delay in its repayment resulted in avoidable interest payment of Rs. 3.19 crore[88].

Audit recommends that the Company should assess its requirement of funds based on the success of the pilot projects instead of drawing loans at the initial stage itself.

The matter was reported to the Management / Government (June 2009); their reply was awaited (September 2009).

4.6 Defective planning

Defective planning and execution of power supply line project resulted in cost over run by nearly 400 *per cent* coupled with idle investment and denial of intended benefit to consumers.

The Company (KPTCL) approved (October 1998) a Detailed Project Report (DPR) to establish a substation (110/33/11KV) at Muthinakoppa, a substation (33/11KV) at NR Pura and a double circuit line (33KV) from Muthinakoppa to

[88] **Rs. 116.10 x 2.25 *per cent* (9.50 - 7.25 *per cent*)= Rs. 2.61 crore *plus* Rs. 0.58 crore.**

Koppa *via* NR Pura in Chikmanglur district. The project envisaged releasing the load from the existing system, reducing the system losses and improving the voltage condition in and around Muthinakoppa and NR Pura. The project was estimated to cost Rs. 8.60 crore, with anticipated energy saving of Rs. 3.19 crore per annum (9.53 million units).

Accordingly, Company invited (May 2000) tenders and work was awarded (August 2001) for construction of the substation at Muthinkoppa. The work *inter alia* included commissioning of two transformers of 10MVA capacity (one 110/33KV and one 110/11KV). The other components of the project estimated at Rs. 3.87 crore *i.e.,* construction of substation at NR Pura and drawing of 33KV line from Muthinakoppa to Koppa were neither tendered nor reasons recorded. In the meanwhile, the Company was bifurcated (May 2002) and the work relating to construction of lines of 33KV and below capacity came under the control of Mangalore Electricity Supply Company Limited (MESCOM).

In respect of the work awarded at Muthinkoppa substation, both the transformers were commissioned in July 2004. Of these, one transformer (110/33KV) valued at Rs. 72.70 lakh could not be utilised (idle charge) as the line works (33KV) and substation at NR Pura were not taken up.

In response to the Audit observation (March 2005) on idling of the transformer, the Management (KPTCL) while accepting (May 2005) the same stated that the proposal for forest clearance submitted by KPTCL was returned by Ministry of Environment and Forests and that a fresh proposal was submitted (November 2004) by MESCOM.

Audit also observed that the Chief Engineer, Electricity (General), had proposed (February 2000) anticipating the non granting of permission by forest department, for construction of multi-circuit line in the existing 11KV corridor due to possible way leave problems in the execution of 33KV line between Muthinakoppa to Koppa. The Management stated (May 2005) that the proposal could not be acted upon as tenders were already floated for the substation and designing and fabricating multi-circuit towers was a time consuming job.

Audit further observed (April 2009) that the forest clearance was received only in March 2009. While the proposal of the Chief Engineer made in February 2000 *i.e.,* prior to inviting tenders (May 2000) was not considered for the reason that it would be time consuming to fabricate the multi-circuit towers, it is interesting to note that the work (substation at NR Pura and 33KV line) was tendered (February 2009) for Rs. 14.85 crore[89] after a lapse of 10 years from the preparation of original DPR (1998) and five years from the commissioning of the transformer (2004) on the same methodology as proposed by the Chief Engineer in February 2000.

The delay resulted in foregoing the annual anticipated savings of Rs. 3.19 crore. The Company is now constructing the station and line works at

[89] **excludes Rs. 1.75 crore towards compensation cost for trees / crops.**

an estimated cost (February 2009) of Rs. 16.61 crore, which was originally (1998) estimated at Rs. 3.87 crore. Defective planning and execution of the project resulted in cost over run by nearly 400 *per cent* coupled with idle investment of Rs. 72.70 lakh and denial of intended benefit to consumers.

Audit suggests that the Company should plan its activities properly ensuring the synchronisation of connected works.

The matter was reported to the Management / Government (June 2009); their reply was awaited (September 2009).

Mysore Minerals Limited

4.7 Undue benefit to contractor

The Company entered into a supplementary agreement by retaining the selling price of iron ore lumps beyond the agreed period even when the original agreement had provision for price revision resulting in undue benefit of Rs. 6.35 crore to private contractor.

The Company (MML) entered into a marketing agreement with Shivashankar Granites Pvt Ltd (contractor) in January 2004 for marketing iron ore lumps (+64 *per cent* grade) extracted from Ubbalagundi mines in an area of 33.60 hectares. The agreement was entered into in anticipation of working permission from Central Government to commercially exploit the mines and sell iron ore lumps. The terms and conditions of the agreement *inter alia* stipulated that:

- the contractor was to pay the Company Rs. 231 per MT (ex-mines) for the iron ore lumps and the price was firm for a two year period. Thereafter, the prices were to be revived and re-fixed on 1 April each year after mutual negotiations and based on the prevailing market conditions.

- neither party was liable for any failure to perform if the extent of such inability or delay was caused by or was attributable to *inter alia* compliance with any valid order including Government legislation(s), action, direction or order of any court whether existing or arising. In such an event, the validity period of the agreement was to be extended for a period equal to the time duration / period during which such *force majeure* continues.

The Principal Chief Conservator of Forests, State Government granted (April 2005) temporary working permission to the Company for mining, valid for a period of one year. But, the Hon'ble Supreme Court directed (September 2005) halt to mining activities operating on temporary work permission. On being issued (July 2006) clearance for mining by the Government, the Company entered (August 2006) into a supplementary agreement with the contractor as an integral part of the agreement entered into in January 2004.

Accordingly, the agreement term was extended by seven months due to the fact that the mine was not operative for seven months. With regard to price, the same was fixed at Rs. 231 per MT for a period of 17 months from the date of ensuing production after reckoning seven months taken by the contractor to develop the mine. A total of 1.56 lakh tonne of iron ore lumps were supplied between April 2007 and August 2008 at Rs. 231 per MT.

Audit observed (February 2009) that the Board decided (August 2006) to adopt a price of Rs. 231 per MT for the next 17 months, on the ground that the contractor had not lifted any quantity though he worked for seven months to develop the mine and had discontinued the operations based on court order. Retaining the price on the ground that the contractor had worked only for certain period/not lifted any quantity was not as per contractual terms and conditions. As such, the time period specification for price clause in the supplementary agreement, which was not in consonance with the original agreement was incorrect. By entering into such an agreement retaining the selling price of iron ore lumps for extended period even while the initial agreement provided for price revision resulted in passing of an undue benefit of Rs. 6.35 crore[90] to the contractor.

The Management stated (August 2009) that the production in the mines was further commenced from September 2006 only and the Board considered to sell iron ore lumps for a period of 17 months from the date of production, valid till February 2008.

The reply of the management is not correct as the agreement was to be extended equal to the period during which force majeure continued *i.e.,* valid for another five months from September 2006 to January 2007. However, the Company continued to allow benefit of lower price to the contractor up to July 2008, which resulted in undue benefit of Rs. 6.35 crore to the contractor.

The matter was reported to the Government (April 2009); its reply was awaited (September 2009).

4.8 Avoidable expenditure

Non-monitoring of payment of royalty and dead rent resulted in avoidable payment of interest of Rs. 5.51 crore.

The Company (MML) is engaged in mining activities by obtaining quarry plots on lease from Government. The Karnataka Minor Mineral Concession Rules 1994 (Rules) stipulate that the holder of a quarrying lease shall pay dead rent[91] at the rates specified in schedule 1 of the Rules or royalty[92] at the rates specified in schedule 2 of the Rules, whichever is more, irrespective of whether

[90] as per the agreement the price revision was due in April 2007. The prevailing price of MMTC in April 2007 was Rs. 638 per MT. Hence, the loss worked out to Rs. 6.35 crore (Rs. 638 per MT – Rs. 231 per MT) x 1.56 lakh tonne.

[91] dead rent is the charge the holder of the mining lease is liable to pay until any mineral is removed or consumed.

[92] royalty is the fee which the holder has to pay from the time the mineral is removed or consumed.

the mineral was removed or consumed by him or his agent, manager, employee or contractor. Further, the Rules specified that dead rent was to be paid in advance every six months and royalty was to be paid before removal of the mineral and non-payment attracted interest from the sixtieth day after the date fixed for payment.

The Company had 92 lease rights during 2006-08. The details of royalty payable and paid during 2006-08 are given below

(Rs. in crore)

Year	Royalty outsta-nding	Interest outsta-nding	Interest levied due to delayed payment	Royalty / dead rent payable for the year (net of advance payment)	Total	Paid by Head office and mines	Balance royalty payable	Balance interest payable
1	2	3	4	5	6	7	8	9
2006-07	3.24	2.30	3.16	6.74	15.44	11.47	2.60	1.37
2007-08	2.60	1.37	0.48	7.75	12.20	11.65	0.43	0.12

Note : For 2006-07 and 2007-08 the interest paid is Rs. 4.09 crore and Rs. 1.73 crore respectively (column No. 3+4 - 9)

Audit observed (February 2009) that due to non-payment of dead rent and royalty for the years up to 2005-06, the outstandings had accumulated to Rs. 5.54 crore as at the beginning of 2006-07.

The Company did not pay royalty and dead rent in full for the years 2006-07 and 2007-08. The Department of Mines and Geology raised demands from June to October 2007 for 2006-07 and from June to August 2008 for 2007-08 towards royalty and dead rent alongwith interest at 15 *per cent* thereon. The Company paid part amount during March 2008 and November 2008 respectively.

Audit noticed that though the Company had sufficient funds in fixed deposit[93] ranging from Rs. 38 crore to Rs. 365.74 crore during the period 2003-08, it still failed to make payments. This indicated lack of system for monitoring payment of royalty and dead rent and indifference of the Management. Had the Company made the payments of royalty as stipulated in the Rules, the interest of Rs. 5.51 crore paid due to delayed payments could have been avoided.

Audit suggests the strengthening of internal control and monitoring systems of the Company to aim at streamlined financial management.

The matter was reported to the Management / Government (June 2009); their reply was awaited (September 2009).

[93] **fixed deposits were Rs. 38 crore (2003-04), Rs. 61.14 crore (2004-05), Rs. 90.61 crore (2005-06), Rs. 132.01 crore (2006-07), Rs. 365.74 crore (2007-08).**

Karnataka State Women's Development Corporation

4.9 Failure to exercise due diligence

An amount of Rs. 45.52 lakh distributed directly to beneficiaries of Janatha Darshan was irregular and resulted in loss to the Company.

The Company (KSWDC) is engaged in framing and implementation of schemes for the socio-economic empowerment of women.

During the *Janatha Darshan* conducted by the Chief Minister of Karnataka in March 2007 and August 2007, representations were received from women requesting for financial help. The Special Officer to Chief Minister forwarded (August 2007) the representations to the Company with a request to consider them sympathetically. The Company distributed (March / August 2007) amounts ranging from Rs. 7,000 to Rs. 10,000 per person to 402 women totaling to Rs. 45.52 lakh. The Board of Directors ratified (September 2007) the payments.

Audit observed (February 2009) that there was no specific approved scheme of this nature in the Company to distribute money directly to individuals. The expenditure was met from interest earned on share capital (Rs. 36.70 lakh) and diversion of funds from another scheme[94] (Rs. 8.82 lakh).

Audit also observed that representations were for financial help for self employment, petty business, *etc.* While the Company had an approved scheme under Women Entrepreneurship (Udyogini) for which applications in the prescribed format containing relevant data are obtained and its officers at Taluk / District level verify the genuineness of the data furnished**,** it was noticed that in respect of beneficiaries under Janata Darshan, applications were not received in specified format under the approved scheme. This action of the Company to distribute financial assistance without exercising due diligence resulted in a loss of Rs. 45.52 lakh.

The Government accepted (June 2009) the audit observation and stated that action is being initiated against the officers responsible for the lapses.

4.10 Irregular expenditure

Non-compliance to KTPP Act and lack of budgetary control resulted in irregular expenditure of Rs. 44.53 lakh.

The Government of Karnataka allocated Rs. 25 lakh to the Company (KSWDC) in the State budget for the year 2007-08 for organising exhibitions at State and District Level on the occasion of International Women's Day. The Company, in its Action Plan, allocated (May 2007) Rs. 14.75 lakh and Rs. 10.25 lakh[95] for the State and District Level exhibitions. The State Level Exhibition was organized from 8th to 13th March 2008 at Bangalore and the Company incurred an expenditure of Rs. 59.28 lakh.

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[94] **earmarked for disbursement to Karnataka Milk Federation under Support to Training and Employment Programme, a Central Government Scheme.**

[95] **an amount of Rs. 8.71 lakh was actually spent.**

On a review (February 2009) of the expenditure incurred for the exhibition, Audit observed that:

- the Company did not invite tenders as required under Karnataka Transparency in Public Procurement Act, 1999 (KTPP Act) towards purchase of flex banners amounting to Rs. 16.09 lakh from three firms[96], who individually supplied material in excess of Rs. 1 lakh. The Act stipulated that tenders are to be invited, processed and accepted in a transparent manner for procurement of goods or services exceeding Rupees one lakh. Similarly, the expenditure on purchase of food items for Rs. 5.97 lakh was made without inviting tenders. In respect of these purchases, only quotations were obtained and orders placed.

- in respect of erection of stalls, tenders were invited (February 2008) and the offer of Thibbadevi Tent House (contractor) for Rs. 10.76 lakh was found the lowest. The agreement entered into with the contractor was for Rs. 12.13 lakh and the actual amount paid was Rs. 14.31 lakh. Further, though the contractor was registered with the Service Tax department, Government of India as a service provider for Pandal and Shamiana (Tents) and had indicated his experience in the field, the contractor provided catering services for Rs. 3.38 lakh. The details of registration certificate for providing catering services were not on record.

- the Company incurred Rs. 10.17 lakh towards items of additional work for which neither quotations were obtained nor tenders called for. These were placed on '*oral instructions'* of the Managing Director. These included purchase of flex banner for Rs. 5.25 lakh, flower gate for Rs. 1.20 lakh and balance towards other consumables (water, crackers, banners *etc.,*)

Audit observed that the expenditure incurred beyond budgetary allotment was met by diverting funds from Devadasi Rehabilitation Project[97] (Rs. 35.17 lakh) and STEP[98] programme (Rs. 7 lakh). The approval of Board of Directors was not obtained for incurring the excess expenditure or for diversion of funds from other programmes. The Board of Directors sought (April 2008) details of expenditure incurred for the exhibition, which have not been furnished to the Board till date (August 2009). The Government issued (June 2008) a show cause notice to the then[99] Managing Director on the irregularities in the expenditure incurred on the exhibition.

[96] Skanda Enterprises (Rs. 8 lakh), Thibbadevi Tent House (Rs. 5.67 lakh), Sporting Enterprises (Rs. 1.97 lakh). The remaining suppliers provided material totalling Rs. 0.45 lakh and hence were individually lesser than Rs. 1 lakh.

[97] Devadasi Rehabilitation Project is implemented for the eradication the practice of the Devadasi system and rehabilitation of Devadasis.

[98] Support to Training and Employment Programme for Women.

[99] though the Managing Director was allowed (June 2008) to retire voluntarily with effect from 10 April 2008, he was reinstated (March 2009) with effect from 13 November 2008 based on order passed by Karnataka Administrative Tribunal.

The non-compliance to KTPP Act and lack of budgetary control resulted in irregular expenditure of Rs. 44.53 lakh and deprived funds for Devadasi Rehabilitation Project and STEP programmes.

The Secretary to Government, in a meeting convened (June 2009) to discuss corrective measures and to avoid irregular expenditure, directed the Board to be vigilant, judicious and cautious and to follow the canons of financial propriety, apart from conducting pre-audit of all expenditure exceeding Rs. 10 lakh.

Karnataka Neeravari Nigam Limited

4.11 Misappropriation of public funds

During the construction of Bellary Nala Irrigation Project, excess payment of Rs. 7.20 crore was made to contractors by recording false measurements. In addition, the Company failed to demand Rs. 3.28 crore for deficiencies in execution and violation of terms of agreement.

The Government of Karnataka accorded (August 2003) administrative approval for the work of construction of Bellary Nala Irrigation Project at Rs. 138.28 crore. The work was entrusted[100] (August 2005) to Engineering Projects (India) Limited (EPIL) (contractor), a Government of India Enterprise, with stipulation to complete the work in 24 months. The project was in various stages of execution and the contractor was paid Rs. 122.25 crore up to August 2008.

Based on a complaint (July 2008), the Joint Secretary to Government of Karnataka, Water Resources Department, directed (September 2008) the Superintending Engineer (SE) of the Company to conduct an investigation about financial impropriety contained in the complaint and report to the Government. The SE observed (September 2008) the complaints to be correct and noticed irregularities such as subcontracting the entire work, recording false measurements[101], making payments on such measurements and excess payment of Rs. 14.64 crore and recommended an investigation. EPIL refunded (September 2008) Rs. 14.64 crore, through their subcontractor.

[100] by obtaining exemption under Section 4(g) of The Karnataka Transparency in Public Procurement Act, 1999.

[101] items of works as pointed out by Superintending Engineer and Vigilance Cell, for which payments were made without actually doing work are : (a) Block levels recorded in measurement book (MB) for cement concrete work done in concrete dam was RL716 metres as against actual execution levels varying from RL707 to 713 metres, (b) Measurement for cement concrete work was done without actually executing the work at stilling basis (c) measurement for earth work excavation in various reaches in main canal from Km. 5 to 9 (d) measurement for cement concrete lining at various reaches in main canal from Km. 5 to 80 and cross drainage in Km. 6 to 80 was recorded in MB without executing whole of the work, but payment made for whole part (e) measurement for embankment item in the main canal were recorded without actually executing the work.

The Government also ordered (September 2008) detailed investigation by Vigilance Cell of Water Resources Department, which reported (December 2008) and pegged misappropriation of public funds at Rs. 21.84 crore for work not done by the contractor. The balance amount of Rs. 7.20 crore had not been recovered till date and no legal action initiated (June 2009) to effect recovery.

Scrutiny of the work (June 2009) in Audit, revealed the following non-compliance to codal provisions and guidelines:

- the procedure for recording measurements in measurement books was in order as stipulated in Karnataka Public Works Department (KPWD) code, Karnataka Public Works Accounts (KPWA) code and Government order of January 2005. Audit observed some deviations in failure of Section officers to put signatures[102] and dates[103] in Measurement books, block level plants not recorded[104], recording[105] of only tape measurements without recording initial and reached levels, running bill references[106] not recorded. The excess payment worked out to Rs. 22.65 crore[107]. The Vigilance report identified involvement of 25 Engineers and 20 Accounts staff. Framing of chargesheets on the officials is yet to be finalised (June 2009).

- as per circular instructions of the Company (November 2001) every work under progress should be inspected by the Superintending Engineer at least once in a fortnight and by the Chief Engineer once in a month. The Officers were to issue specific instructions about the work slips, extra items and deviated items to the subordinate officers. Audit observed that Superintending Engineer had visited the project only four times between August 2005 and September 2008 (74 fortnights) and instructions were issued in two instances regarding acquisition of land. The Chief Engineer visited eight times between August 2005 and September 2008 (37 months) and instructions were issued in one instance relating to land acquisition.

Thus, connivance of the officials and non-compliance to the KPWD code, KPWA codes and extant guidelines resulted in compromising the financial interests of the Company.

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[102] Measurement book nos. 3869 (page 65), 431 (page 10), 434 (page 10), 440 (page 9), 441 (page9), 421 (page 13), 422 (page 10), 432 to 433, 435 to 438.

[103] Measurement book nos. 3851 (page 18), 3847 (page 12).

[104] Measurement book nos. 3869 (page 9), 3851 (page 3), 3847 (page 5).

[105] Measurement books nos. 421 (page 3), 422 (page 3), 376 (page 5), 378 (page 5), 379 (page 5) 356 to 360, 371 to 375, 377, 380, 381, 406 to 412, 418 to 420, 423, 424, 431 to 438, 440 to 441.

[106] Measurement book nos. 376 (page 2), 377 (page 2), 379 (page 2), 356 to 360, 371 to 375, 377 and 380.

[107] while the Vigilance Cell reported misappropriation of public funds at Rs. 21.84 crore, the excess payment as worked out in Audit was Rs. 22.65 crore. The difference could not be reconciled as the records of the Vigilance Cell were reported to be in Police custody.

Audit scrutiny of the work executed revealed violation of contractual terms as detailed below:

Terms of reference	Findings
As per Clause 2(e) of agreement, the excess / overpayments as soon as they are discovered should be adjusted in the next running account bill together with interest at 12 *per cent* from the date of such excess or overpayment to the date of recovery. Further as per Clause 26(b) whenever excess payments have been made to the contractor based on excess measurements recorded by the subordinate in the measurement book are noticed, action shall be taken to recover the excess payment together with interest immediately.	Interest of Rs. 2.29 crore as at May 2009 on excess payment of Rs. 22.65 crore was not raised on the contractor.
The basic rates of cement concrete items were arrived at based on quantum of cement involved subject to variation during execution based on actual design mix. For any variation the payment was to be adjusted as per Para 7.16.1 of the agreement, under which for any variation in cement from those specified, the payment was to be adjusted upward or downward at Schedule of Rates.	The Company arrived at the rate of cement concrete for extra quantities by adding tender premium instead of limiting the rate of cement as per Schedule of Rates, resulting in excess payment of Rs. 58.78 lakh.
Excavated rock was to be stacked as required under Item No.7 of the Schedule B of agreement. Further, cost of rubble and murrum utilised from site was to be recovered.	Non-recovery of Rs. 14.24 lakh due to non-stacking of 1.48 lakh cum of hard rock. Non-recovery of rubble and murrum valued Rs. 4.71 lakh.
Item rates for embankment works were to be regulated as per sliding rate prescribed in Para 2.6.12 of the detailed technical specifications (part-II).	Excess payment of Rs. 13.18 lakh.
Wrong / incorrect totaling in arriving at the basic rate for canal Item no. 24(b).	Extra expenditure of Rs. 7.72 lakh.
Total	**Rs. 3.28 crore**

The demand for these extra payments and interest amounting to Rs. 3.28 crore had not been raised till date (July 2009). As against the total receivable amount of Rs. 10.48 crore[108], the security deposit available was Rs. 1.26 crore leaving a balance of Rs. 9.22 crore which is doubtful of recovery and the Company is yet to initiate (August 2009) recovery action despite being pointed out.

Thus, due to non-compliance with rules, directives, procedures and terms and conditions of contract, the Company's financial interests were compromised. Audit suggests that the Company should follow the provisions of KPWD and KPWA codes and other extant guidelines in its working.

The Management stated (August 2009) that a joint measurement was in progress and after final assessment action would be taken to recover the amount alongwith interest.

The matter was reported to the Government (June 2009); its reply was awaited (September 2009).

[108] **Rs. 7.20 crore *plus* Rs. 3.28 crore.**

Karnataka Neeravari Nigam Limited

4.12 Misappropriation

Misappropriation of Government funds of Rs. 32.89 lakh.

The Government requested (June 2008) the Accountant General to conduct audit of the salary and establishment bills for the period 1997 to 2000 of Office of Assistant Executive Engineer, Amarja project, Korahalli dam subdivison, Gulbarga district. The subdivision was under the control of Public Works Department during 1997-2000 and was transferred to Karnataka Neeravari Nigam Limited (Company) on its formation. The audit was undertaken during December 2008 and the results of audit are as under:-

The Karnataka Public Works Department Code - KPWD (Article 43 - Volume-I), stipulated that the Sub-divisional officer (*i.e.,* Assistant Executive Engineer) was responsible for correctness of all cash and records maintained at the subdivision with reference to the rules in force. Article 346(3) of the Karnataka Financial Code (KFC) prescribed the procedure to be followed by drawing, controlling and chief controlling officers in drawing money on bills from the treasury for expenditure and maintaining and rendering the accounts thereof. As per this procedure, every officer drawing bill for encashment at a treasury should invariably attach a bill presentation slip to each bill. The drawing officer will have to keep stock of such bill books and each slip has to be accounted for. For every such bill presented through a messenger, the drawing officer should see that the counterfoil of the slip is returned by the messenger. The bill in Form KTC-65A (called *tokens*), has three parts. Parts 1 and 2 contain information regarding nature of bill, amount of bill, bill number and date and acknowledgement by the treasury. Part 3 contains apart from details contained in Part 1, the name of the messenger to whom the cheque is to be handed over with the signature of the messenger duly attested by the drawing officer. The three parts are to be presented to the treasury along with the bill. The treasury official acknowledges receipt of the bill in Part 1 and 3 and retains Part 2. The cheques have to be obtained by the messenger on surrendering Part 3.

The job of presentation of bills and obtaining cheques from treasury and encashing these from the bank, preparation of monthly reconciliation and entries in cash book was being done by the Second Division Assistant (SDA). This SDA[109], who was attending these duties, had been working in the sub-division throughout the period under Audit (1997-2001).

The *modus operandi* of the official was to present the tokens to the treasury without full details. Although all the three parts (1,2,3) were to be presented, in many instances Part 1 was blank and such blank forms (Part 1) were attested by the treasury, while some of the filled in forms were not attested by the treasury. The treasury records *viz.,* Bill Received Register and Treasury Day Book indicated the amount drawn (Cheques) against these tokens. These cheques were encashed at the local bank. These amounts, however, were not reflected

[109] **the official expired on 22 November 2008.**

in the cash book of the Company. This variation between the amount as per *tokens* and amount as per treasury records were noticed in respect of 169 tokens utilised between September 1996 to December 2000 and the mismatch amounted to Rs. 32.89 lakh. The nature of the bills[110] presented was salary and establishment expenses. The drawing officer (Assistant Executive Engineer) had also failed to verify the utilisation of the tokens and entries in the cash book with related records and also to attest the Cheque Received Register**.** The failure to adhere to the prescribed checks and controls as prescribed in the KPWD and KFC codes resulted in misappropriation of Rs. 32.89 lakh.

In this connection reference is invited to paragraph 4.14 of the Audit Report (Civil), Government of Karnataka, of the Comptroller and Auditor General of India for the year ended 31 March 2001 regarding 'Misappropriation of Government money' of Rs. 96.09 lakh by a First Division Assistant in the accounts of another subdivision *viz.,* Office of the Executive Engineer, Irrigation Projects Construction Division No.2, Korahalli (Camp Afzalpur) with collusion of Sub-treasury Officer during the period 1988-2001. The Public Accounts Committee after discussion of the paragraph recommended (21 August 2007) to the Government (a) to complete quickly all the pending departmental enquiries in the matter, to initiate action to recover the misappropriated amount from the concerned and to initiate disciplinary proceedings against all the concerned officers/Officials. (b) to initiate disciplinary proceedings against the officers who were responsible for delaying the departmental enquiry at each stage and also who failed to supervise and oversee the progress of the proceedings of the case from time to time and (c) to strengthen internal audit to prevent misuse of government money and to ensure the reconciliation of treasury/office accounts with figures of the Accountant General within the prescribed period.

The matter was reported to the Management (January 2009) / Government (June 2009). The Management stated (April 2009) that a final reply would be furnished after verification of records and Government reply was awaited (September 2009).

Mysore Sales International Limited

4.13 Avoidable payment / liability

Failure to recover Income Tax at least from 2000-01 onwards from excise contractors, in spite of demand by Income Tax department for earlier years (up to 2001) resulted in avoidable payment of Rs. 10.17 crore and liability of Rs. 13.59 crore.

The Government of Karnataka discontinued (1993-94) private bottling units from engaging in the manufacture or bottling of arrack and decided to restrict these operations in the hands of companies or agencies owned and controlled

[110] **the correctness of the bills could not be ensured in audit as these records are stated to be destroyed.**

by the State Government. The Company (MSIL) was one of the agencies[111] entrusted (1993-94) with the task of bottling and marketing of arrack. The Government conducted auctions to confer the lease right of retail vend of arrack with reference to designated area. The successful excise contractors were entitled to procure arrack from the bottling unit and sell it in retail trade within their allotted area.

As per Section 206C inserted in the Chapter XVII of Income Tax (IT) Act, 1961, and effective from 1 April 1989, the seller of liquor (other than Indian Made Foreign Liquor), was to collect from the buyer a sum equivalent to 10 *per cent* of the price of liquor and make it over to the Central Government. The Excise Commissioner of Karnataka, however, issued (June 1989) an addendum to the Standing order[112] that no recovery of advance income tax was to be made under Section 206C with effect from 1 July 1989. The Company without seeking clarification from IT department, decided not to deduct tax at source from excise contractors.

The Deputy Commissioner of IT demanded (October 2000) Rs. 20.05 crore alongwith interest for non-compliance of Section 206C of the Act *ibid* for assessment years 1995-2001.

The Company approached (2001) the Hon'ble High Court of Karnataka and contended that deduction was not done based on the addendum to the circular. Further, it contended that with effect from 1 April 1992, Section 206C (explanation and subsections) excluded buyers who had obtained liquor by way of auction and where sale price was fixed by the State under Excise Act and rules. The Hon'ble High Court dismissed (October 2003) the petition of the Company on the ground that a Statute has a prime place and circular could not dilute a statutory provision. The Company filed a writ petition against the order of October 2003, which was also dismissed (March 2006) by the High Court of Karnataka.

The IT department passed (August 2007) similar orders for the demands for the years 2001-03 for Rs. 10.17 crore. A Special Leave Petition was filed in the Hon'ble Supreme Court of India, on which leave was granted (April 2007). As at October 2008, based on interim orders of the Supreme Court / High Court, the total amount remitted / furnished as bank guarantee (February 2004 / February 2008) was Rs. 60 crore[113] as against IT demand and liability of Rs. 74.48 crore[114] pertaining to the years 1994-2003.

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[111] **MSIL was entrusted with bottling in northern districts, the Mysore Sugar Company Limited-MSCL (another State Government Company) was entrusted for rest of State. MSCL is not covered in the scope of audit as it is referred (2004) to BIFR and demands / assessments are pending (February 2008).**

[112] **the Standing Order was issued (June 1988) to collect income tax with effect from 1 July 1988.**

[113] **Rs. 24 crore paid towards principal (demand for 1994-2003), Rs. 6 crore furnished as guarantee towards principal (demand for 2000-03) and Rs. 30 crore furnished as guarantee towards interest (demand for 1994-2000).**

[114] **Rs. 20.05 crore (1994-2001) *plus* Rs. 30.67 crore interest thereon; Rs. 10.17 crore (2001-03) *plus* Rs. 2.72 crore (2003-04-estimated tax) *plus* Rs. 10.87 crore interest (estimated) for 2001-03 tax demand.**

Audit observed (April 2008) that the Company did not initiate action to recover IT from contractors, at least from October 2000 onwards, in view of the known demand from IT department for earlier years. Consequently, as stated above, the IT department demanded (August 2007) Rs. 10.17 crore as tax for the subsequent period 2001-03[115]. Further, the tax estimated by the Company for 2003-04 was Rs. 2.72 crore and the interest estimated on the tax demand for 2001-03 as of October 2008 was Rs. 10.87 crore.

The failure of the Management to recover Income Tax at least from 2001-02 onwards from excise contractors, in spite of being aware of the demand by IT department for earlier years (up to 2001), resulted in avoidable payment of Rs. 10.17 crore and liability of Rs. 13.59 crore.

The Management stated (October 2008) that it took a legal stand that it was eligible for tax exemption and that the demand of IT department was incorrect and that any collection subsequent to 2001 would have amounted to a contradictory stand. The Management further stated (July 2009) that as per the directions of Hon'ble High Court Karnataka (March 2006) Company is in the process of obtaining income tax details of Arrack Contractors who had already discharged their tax liability so as to reduce its tax liability.

The Company should have explored the possibility of collecting and remitting the tax under protest.

The matter was reported to the Government (April 2009); its reply was awaited (September 2009).

Karnataka Land Army Corporation Limited

4.14 Improper contract management

Release of advances to subcontractors without adequate security / guarantee was not in the interest of the Company and resulted in loss of Rs. 6.97 crore.

The Company (KLAC) participated (2004) in the tender floated by Narmada Valley Development Authority (NVDA), Jabalpur for the construction of Madana Distributory System. As against the cost of Rs. 16.44 crore put to tender, the Company quoted Rs. 18.89 crore, which included a profit margin of Rs. 89.41 lakh. The quote of the Company was accepted (November 2004) with stipulation to complete the work in 12 months (excluding monsoon) *i.e.,* by January 2006.

The Company, in turn, subcontracted (November 2004) the work to Sri. M. Channaiah, with a condition that it was eligible for five *per cent* profit margin (agency commission). As the progress of work was slow, the Company divided the work into four packages and offered (January 2005) the work to four subcontractors including Sri. M. Chennaiah. The rates were at the same

[115] **the arrack operations were stopped in 2003-04.**

level as given to Sri. M. Chennaiah in the first instance and the Company retained the five *per cent* margin (agency commission) in each of the contracts. The agreements with these four sub-contractors were executed (February to October 2005) with stipulation to complete the works by January 2006.

On observing progress of work by the subcontractors as slow, NVDA issued notices (April 2007 to June 2007) to the Company to expedite the work. The original date of completion (January 2006) was extended four times till March 2007. As the work was not completed even in March 2007, NVDA terminated the contract in July 2007 and forfeited the Earnest Money Deposit, Security Deposit and bank guarantee of Rs. 2.59 crore. The Company terminated (June 2007)[116] all the four subcontracts. Final joint measurement between Company and NVDA was taken during October/December 2007 and the works pending settlement were ascertained at Rs. 3.12 crore. NVDA, however, did not make payment for these works as per terms of its agreement with the Company, which stipulated that in case the entire contract was terminated, the amount of work done but not paid for would be forfeited.

Audit observed that the Company did not have any sub-contracting policy. While the agreement between the Company and NVDA did not contemplate payment of advance, the Company included a clause in the agreement entered into with one sub-contractor to provide advance. The Company, however, released interest-free advances, periodically (October 2004 to May 2007), to all the subcontractors. Such advances were released even while huge amounts were pending with the contractors for adjustment. The balance amount pending adjustment because of release of advance in excess of work done was to the extent of Rs. 4.79 crore[117] (May 2009).

Thus, the release of advances to subcontractors without adequate security / guarantee compromised the interest of the Company and resulted in loss of Rs. 6.97 crore[118].

The Government stated (May 2009) that the delay in completion of work was due to frequent changes in drawings, delay in handing over the site, non-payment of bills, delay in providing quarries *etc.* The Government also stated (May 2009) that though the agreement with NVDA did not provide for release of mobilization advance, advances were released to sub contractors to ensure speedy completion of the project and stated that the loss (Rs. 6.90 crore) would be recovered through arbitration.

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[116] from June 2007, the Company continued the work with petty contractors for which details are not available.

[117] considering payments made to contractors the net advances outstanding after adjusting for security deposits against were : Sri. M. Chennaiah (Rs. 4.05 crore) Kwality constructions Company (Rs. 0.29 crore), Elcon Infratech (Rs. 0.33 crore), Shri. B. Ramesh Naidu (Rs. 0.12 crore). In addition the margin retained by the Company was Rs. 0.41 crore.

[118] Rs. 4.79 crore advance + Rs. 2.59 crore deposits forfeited and bank guarantee invoked- Rs. 0.41 crore margin retained by the Company.

The reply of the Government does not address the issue of the release of advances to subcontractors without adequate security and unadjustment of substantial amounts against the basic tenets of financial propriety. Audit suggests that the Company should evolve a policy on sub contracting and release advances to sub-contractors only after obtaining sufficient security.

Power Company of Karnataka Limited

4.15 Improper investment

Unauthorised and irregular investment in private equity linked funds coupled with violation of the guidelines of Karnataka State Bureau of Public Enterprises resulted in loss of Rs. 4.98 crore.

The Company was formed (2007-08) to perform the functions of processing of bids for establishing power plants on long term basis, procurement of power on medium and long term basis and power trading activity. The seed money of Rs. 20 crore was contributed by five[119] Electricity Supply Companies (ESCOMs) in the State to obtain interstate trading license from Central Electricity Regulatory Commission on behalf of the ESCOMs which stipulates that the networth of the Company was not to be less than Rs. 20 crore.

The Director (Commercial) of the Company decided (January 2008) to invest surplus funds in Bajaj Allianz Life Insurance Company Limited (BALICL). The Company got two personal life insurance policies - Unit Gains Plus-SP assigned in its favour which were used to further invest in the form of top up premium[120]. The Director (Commercial) signed the assignment deed as assignee on behalf of the Company. The Company remitted (January 2008) Rs. 18 crore as top-up premium on the policies assigned to the Company. Since the allocation rate on top up premium was 98 *per cent* as per the terms and conditions of the policy, BALICL accounted Rs. 17.64 crore as invested and paid commission of Rs. 18 lakh to the agents who initially solicited and procured the business.

The policy provided different types of funds and the policy holder had the option to allocate the premium paid by him between one or more of the Fund(s) and to *switch-in*[121] and *switch-out*[122] from one fund to another. Though the Director (Commercial) decided to invest 50 *per cent* of the amount in *'cash plus'* fund and 50 *per cent* in *'equity plus'* fund, the BALICL invested 95 *per cent* in *'equity plus'* fund and 5 *per cent* in *'cash plus'* fund. The details of authorization for this re-allocation were not on record. There were *switch-in* and *switch-out* between the funds, and the authorization for these transactions were also not on record. The Board of Directors deliberated (March 2009) on the investment made in January 2008 and resolved to short close the

[119] **Bangalore Electricity Supply Company Limited, Mangalore Electricity Supply Company Limited, Gulbarga Electricity Supply Company Limited, Hubli Electricity Supply Company Limited and Chamundeshwari Electricity Supply Corporation.**

[120] **additional premium paid by the policyholder without increasing the death benefit.**

[121] ***Switch- in* is a means through which the investor purchases units of a particular fund.**

[122] ***Switch-out* is a means through which the investor sells units of a particular fund.**

investment. The value of investment of Rs. 18 crore had reduced to Rs. 13.02 crore in March 2009. The Company surrendered (March 2009) the policies and closed the accounts incurring a loss of Rs. 4.98 crore.

Audit observed that

- the Board had not evolved any policy for investment.
- no due diligence was exercised while taking the decision to invest and it was the personal decision of the Director (Commercial).
- the Board had authorized the CMD to exercise financial powers and the investment decision involving substantial financial implication by the Director (Commercial) was unauthorised.
- personal policies were assigned instead of corporate policies depriving the company of commission of Rs. 18 lakh.
- although the accounts of the company were showing reduction in market value of investment by Rs. 1.15 crore for the year ended 31 March 2008, the Board of Directors deliberated the loss on the investments only in March 2009 by which time the value of investment had shrunk further.

The Karnataka State Bureau of Public Enterprises (KSBPE) had issued (April 1997) guidelines that every investment decision should be approved by the Board of Directors or Finance / Investment Committee constituted by the Board and that no investment shall be made by a public sector enterprise in public and private mutual funds where there were equity based operations and hence were inherently risky. The Company, in making these investments, ignored these guidelines.

Thus, the unauthorized and irregular investment coupled with violation of KSBPE guidelines resulted in loss of Rs. 4.98 crore to the Company and also eroded its networth. Consequently, the basic aim of obtaining interstate power trading license was defeated. These transactions point out the state of deficient monitoring, non-compliance with governmental rules resulting in non-safeguarding of financial interests of the Company. The Company should prepare an investment policy and adhere to the guidelines of KSBPE. In the instant case, the accountability needs to be fixed.

The matter was reported to the Management / Government (May 2009); their reply was awaited (September 2009).

Bangalore Metro Rail Corporation Limited

4.16 Improper investment

Unauthorised investment in private equity funds through a broker by an Officer of the Company in violation of guidelines of Karnataka State Bureau of Public Enterprises indicated poor corporate governance.

The Company (BMRCL) was incorporated in 1994 to implement the Bangalore Mass Transit Rail Project. The Government of Karnataka (GOK) and Government of India (GOI) approved the project in March 2005 and April 2006 respectively. The project became a joint venture of GOI and GOK in July 2006.

The funds released by GOI / GOK to the Company towards equity, acquisition of land *etc.,* were invested in Fixed Deposits / Mutual Funds (State Bank of India and Unit Trust of India). The Board of Directors decided (January 2005) to invest 50 *per cent* of the overall surplus funds in mutual funds and authorised the Managing Director of the Company to take decision in consultation with Investment Committee strictly in accordance with the guidelines of Karnataka State Bureau of Public Enterprises (KSBPE) and investment decision was to be placed to the Board from time to time for noting and confirmation. The KSBPE had issued (April 1997) guidelines that every investment decision should be approved by the Board of Directors or Finance/Investment Committee constituted by the Board and that no investment shall be made by a public sector enterprise in public and private mutual funds where there were equity based operations which were inherently risky.

The Company made an investment of Rs. 10 crore in January 2006 and of another Rs. 20 crore in April 2006 with Principal Pnb Asset Management Company Private Limited (PAMCL) which operated various funds[123] that were liquid based[124] and equity based. The amount provided by the Company was initially invested in liquid fund (fund 1: refer footnote). The Company exercised Switches[125] between various funds from January 2006 to February 2007 which were routed through brokers (GR Financial Advisors and GS Financial Services). The investments of Rs. 30 crore, were redeemed in September 2006 (Rs. 5 crore), May 2007 (Rs. 15 crore) and balance in June 2007 and realised a total of Rs. 28.36 crore.

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[123] **Principal Cash Management Fund Liquid Option-Growth plan (fund 1), Principal Focussed Advantage Fund Growth Plan (fund 2), Principal Growth Fund-Growth plan (fund 3), Principal Infrastructure and Services Industries Fund- Growth plan (fund 4), Principal Large Capital Fund- Growth plan (fund 5). Fund 1 was liquid based, while others were equity based.**

[124] **investments in short term fixed deposits, treasury bills, commercial papers, certificate of deposits *etc.,* are highly liquid as these investments are for short duration and can be encashed within a day. Mutual funds making investments in such liquid instruments are called liquid based funds.**

[125] ***Switch-in* is to purchase units of a fund while *Switch-out* is to sell units of a fund. Switch out (sale) from one fund entails the company to have the amount in its accounts maintained by the Fund and this amount can be used to Switch in (purchase) in another fund. The amount will be remitted back to the Company on final redemption from the fund.**

Audit observed (March 2009) that:

- the Board of Directors did not specify the total amount up to which the funds could be invested and the nature of the investments as required under Section 292 (1) (d) of the Companies Act 1956 in its investment decision of January 2005.
- the Executive Director (Finance) of the Company made the investments without the approval of the Managing Director who was authorized by the Board. The matter was not brought to notice of the Board in the next meeting as directed (January 2005) by Board. Though the 'application form' to invest in PAMCL was marked 'direct' by an officer of the Company, subsequently, another application form was submitted signed by the Executive Director (Finance), which had the name and code number of the broker. Further, a commission of Rs. 1.50 crore was paid to the broker by PAMCL for the investments made by the Company.
- the funds of Rs. 10 crore and Rs. 20 crore initially invested on 26 January 2006 and 17 April 2006 in liquid funds were immediately (6 February 2006 and 21 April 2006) *switched to* equity based funds. Such investment in equity based funds was in violation of the guidelines issued by KSBPE. The switch between funds was purportedly authorized by the Executive Director (Finance) without bringing it to the notice of the Managing Director or the Board of Directors. In one instance, an amount of Rs. 9.84 crore switched out on 7 February 2006 was invested in a new fund[126] offer under which units were allotted only on 6 March 2006 resulting in the Company being deprived of any returns during this period.
- as against the investment of Rs. 30 crore the amount realised was only Rs. 28.36 crore. Surprisingly, the broker on his own accord paid (June 2007) Rs. 3 crore (directly to PAMCL) for additional units in principal floating rate fund- a liquid option fund in favour of the Company. The personal interest shown by the broker in making good the loss indicated that the broker had made gains using government funds, the quantum of which was not on record.
- the investment decisions were not brought to notice of Board in its meeting held during 2005-06 and 2006-07 and the Board also did not insist on the same.
- though internal audit was in existence, investments were not subjected to its scrutiny during 2004-07.

The Company referred (August 2007) the matter to the Audit Sub-committee for a detailed enquiry which in its report, fixed (May 2008) responsibility on the Executive Director (Finance). Articles of Charges against the then Executive Director (Finance) were approved by the Board in December 2008 and sent (January 2009) to Government of India with a request to initiate disciplinary action. The status of action taken was awaited (August 2009).

[126] **Principal Services Industries Growth Fund (NFO).**

Thus the Company made the investments in violation of guidelines of KSBPE which was indicative of poor corporate governance. Further, given the volatility of the financial markets, these investments were exposed to the risk of erosion. Audit recommends that the Company has to ensure compliance with KSBPE guidelines apart from evolving sound internal control procedures.

The Management stated (August 2009) that investment in mutual funds have been stopped since July 2008 and investments are being made only in Fixed Deposits of Banks, with the approval of the Investment Committee.

The matter was reported to the Government (June 2009); its reply was awaited (September 2009).

Karnataka Soaps and Detergents Limited

4.17 Use of inadequate / unsuitable accounting software package

The ready made accounting software used by the company was insufficient to cater to its accounting needs. Improper usage and lack of security features affected the accuracy and reliability of the accounting process.

A scrutiny (June 2009) of the existing IT application (TALLY) in use since 1994 in Karnataka Soaps and Detergents Limited, Bangalore, a company engaged in manufacture of toilet soaps, detergents, sandal oil, agarbathies and talcum powder revealed the following deficiencies:

- though the accounting package has the provision for preparation of final accounts *i.e.,* Profit & Loss Account and Balance Sheet, the same were prepared manually by incorporating the accounts of the sales offices / branches.
- similarly, the company could not use software for periodic preparation of cash flow statements and reports for better fund management and for preparation of age-wise sundry debtors or creditors for effective collection of receivables / arranging payments in spite of provision contained in the application.
- it was observed that the ready-made software package was also not amenable to integration of various activities/locations in the accounts department and of other departments like production, sales, purchase *etc.,* due to its inherent limitations resulting in non-generation of reports in the desired format depicting the levels of inventory or finished goods at any point of time for effective production/purchase planning.
- Data entry of transactions was done by posting amounts/name of party. The other key details like voucher/receipts numbers, cheque numbers, GRN (Goods Received Notes) were mentioned in the narration field thereby making verification of the transactions, based on these key fields, through the system, impossible.

- the utilisation of the accounting package also exposed the accounting system to various risks due to absence of controls and security features like audit trails/logs *etc.,* due to the following:
  - the package was running on a server and five Personal Computers (PCs) networked to it which was housed in the accounts department. The personnel who processed the receipt and payment vouchers physically went over to the server room to post the receipts and payments at periodical intervals during a day.
  - the software did not create any audit trail or log for the users. The risk is multiplied by the fact that there were no physical / logical access controls to the server or systems. The audit module of the package which was to be purchased and installed separately has not been installed till date.
  - missing audit trail in tally makes it impossible to track the modifications carried out. Missing controls for serial numbers / vouchers made it impossible to ensure whether data entry of all the physical vouchers has been carried out.
  - there was no password policy or authorization policy and anyone could enter any system connected to the server by using a common operating system log in password and carry out any function as security levels were not implemented.
  - though security level could be created in the package, there was no segregation of duties and anyone in the accounting department could create/delete masters (like ledger accounts) and delete or modify data already entered.
- the company has not formulated any policy for periodical backup, testing and retrieval of data. No official has been made responsible formally for taking back-ups regularly. Backups were taken only once in a month and stored only in the hard disk of the same server. No back ups were stored in an off-site location to avoid loss of critical data in case of any disaster. Further, the data and the accounts for many previous years were kept in the same server along with current data without any archiving and transfer to external media.
- the company has not been able to realise the optimum benefit of computerisation as IT assets were being used without any integration or networking. The PCs with static Internet Protocol (IP) addresses were being configured manually instead of implementing a network using Dynamic Host Configuration Protocol. As a result, the attendance data base could not be integrated with Pay roll and bill of materials data could not be made available to all users to avoid duplication of effort. Even basic functions like updating anti-virus, loading of software / patches etc had to be done manually in each system and group policies

could not be carried out centrally using a server as there was no networking, which has been taken up now only.

Thus, in the absence of a formulated IT policy, the ready made accounting package meant for small businesses being used by the Company, was inadequate / unsuitable to cater to the needs of the company with diversified activities due to inherent limitations, improper utilisation and insufficient controls. There was no IT department in the company to take over and monitor the accounting package. Absence of a proper internal network to optimize the use of existing IT resources resulted in non implementation of group policies as basic functions had to be done manually on independent computers.

The Management stated (August 2009) that the company was planning to streamline the activities of the accounts department to utilise the Tally software in an effective manner. The matter was reported to Government (July 2009); its reply was awaited (September 2009).

Statutory Corporation

Karnataka State Warehousing Corporation

4.18 Loss of revenue

Ineffective monitoring and non-adherence to the terms of the tender resulted in non-recovery of penalty of Rs. 20.15 lakh and loss of rental revenue of Rs. 52.82 lakh.

The Corporation (KSWC) acquires and builds godowns and warehouses within the state of Karnataka and lets them out for the storage of various goods. Karnataka State Beverages Corporation Limited (KSBCL), a State Government Company, utilised many of the godowns of the KSWC to store its goods. KSBCL informed (October 2005) KSWC that it was looking for a godown in the locality of Hongasandra. In a meeting (October 2005), it was decided that KSWC would take action for construction and based on the progress, KSBCL would release necessary amounts for construction. KSBCL indicated that time was essence of the project and thus, it was decided in the meeting that construction would be monitored regularly.

KSWC invited (December 2005) tenders with condition to complete the work in four months. The terms of the tender *inter alia* stipulated that delay in completion would attract a penalty of Rs. 0.65 lakh per month of delay. The work was awarded (January 2006) to Sri. P. Vijayakumar (contractor) for Rs. 1.33 crore with a stipulation to complete the work within four months from the date of handing over the site (January 2006) with a monthly financial progress of Rs. 33.29 lakh.

The contractor failed to complete the work within the stipulated period of four months (May 2006) and KSWC issued (October 2006, November 2006, January 2008 and July 2008) notices to the contractor. The contract was terminated (December 2008) at the risk and cost of the contractor. Final measurements were taken in December 2008 and the total work done was assessed[127] at Rs. 97.79 lakh. The Corporation had paid (July 2006 to April 2007) Rs. 83.15 lakh till the date of termination (December 2008). The Corporation is yet (August 2009) to take up the balance works.

Audit noticed that as per commitment in agreement the actual progress shown by the contractor was very slow[128]. The work which was to be completed in four months was not completed even after a lapse of more than three years (up to August 2009). The Company issued notices to the contractor to expedite

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[127] **as the contractor did not appear for the final measurement, the final measurement was taken in the presence of two other contractors who executed other works for the Corporation.**

[128] **Rs. 18.68 lakh (up to April 2006); Rs. 39.70 lakh (up to August 2006); Rs. 54.76 lakh (up to February 2007); Rs. 83.15 lakh (up to March 2007); Rs.97.79 lakh (up to December 2008) (date of termination).**

the work without specifying any further time limit. The Running Account bills submitted by the contractor were paid without recovering the penalty for the delays. The Board of Directors, which had met in December 2005 to decide on the construction, had not discussed the matter subsequently till July 2009. The monitoring of the progress of work was also not on record.

Thus, ineffective monitoring and non-adherence to the terms of the tender resulted in non-completion of the godown and loss of possible rental revenue of Rs. 52.82 lakh[129]. In addition, failure of the Company to invoke penalty clause for delayed construction on the contractor resulted in non-recovery of Rs. 20.15 lakh[130].

The Government stated (September 2009) that necessary steps would be taken to complete the balance works.

Audit recommends that the Corporation should evolve a system to monitor the progress of works and enforce the contractual agreement in order to complete them within the intended time to derive the planned benefits**.**

General

Public Sector Undertakings

4.19 Opportunity to recover money ignored

29 Public Sector Undertakings did not either seize the opportunity to recover their money or pursue the matter to their logical end. As a result, recovery of money amounting to Rs. 298.64 crore remains doubtful.

A review of unsettled paras from Inspection reports (IRs) pertaining to periods up to 2003-04 showed that there were 134 paras in respect of 29 Public Sector Undertakings (PSUs) involving a recovery of Rs. 298.64 crore. As per para 3.3 of Hand Book of Instructions for the speedy settlement of Audit Observations issued by the Finance Department, Government of Karnataka (FD 51 BUD 68), the PSUs are required to take remedial action within three months after receipt of IRs from Audit. However, no effective action has been taken to take the matter to their logical end *i.e.,* to recover money from the concerned parties. As a result, these PSUs have so far lost the opportunity to recover their money which could have augmented their finances.

PSUs wise details of paras and recovery amount are given below. The list of individual paras is given in **Annexure 14**.

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[129] **based on the revenue estimated by the Corporation at Rs. 1.39 lakh per month for 38 months (June 2006 to July 2009).**

[130] **Rs. 20.15 lakh (*i.e.,* Rs. 0.65 lakh per month for 31 months from June 2006 to December 2008); as the risk and cost is not quantifiable in the absence of taking up balance work, Rs. 14.64 lakh towards bills pending payment is not adjusted.**

Sl. No.	Name of the Company	No of Paras	Amount to be recovered (Rs. in crore)
1	The Karnataka State Forest Industries Corporation Limited	3	0.22
2	Karnataka Agro Industries Corporation Limited	6	1.28
3	Karnataka Food and Civil Supplies Corporation Limited	1	0.30
4	Karnataka Handloom Development Corporation Limited	1	0.05
5	Karnataka Small Industries Marketing Corporation Limited	1	0.35
6	Karnataka Leather Industries Development Corporation Limited	3	1.35
7	Karnataka State Small Industries Development Corporation Limited	4	41.36
8	Karnataka Urban Infrastructure Development and Finance Corporation Limited	1	0.72
9	Rajiv Gandhi Rural Housing Corporation Limited	1	1.91
10	Karnataka State Industrial Investment and Development Corporation Limited	10	195.36
11	Karnataka State Financial Corporation	24	21.44
12	Sree Kanteerava Studios Limited	2	0.11
13	Mysore Minerals Limited	6	1.74
14	Karnataka Fisheries Development Corporation Limited	1	1.39
15	The Mysore Lamp Works Limited	5	2.87
16	Karnataka Neeravari Nigam Limited	10	4.55
17	Karnataka Soaps and Detergents Limited	1	0.06
18	Karnataka Land Army Corporation Limited	1	0.10
19	Dr. B.R.Ambedkar Development Corporation Limited	1	0.01
20	D. Devaraj Urs Backward Classes Development Corporation Limited	1	0.10
21	Cauvery Neeravari Nigam Limited	3	0.34
22	Krishna Bhagya Jala Nigam Limited	13	4.22
23	North Western Karnataka Road Transport Corporation	5	0.21
24	Chamundeshwari Electricity Supply Corporation	5	0.63
25	Karnataka Power Transmission Corporation Limited	12	10.56
26	Gulbarga Electricity Supply Company Limited	6	5.24
27	Bangalore Electricity Supply Company Limited	5	1.62
28	Hubli Electricity Supply Company Limited	1	0.40
29	Karnataka Power Corporation Limited	1	0.15
	Total	**134**	**298.64**

The paras mainly pertain to non recovery of dues, improper implementation of schemes *etc.*

Above cases point out the failure of respective PSU authorities to safeguard their financial interest. Audit observations and their repeated follow up by Audit, including bringing the pendency to the notice of the Department of Public Enterprises, Government of Karnataka and PSU Management periodically, have not yielded the desired results in these cases.

The PSUs should initiate immediate steps to recover the money and complete the exercise in a time bound manner.

The matter was reported to the Government (June 2009); their reply was awaited (September 2009).

4.20 Lack of remedial action on audit observation

30 PSUs did not either take remedial action or pursue the matters to their logical end in respect of 211 Inspection report paras, resulting in foregoing the opportunity to improve their functioning.

A review of unsettled paras from Inspection reports (IRs) pertaining to periods up to 2003-04 showed that there were 211 paras in respect of 30 Public Sector Undertakings (PSUs) which pointed out deficiencies in the functioning of these PSUs. As per para 3.3 of Hand Book of Instructions for the speedy settlement of Audit Observations issued by the Finance Department, Government of Karnataka (FD 51 BUD 68), the PSUs are required to take remedial action within three months after receipt of Inspection reports from Audit. However, no effective action has been taken to take the matters to their logical end. *i.e.,* to take remedial action to address these deficiencies. As a result, these PSUs have so far lost the opportunity to improve their functioning in this regard.

PSUs wise details of paras are given below. The list of individual paras is given in **Annexure 15**.

Sl. No	Name of the Company	No of Paras
1	Karnataka Agro Industries Corporation Limited	7
2	Karnataka State Seeds Corporation Limited	1
3	Karnataka Forest Development Corporation Limited	1
4	Karnataka Food and Civil Supplies Corporation Limited	1
5	Karnataka Leather Industries Development Corporation Limited	1
6	Karnataka Road Development Corporation Limited	1
7	Karnataka State Small Industries Development Corporation Limited	3
8	Karnataka Renewable Energy Development Limited	1
9	Karnataka Urban Infrastructure Development and Finance Corporation Limited	3
10	Rajiv Gandhi Rural Housing Corporation Limited	2
11	Karnataka State Industrial Investment and Development Corporation Limited	2
12	Karnataka State Financial Corporation	4
13	The Mysore Sugar Company Limited	12
14	Mysore Minerals Limited	7
15	Karnataka Film Industries Development Corporation Limited	1
16	The Mysore Lamp Works Limited	3
17	Karnataka Neeravari Nigam Limited	52
18	Karnataka Land Army Corporation Limited	1
19	Dr. B.R.Ambedkar Development Corporation Limited	2
20	Karnataka State Construction Corporation Limited	1
21	Karnataka Minorities Development Corporation Limited	2
22	Cauvery Neeravari Nigam Limited	16
23	Krishna Bhagya Jala Nigam Limited	9
24	Karnataka State Road Transport Corporation	1
25	North Western Karnataka Road Transport Corporation	5
26	Chamundeshwari Electricity Supply Corporation Limited	3
27	Karnataka Power Corporation Limited	1
28	Gulbarga Electricity Supply Company Limited	6
29	Bangalore Electricity Supply Company Limited	1
30	Karnataka Power Transmission Corporation Limited	61
	Total	**211**

The paras mainly pertain to extra / infructuous expenditure, irregular payments and avoidable payments.

Above cases point out the failure of respective PSU authorities to safeguard their financial interest. Audit observations and their repeated follow up by Audit, including bringing the pendency to the notice of the Department of Public Enterprises, Government of Karnataka and PSU Management periodically, have not yielded the desired results in these cases.

The Public Sector Undertakings should initiate immediate steps to take remedial action on these paras and complete the exercise in a time bound manner.

The matter was reported to the Government (June 2009); their reply was awaited (September 2009).

Follow-up action on Audit Reports

4.21 Explanatory notes outstanding

4.21.1 The Comptroller and Auditor General of India's Audit Reports represent culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in various offices and departments of the Government. It is, therefore, necessary that they elicit appropriate and timely response from the executive. Finance Department, Government of Karnataka issued instructions (January 1974) to all Administrative Departments to submit explanatory notes indicating a corrective / remedial action taken or proposed to be taken on paragraphs and reviews included in the Audit Reports within three months of their presentation to the Legislature, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

Audit Reports for the years 2004-05 to 2007-08 were presented to the State Legislature between March 2006 and February 2009. Eleven departments, which were commented upon, did not submit explanatory notes on 68 out of 119 paragraphs / reviews as on September 2009, as indicated below:

Year of the Audit Report (Commercial)	Total paragraphs and reviews in Audit Report	No. of paragraphs and reviews for which explanatory notes were not received
2004-05	25	9
2005-06	31	15
2006-07	36	21
2007-08	27	23
Total	**119**	**68**

Department wise analysis is given below:

Name of the department	2004-05	2005-06	2006-07	2007-08
Commerce and Industries	7	6	7	5
Energy	0	5	7	11
Water Resources	0	0	3	1
Forest	1	0	1	0
Home	0	0	1	0
Social Welfare	1	0	0	1
Finance	0	0	0	2
Co-operation	0	2	0	0
Information technology	0	2	0	0
Public works	0	0	2	2
Animal Husbandry	0	0	0	1
Total	**9**	**15**	**21**	**23**

Outstanding compliance with reports of Committee on Public Undertakings (COPU)

4.21.2 As per the instructions the compliance (Action Taken Notes-ATN / Action Taken Report - ATR) with recommendations of COPU was required to be furnished within six months of placement of the Report in the Legislature. Replies to nine Reports of the COPU containing recommendations to 63 paragraphs, presented to the State Legislature between February 2004 and July 2009, had not been received as on September 2009, as indicated below:

Year of the COPU Report	Total number of Reports involved	No. of paragraphs where replies not received
2003-04	1	2
2005-06	4	27
2006-07	2	4
2007-08	1	20
2008-09	1	10
Total	**9**	**63**

4.22 Response to Inspection reports, Draft paragraphs and Reviews

Audit observations noticed during audit and not settled on the spot are communicated to the head of PSUs and concerned departments of State Government through Inspection reports. The heads of PSUs are required to furnish replies to the Inspection reports through respective heads of departments within a period of six weeks. Inspection reports issued up to March 2009 pertaining to 79 PSUs disclosed that 3,589 paragraphs relating to 919 Inspection reports remained outstanding at the end of September 2009; of these, 18 Inspection reports containing 167 paragraphs were pending due to non-receipt of even first replies. Department wise break-up of Inspection reports and audit observations outstanding as on 30 September 2009 is given in **Annexure 16.**

Similarly, draft paragraphs and reviews on the working of Public Sector Undertakings are forwarded to the Principal Secretary / Secretary of the Administrative Department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. All the reviews have been discussed in the exit conference with the Government. It was, however, observed that three reviews and 16 paragraphs forwarded to the various departments during March 2009 to August 2009 as detailed in **Annexure 17**, had not been replied so far (September 2009). Their views have been taken into consideration while finalising the reviews / paragraphs wherever replies from Government / Department have been received.

It is recommended that (a) the Government should ensure that procedure exists for action against the officials who failed to send replies to Inspection reports / draft paragraphs and ATNs to the recommendations of COPU as per the prescribed time schedule, (b) action to recover loss / outstanding advances / overpayment is taken within prescribed time, and (c) the system of responding to audit observations is revamped.

BANGALORE	**(M. NANJUNDASWAMY)**
The	**Accountant General**
	(Civil and Commercial Audit), Karnataka

COUNTERSIGNED

NEW DELHI	**(VINOD RAI)**
The	**Comptroller and Auditor General of India**

Annexure – 1

Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2009 in respect of Government companies and Statutory corporations.

(Referred to in paragraph 1.7)

(Figures in column 5 (a) to 6 (d) are Rupees in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorp-oration	Paid-up Capital$				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Gover-nment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
A. WORKING GOVERNMENT COMPANIES													
AGRICULTURE AND ALLIED SECTOR													
1	Karnataka State Agro Corn Products Limited (KSACPL)	Agriculture & Horticulture	Apr. 73	2.23	-	0.50	2.73	-	-	-	-	-	292
2	Karnataka State Agricultural Produce Processing and Export Corporation Limited (KAPPEC)	Agriculture & Horticulture	Apr. 96	0.50	-	-	0.50	-	-	-	-	-	16
3	Karnataka Togari Abhivridhi Mandali Limited (KTAML)	Agriculture & Horticulture	May 02	5.00	-	-	5.00	-	-	-	-	-	5
4	The Karnataka Fisheries Development Corporation Limited (KFDC)	Animal Husbandry and Fisheries	Oct. 70	16.16	-	-	16.16	0.75	-	-	0.75	0.05:1 (0.05:1)	138
5	Karnataka Sheep and Wool Development Corporation Limited (KSAWDCL)	Animal Husbandry and Fisheries	Dec. 01	6.05	-	-	6.05	-	-	-	-	-	76
6	Karnataka Compost Development Corporation Limited (Subsidiary of Company at C-1) (KCDCL)	Agriculture & Horticulture	Aug.75	-	-	0.50	0.50	-	-	3.32	3.32	6.64:1 (6.64:1)	33
7	Karnataka Cashew Development Corporation Limited (KCDC)	Forest Ecology & Environment	Feb. 78	4.15	0.44		4.59	3.00	-	1.75	4.75	1.03:1 (1.09:1)	122
8	Karnataka Forest Development Corporation Limited (KFDCL)	Forest Ecology & Environment	Jan. 71	9.31	-		9.31	-	-	-	-	-	683
9	The Karnataka State Forest Industries Corporation Limited (KSFIC)	Forest Ecology & Environment	Mar. 73	2.67	-		2.67	0.08	-	-	0.08	0.03:1 (0.03:1)	225
10	Karnataka State Seeds Corporation Limited (KSSCL)	Agriculture & Horticulture	Aug.73	1.43 (0.08)	0.62	1.65 (0.14)	3.70 (0.22)	0.19	-	-	0.19	0.05:1 (-)	-
11	Food Karnataka Limited (FKL)	Agriculture & Horticulture	April 03	0.10			0.10		-				
	Sectorwise Total			**47.60 (0.08)**	**1.06**	**2.65 (0.14)**	**51.31 (0.22)**	**4.02**	**-**	**5.07**	**9.09**		**1590**

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorp-oration	Paid-up Capital$				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Gover-nment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
FINANCING SECTOR													
12	The Karnataka Handloom Development Corporation Limited (KHDCL)	Commerce & Industries	Oct. 75	39.18	5.20	-	44.38	15.27	-	29.26	44.53	1.00:1 (1.01:1)	889
13	Karnataka State Handicrafts Development Corporation Limited (KSHDCL)	Commerce & Industries	Mar. 64	2.84	1.21	-	4.05	0.68	-	0.77	1.45	0.36:1 (0.37:1)	232
14	D. Devaraj Urs Backward Classes Development Corporation Limited (DUBCDCL)	Social welfare	Oct. 77	106.22 (31.83)	-	-	106.22 (31.83)	-	-	70.00	70.00	0.66:1 (0.67:1)	66
15	Karnataka State Women's Development Corporation (KSWDC)	Women & Child Development	Sep. 87	9.86	2.98	-	12.84	-	-	-	-	-	71
16	Dr.B.R. Ambedkar Development Corporation Limited`(BRADCL)	Social welfare	Mar. 75	94.47 (22.15)	74.00 (10.86)	-	168.47 (33.01)	-	-	110.74	110.74	0.66:1 (0.59:1)	293
17	Karnataka Schedule Tribes Development Corporation Limited (KSTADC)	Social welfare	July 06	3.78 (0.63)	-	-	3.78 (0.63)	-	-	17.08	17.08	4.52:1 (1.51:1)	-
18	The Karnataka Minorities Development Corporation Limited (KMDC)	Social welfare	Feb. 86	101.99 (37.21)	-	-	101.99 (37.21)	-	-	36.13	36.13	0.35:1 (0.48:1)	16
19	Karnataka State Industrial Investment and Development Corporation Limited (KSIIDC)	Commerce & Industries	July 64	357.54 (57.54)	-	197.63	555.17 (57.54)	0.15	0.92	285.01	286.08	0.52:1 (0.56:1)	116
20	Karnataka Urban Infrastructure Development and Finance Corporation Limited (KUIDFC)	Urban Development	Nov. 93	6.06	-	2.00	8.06	-	-	--	-	-	358
21	Sree Kanteerava Studios Limited (KSL)	Information, Tourism & Youth Services	Mar. 66	0.88	-		0.88	0.96	-	--	0.96	1.09:1 (1.09:1)	9
22	Karnataka Asset Management Company Private Limited (KAMCPL)	Finance	April 98	-	-	0.50	0.50	-	-	-	-	-	Not available
23	Karnataka Trustee Company Private Limited (KTCPL)	Finance	April 98	-	-	0.01	0.01	-	-	-	-	-	Not available
	Sectorwise Total			**722.82 (149.36)**	**83.39 (10.86)**	**200.14**	**1006.35 (160.22)**	**17.06**	**0.92**	**548.99**	**566.97**		**2050**

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorp-oration	Paid-up Capital$				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Gover-nment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
INFRASTRUCTURE SECTOR													
24	Karnataka State Construction Corporation Limited (KSCCL)	Public works	Sep. 68	2.05	-	-	2.05	5.53	-	-	5.53	2.70:1 (2.70:1)	198
25	Karnataka Land Army Corporation Limited (KLAC)	Rural Development & Panchayat Raj	Aug. 74	12.25	-	-	12.25	-	-	84.67	84.67	6.91:1 (7.93:1)	1003
26	Karnataka State Police Housing Corporation Limited (KSPHCL)	Home	June 85	0.12	-	-	0.12	-	-	221.27	221.27	1843.92:1 (2086.50:1)	259
27	Rajiv Gandhi Rural Housing Corporation Limited (RGRHCL)	Housing	April 00	3.00	-	-	3.00	521.40	-	521.23	1042.63	347.54:1 (336.76:1)	39
28	Karnataka Road Development Corporation Limited (KRDCL)	Public works	July 99	685.01 (485.01)	-	-	685.01 (485.01)	-	-	487.40	487.40	0.71:1 (1.04:1)	62
29	Krishna Bhagya Jala Nigam Limited (KBJNL)	Water Resources	Aug. 94	6937.01 (230.22)	-	-	6937.01 (230.22)	-		514.90	514.90	0.07:1 (0.15:1)	3715
30	Karnataka Neeravari Nigam Limited (KNNL)	Water Resources	Nov. 98	6264.83 (1547.42)	-	-	6264.83 (1547.42)	4.90	-	607.01	611.91	0.10:1 (0.12:1)	5361
31	Cauvery Neeravari Nigam Limited (CNNL)	Water Resources	June 03	3401.23 (2301.18)	-	-	3401.23 (2301.18)	6108.88	-	738.55	6847.43	2.01:1 (2.51:1)	2960
32	Bangalore Metro Rail Corporation Limited (BMRCL)	Urban Development	Sep. 94	790.04 (488.04)	369.99 (67.99)	-	1160.03 (556.03)	344.26	0.01	66.00	410.27	0.35:1 (1.08:1)	87
33	Bangalore Airport Rail Link Limited (Subsidiary of Company at A-19) (BARL)	Infrastructure Development	Mar. 08	-		0.05	0.05	-	-	-	-		Not available
	Sectorwise Total			**18095.54 (5051.87)**	**369.99 (67.99)**	**0.05**	**18465.58 (5119.86)**	**6984.97**	**0.01**	**3241.03**	**10226.01**		**13684**
MANUFACTURING SECTOR-													
34	Karnataka Leather Industries Development Corporation Limited (LIDKAR)	Commerce & Industries	Oct. 76	3.35	-	-	3.35	11.36	-	0.74	12.10	3.62:1 (3.62:1)	106
35	Karnataka Soaps and Detergents Limited (KSDL)	Commerce & Industries	July 80	31.82	-	-	31.82	8.35	-	-	8.35	0.26:1 (0.28:1)	888
36	Karnataka State Coir Development Corporation Limited (KSCDCL)	Commerce & Industries	Feb. 85	3.01	-	-	3.01	0.41	-	0.05	0.46	0.15:1 (0.15:1)	42
37	Karnataka State Small Industries Development Corporation Limited (KSSIDC)	Commerce & Industries	June 64	24.56	-	0.10	24.66	13.04	-	-	13.04	0.54:1 (0.54:1)	369

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorp-oration	Paid-up Capital$				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Gover-nment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
38	The Mysore Paper Mills Limited (MPM)	Commerce & Industries	May 36	76.97	-	41.92	118.89	101.03	-	38.88	139.91	1.18:1 (1.11:1)	2355
39	Karnataka Vidyuth Karkhane Limited (KAVIKA)	Commerce & Industries	Oct. 76	5.62	-	-	5.62	7.84	-	-	7.84	1.40:1 (1.40:1)	214
40	The Mysore Electrical Industries Limited (MEI)	Commerce & Industries	Feb. 45	7.67	-	1.76	9.43	28.54	-	0.51	29.05	3.08:1 (3.08:1)	218
41	NGEF (Hubli) Limited (Subsidiary of Company at C-12) (NGEFH)	Commerce & Industries	Dec. 88	-	-	3.20	3.20	-	-	-	-	- (0.22:1)	158
42	Karnataka State Electronics Development Corporation Limited (KEONICS)	Information Technology	Sep. 76	12.87 (5.00)	-	-	12.87 (5.00)	-	-	-	-	-	186
43	Karnataka Silk Industries Corporation Limited (KSIC)	Commerce & Industries	Apr. 80	58.00	-	-	58.00	-	-	-	-	- (0.09:1)	783
44	Karnataka Silk Marketing Board Limited (KSMB)	Commerce & Industries	Nov. 79	31.45	-	-	31.45	-	-	-	-		113
45	Karnataka State Power loom Development Corporation Limited (KSPDCL)	Commerce & Industries	Feb. 94	2.22	-	-	2.22	-	-	-	-	-	11
46	Mysore Minerals Limited (MML)	Commerce & Industries	May 66	2.97	-	0.03	3.00	-	-	-	-	- (3.97:1)	1252
47	The Hutti Gold Mines Company Limited (HGML)	Commerce & Industries	July 47	2.20	-	0.76	2.96	-	-	-	-	- (1.82:1)	3959
48	The Mysore Sugar Company Limited (MYSUGAR)	Commerce & Industries	Jan. 33	7.81	-	0.93	8.74	80.11	-	75.82	155.93	17.84:1 (17.40:1)	928
49	The Mysore Paints and Varnish Limited (MPVL)	Commerce & Industries	Nov. 47	0.95	-	0.09	1.04	-	-	-	-	-	63
50	Karnataka State Beverages Corporation Limited (KSBCL)	Finance	June 03	2.00	-		2.00	2.53	-	78.96	81.49	40.75:1 (55.10:1)	289
51	Mysore Sales International Limited (Subsidiary of Company at A-19) (MSIL)	Commerce & Industries	Mar. 66	7.46 (7.46)	-	20.18 (16.52)	27.64 (23.98)∇	5.00	-	1.17	6.17	0.22:1 (0.40:1)	355

∇ Business development expenditure accounted under Current Liabilities.

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorp-oration	Paid-up Capital[$]				Loans[**] outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Gover-nment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
52	Marketing Consultants and Agencies Limited (Subsidiary of Company at A-51) (MCA)	Commerce & Industries	Sep. 72	3.46 (3.46)	-	3.57	7.03 (3.46)	-	-	-	-	-	32
	Sectorwise Total			**284.39 (15.92)**	**-**	**72.54 (16.52)**	**356.93 (32.44)**	**258.21**	**-**	**196.13**	**454.34**		**12321**
POWER SECTOR													
53	Karnataka Power Corporation Limited (KPC)	Energy	July 70	1243.26 (500.00)	-	-	1243.26 (500.00)	0.91	-	2911.45	2912.36	2.34:1 (4.15:1)	6378
54	Karnataka Renewable Energy Development Limited (KREDL)	Energy	Mar.96	0.50	-	-	0.50	-	-	19.40	19.40	38.80:1 (155.20:1)	23
55	Karnataka Power Transmission Corporation Limited (KPTCL)	Energy	July 99	1033.27 (342.95)	-	-	1033.27 (342.95)	8.32	-	3961.62	3969.94	3.84:1 (4.41:1)	5627
56	Bangalore Electricity Supply Company Limited (BESCOM)	Energy	Apr. 02	205.97 (0.02)	-	-	205.97 (0.02)	175.32	-	360.07	535.39	2.60:1 (2.51:1)	10265
57	Hubli Electricity Supply Company Limited (HESCOM)	Energy	Apr. 02	233.33	-	-	233.33	302.18	-	1183.27	1485.45	6.37:1 (4.60:1)	6979
58	Mangalore Electricity Supply Company Limited (MESCOM)	Energy	Apr. 02	100.34	-	-	100.34	23.81	1.47	285.93	311.21	3.10:1 (2.03:1)	3517
59	Chamundeshwari Electricity Supply Corporation Limited (CHESC)	Energy	Dec.04	79.30	-	-	79.30	99.50	-	115.29	214.79	2.71:1 (5.40:1)	5223
60	Gulbarga Electricity Supply Company Limited (GESCOM)	Energy	Apr. 02	130.14	-	-	130.14	22.60	-	454.85	477.45	3.67:1 (3.75:1)	4096
61	KPC Bidadi Power Corporation Private Limited (Subsidiary of Company at A-53) (KPCB)	Energy	Apr. 96	-	-	0.05	0.05	-	-	4.34	4.34	86.80:1 (571.31:1)	Nil
62	Power Company of Karnataka Limited (PCKL)	Energy	Aug. 07	-	-	20.05 (20.00)	20.05 (20.00)	-	-	-	-		Not available
	Sectorwise Total			**3026.11 (842.97)**	**-**	**20.10 (20.00)**	**3046.21 (862.97)**	**632.64**	**1.47**	**9296.22**	**9930.33**		**42108**
SERVICE SECTOR													
63	Karnataka Food and Civil Supplies Corporation Limited (KFCSCL)	Food Civil Supplies & Consumer Affairs	Sep. 73	3.25	-	-	3.25	6.00	-	-	6.00	1.85:1 (2.29:1)	1293

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorp-oration	Paid-up Capital[$]				Loans[**] outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Gover-nment	Others	Total		
(1)	**(2)**	**(3)**	**(4)**	**5 (a)**	**5 (b)**	**5 (c)**	**5 (d)**	**6 (a)**	**6 (b)**	**6 (c)**	**6 (d)**	**(7)**	**(8)**
64	The Karnataka State Tourism Development Corporation Limited (KSTDC)	Information, Tourism & Youth Services	Feb. 71	6.41	-	-	6.41	2.00	-	4.62	6.62	1.03:1 (0.55:1)	298
65	Jungle Lodges and Resorts Limited (JLR)	Information, Tourism & Youth Services	Mar. 80	0.50	-	0.42	0.92	-	-	1.37	1.37	1.49:1 (2.04:1)	161
	Sectorwise Total			**10.16**	**-**	**0.42**	**10.58**	**8.00**	-	**5.99**	**13.99**		**1752**
MISCELLANEOUS SECTOR													
66	Karnataka Vocational Training and Skill Development Corporation Limited (KVTSDCL)	Employment and Training	Sept. 08	0.01	-	-	0.01	-	-	-	-	-	Not available
	Sectorwise Total			**0.01**	**-**	**-**	**0.01**	**-**	**-**	**-**	**-**	**-**	
	TOTAL A (All sectorwise Government companies)			**22186.63 (6060.20)**	**454.44 (78.85)**	**295.90 (36.66)**	**22936.97 (6175.71)**	**7904.90**	**2.40**	**13293.43**	**21200.73**	**0.92:1 (0.93:1)**	**73505**
B. WORKING STATUTORY CORPORATIONS													
AGRICULTURE AND ALLIED SECTOR													
1	Karnataka State Warehousing Corporation (KSWC)	Co-operation	Nov.57	6.75 (2.65)	3.40	-	10.15 (2.65)	18.41	-	34.98	53.39	5.25:1 (3.56:1)	447
	Sectorwise Total			**6.75 (2.65)**	**3.40**	**-**	**10.15 (2.65)**	**18.41**	-	**34.98**	**53.39**		**447**
FINANCING SECTOR													
2	Karnataka State Financial Corporation (KSFC)	Finance	Mar.59	495.41 (401.83)	-	38.65 (9.18)	534.06 (411.01)	-	-	1619.45	1619.45	3.03:1 (5.50:1)	1210
	Sectorwise Total			**495.41 (401.83)**	**-**	**38.65 (9.18)**	**534.06 (411.01)**	**-**	-	**1619.45**	**1619.45**		**1210**
SERVICE SECTOR													
3	Karnataka State Road Transport Corporation (KSRTC)	Transport	Aug.61	244.92♣	66.15	-	311.07	36.00	-	277.65	313.65	1.01:1 (1.17:1)	32100
4	Bangalore Metropolitan Transport Corporation (BMTC)	Transport	Aug.97	157.71 (53.12)	-	-	157.71 (53.12)	-	-	49.66	49.66	0.31:1 (0.08:1)	27608
5	North Western Karnataka Road Transport Corporation (NWKRTC)	Transport	Nov.97	214.38 (81.38)	-	-	214.38 (81.38)	1.05	-	313.31	314.36	1.47:1 (2.10:1)	25257

♣ **includes Rs. 2.13 crore being contribution received towards Jawaharlal Nehru National Urban Renewal Mission.**

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorp-oration	Paid-up Capital$				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Gover-nment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
6.	North Eastern Karnataka Road Transport Corporation (NEKRTC)	Transport	Aug. 00	149.25	-	-	149.25	-	-	125.95	125.95	0.84:1 (0.79:1)	13705
	Sectorwise Total			**766.26 (134.50)**	**66.15**		**832.41 (134.50)**	**37.05**	-	**766.57**	**803.62**		**98670**
	TOTAL B (all sectorwise Statutory corporations)			**1268.42 (538.98)**	**69.55**	**38.65 (9.18)**	**1376.62 (548.16)**	**55.46**	-	**2421.00**	**2476.46**	**1.80:1 (2.30:1)**	**100327**
	Grand total (A + B)			**23455.05 (6599.18)**	**523.99 (78.85)**	**334.55 (45.84)**	**24313.59 (6723.87)**	**7960.36**	**2.40**	**15714.43**	**23677.19**	**0.97:1 (0.99:1)**	**173832**
C. NON WORKING GOVERNMENT COMPANIES													
AGRICULTURE AND ALLIED SECTOR													
1.	Karnataka Agro Industries Corporation Limited (KAIC)	Agriculture & Horticulture	Sep. 67	55.90 (48.36)	-		55.90 (48.36)	49.39	-	-	49.39	0.88:1 (1.23:1)	NIL
2	The Mysore Tobacco Company Limited (Subsidiary of Company at C-1) (MTC)	Agriculture & Horticulture	Apr .37	0.61 (0.59)	-	0.17	0.78 (0.59)	-	-	-	-	-	NIL
3	Karnataka Pulpwood Limited (Subsidiary of Company at A-8) (KPL)	Forest ecology & Environment	Feb. 85	13.91 (13.91)	-	1.25	15.16 (13.91)	2.89	-	0.07	2.96	0.20:1 (0.19:1)	NIL
4	The Karnatak State Veeners Limited (Subsidiary of Company at A-9) (KSVL)	Forest ecology & Environment	Aug. 74	-	-	1.00	1.00	-	-	1.00	1.00	1.00:1 (1.00:1)	167
5	The Mysore Match Company Limited (Subsidiary of Company at A-9) (MMCL)	Forest ecology & Environment	May 40	0.01	-	0.04	0.05	-		-	-	-	NIL
	Sectorwise Total			**70.43 (62.86)**	**-**	**2.46**	**72.89 (62.86)**	**52.28**	-	**1.07**	**53.35**		**167**
FINANCING SECTOR													
6	Karnataka Film Industries Development Corporation Limited (KFIDCL)	Information, Tourism & Youth Services	Feb. 68	0.90	-	0.12	1.02	-	--	-	-	-	34
	Sectorwise Total			**0.90**	**-**	**0.12**	**1.02**	**-**	**-**	**-**	**-**	**-**	**34**
MANUFACTURING SECTOR													
7	Karnataka Small Industries Marketing Corporation Limited (KSIMC)	Commerce & Industries	Sep. 84	1.36	-	0.35	1.71	-	-	-	-	-	11

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorp-oration	Paid-up Capital$				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Gover-nment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
8	The Mysore Lamp Works Limited (MLW)	Commerce & Industries	Aug. 36	10.76	-	1.05	11.81	93.73		3.50	97.23	8.23:1 (8.23:1)	NIL
9	Vijayanagar Steel Limited (VSL)	Commerce & Industries	Dec. 82	12.91	-		12.91	0.58	-	-	0.58	0.05:1 (0.05:1)	5
10	The Mysore Cosmetics Limited (Subsidiary of Company at A-51) (MCL)	Commerce & Industries	Mar. 66	0.01 (0.01)	-	0.15	0.16 (0.01)	-	-	-	-	-	NIL
11	The Mysore Chrome Tanning Company Limited (Subsidiary of Company at A-51) (MCT)	Commerce & Industries	Mar. 40	-	-	0.76	0.76	0.12	-	0.29	0.41	0.54:1 (0.54:1)	NIL
12	NGEF Limited (NGEF)	Commerce & Industries	Apr. 65	41.99	-	4.52	46.51	227.24	-	-	227.24	4.89:1 (4.89:1)	NIL
13	Karnataka Telecom Limited (Subsidiary of Company at C-12) (KTL)	Commerce & Industries	July 85	0.78	-	2.22	3.00	-	-	-	-	-	NIL
14	Chamundi Machine Tools Limited (CMTL)	Commerce & Industries	Oct. 75	0.63	-		0.63	2.50	-	1.00	3.50	5.51:1 (5.51:1)	NIL
15	Karnataka State Textiles Limited (KSTL)	Commerce & Industries	Dec. 84	0.50	-		0.50	14.94	-	-	14.94	29.87:1 (29.87:1)	NIL
16	The Mysore Acetate and Chemicals Company Limited (MACCL)	Commerce & Industries	Dec. 63	9.96	-	2.22	12.18	13.11	-	-	13.11	1.08:1 (1.08:1)	78
	Sectorwise Total			**78.90 (0.01)**	**-**	**11.27**	**90.17 (0.01)**	**352.22**	-	**4.79**	**357.01**		**94**
	TOTAL C (All sectorwise Government companies)			**150.23 (62.87)**	**-**	**13.85**	**164.08 (62.87)**	**404.50**	-	**5.86**	**410.36**	**2.50:1 (2.62:1)**	**295**
	Grand Total (A + B + C)			**23605.28 (6662.05)**	**523.99 (78.85)**	**348.40 (45.84)**	**24477.67 (6786.74)**	**8364.86**	**2.40**	**15720.29**	**24087.55**	**0.98:1 (1.00:1)**	**174127**

Above includes Section 619-B companies at Sl. No. A 10,11,22,23,62.

$ **Paid-up capital includes share application money.**

** **Loans outstanding at the close of 2008-09 represent long-term loans only.**

Annexure – 2

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised.

(Referred to in paragraph 1.15)

(Figures in column 5 (a) to (10) are Rupees in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed @	Return on capital employed $	Percen-tage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss (x)							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. WORKING GOVERNMENT COMPANIES														
AGRICULTURE AND ALLIED SECTOR														
1	KSACPL	2008-09	2009-10	-4.25	-	0.21	-4.46	0.95	-0.90	2.73	-1.57	3.43	-4.46	-
2	KAPPEC	2008-09	2009-10	0.28	-	0.03	0.25	8.90	-	0.50	5.23	26.41	0.25	0.95
3	KTAML	2008-09	2009-10	0.39	-	0.02	0.37	0.20	-	5.00	0.85	8.85	0.37	4.18
4	KFDC	2007-08	2008-09	0.55	0.13	-	0.42	30.38	-0.52	16.16	-9.45	11.24	0.55	4.89
5	KSAWDCL	2006-07	2009-10	-0.41	-	-	-0.41	0.11	-	0.05	-3.05	9.70	-0.41	-
6	KCDCL	2008-09	2009-10	0.37	0.11	0.21	0.05	1.83	-0.23	0.50	-0.39	5.07	0.16	3.16
7	KCDC	2008-09	2009-10	0.60	0.15	0.31	0.14	4.38	-	4.59	-3.18	6.21	0.29	4.68
8	KFDCL	2008-09	2009-10	8.92	-	0.78	8.14	41.39	-24.20	9.31	22.56	72.51	8.14	11.23
9	KSFIC	2008-09	2009-10	3.17	-	0.19	2.98	24.44	-0.07	2.67	6.41	9.85	2.98	30.25
10	KSSCL	2008-09	2009-10	1.22	0.02	0.52	0.68	58.64	-0.68	3.70	6.49	39.70	0.70	1.76
11	FKL	2008-09	2009-10	0.06	-	-	0.06	0.61	-	0.10	0.05	1.38	0.06	4.36
	Sectorwise Total			**10.90**	**0.41**	**2.27**	**8.22**	**171.83**	**-26.60**	**45.31**	**23.95**	**194.35**	**8.63**	
FINANCING SECTOR														
12	KHDCL	2008-09	2009-10	4.69	4.13	0.37	0.19	81.47	-	44.38	-50.89	121.33	4.32	3.56
13	KSHDCL	2007-08	2008-09	5.91	0.00	0.22	5.69	36.98	-	4.05	8.46	15.05	5.69	37.84
14	DUBCDCL	2007-08	2009-10	-0.63	1.10	-	-1.73	8.44	-	95.22	-27.00	209.27	-0.63	-
15	KSWDC	2008-09	2009-10	1.09	-	0.10	0.99	2.53	-	12.84	4.58	19.42	0.99	5.10
16	BRADCL	2008-09	2009-10	3.68	2.82	0.24	0.62	19.34	-	168.47	5.02	398.27	3.44	0.86
17	KSTADC	2007-08	2008-09	1.88	0.06	-	1.82	2.23	-	2.13	1.70	72.11	1.88	2.61
18	KMDC	2008-09	2009-10	-1.42	1.13	0.09	-2.64	3.20	-0.38	101.99	-21.17	136.29	-1.51	-
19	KSIIDC	2008-09	2009-10	53.94	18.79	4.19	30.96	71.18	0.15	555.17	-432.20	848.38	49.75	5.86
20	KUIDFC	2008-09	2009-10	0.22		0.48	-0.26	4.07	-	8.06	27.43	509.79	-0.26	-
21	KSL	2008-09	2009-10	0.35	-	0.01	0.34	0.97	-	0.88	-0.42	0.54	0.34	62.96

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed @	Return on capital employed $	Percen-tage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss (x)							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
22	KAMCPL	2008-09	2009-10	0.31	-	-	0.31	-	-	0.50	0.33	0.84	0.31	36.76
23	KTCPL	2008-09	2009-10	0.04	-	-	0.04	-	-	0.01	0.03	0.04	0.04	97.31
	Sectorwise Total			**70.06**	**28.03**	**5.70**	**36.33**	**230.41**	**-0.23**	**993.70**	**-484.13**	**2331.33**	**64.36**	
INFRASTRUCTURE SECTOR														
24	KSCCL	2007-08	2008-09	6.54	0.48	0.06	6.00	84.66	-	2.05	22.81	34.40	6.48	18.86
25	KLAC	2007-08	2008-09	-8.38	0.42	0.43	-9.23	211.44	-	12.25	-13.13	97.46	-8.81	-
26	KSPHCL	2008-09	2009-10	24.71	0.42	0.52	23.77	##	-	0.12	3.40	250.32	24.19	9.66
27	RGRHCL	2008-09	2009-10	-	-	-	£	##	-	3.00	-	668.80	-	-
28	KRDCL	2007-08	2008-09	-2.12	5.64		-7.76	6.42	2.27	550.88	-79.25	1152.79	-2.12	-
29	KBJNL	2008-09	2009-10	38.92	51.50	77.85	-90.43	8.99	-	6937.01	-156.23	10007.92	-38.93	-
30	KNNL	2008-09	2009-10	-	-	-	$$	##	-	6264.83	-	6644.32	-	-
31	CNNL	2008-09	2009-10	-	-	-	$$	##	-	3401.23	-	9395.98	-	-
32	BMRCL	2008-09	2009-10	-	-	-	$$	##	-	1160.03	-	1595.16	-	-
33	BARL	2008-09	2009-10	-	-	-	$$	-	-	0.05	-	0.00	-	-
	Sectorwise Total			**59.67**	**58.46**	**78.86**	**-77.65**	**311.51**	**2.27**	**18331.45**	**-222.40**	**29847.15**	**-19.19**	
MANUFACTURING SECTOR														
34	LIDKAR	2006-07	2008-09	-0.23	0.19	0.04	-0.46	1.13	-0.40	3.35	-19.21	-2.47	-0.27	-
35	KSDL	2008-09	2009-10	13.61	0.09	0.40	13.12	169.39	4.62	31.82	26.77	89.60	13.21	14.74
36	KSCDCL	2008-09	2009-10	-0.18	0.07	0.04	-0.29	2.97	-3.73	3.01	-4.68	6.05	-0.22	-
37	KSSIDC	2007-08	2008-09	12.66	0.06	1.41	11.19	78.00	-	24.66	17.35	75.89	11.23	14.82
38	MPM	2008-09	2009-10	45.04	18.64	9.95	16.45	413.48	-	118.89	-32.02	307.93	35.09	11.40
39	KAVIKA	2007-08	2008-09	6.07	1.09	-	4.98	74.86	-	5.62	-13.59	5.13	6.07	118.16
40	MEI	2008-09	2009-10	3.62	2.09	0.14	1.39	39.23	-6.45	9.43	-21.98	91.38	3.48	3.81
41	NGEFH	2008-09	2009-10	1.01	0.28	0.19	0.54	13.24	-1.34	3.20	3.46	10.02	0.82	8.18
42	KEONICS	2008-09	2009-10	6.41	0.01	0.23	6.17	24.65	-	12.87	27.82	44.16	6.18	13.99
43	KSIC	2008-09	2009-10	6.20	1.00	0.34	4.86	45.74	-0.03	58.00	-39.50	29.08	5.86	20.15
44	KSMB	2008-09	2009-10	-3.55	-	0.05	-3.60	18.90	-	31.45	-21.82	9.63	-3.60	-
45	KSPDCL	2008-09	2009-10	1.42	-	0.07	1.35	17.97	-	2.22	6.10	8.33	1.35	16.21
46	MML	2008-09	2009-10	193.61	0.31	0.88	192.42	222.13	30.96	3.00	122.31	446.22	192.73	43.19
47	HGML	2008-09	2009-10	163.07	0.13	8.85	154.09	314.73	-	2.96	361.19	395.01	154.22	39.04

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed @	Return on capital employed $	Percen-tage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss (x)							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
48	MYSUGAR	2008-09	2009-10	0.55	16.11	1.22	-16.78	57.77	-7.57	8.74	-268.87	-61.12	0.67	-
49	MPVL	2008-09	2009-10	5.89	0.25	0.05	5.59	19.85	-	1.04	13.45	19.66	5.84	29.70
50	KSBCL	2008-09	2009-10	21.11	2.51	1.03	17.57	8228.41	-	2.00	42.06	68.95	20.08	29.13
51	MSIL	2008-09	2009-10	-4.18	0.41	1.95	-6.54	93.53	-6.45	27.64	126.76	132.04	-6.13	-
52	MCA	2008-09	2009-10	9.70	-	0.24	9.46	21.88	-	7.03	22.07	29.58	9.46	31.98
	Sectorwise Total			**481.83**	**43.24**	**27.08**	**411.51**	**9857.86**	**9.61**	**356.93**	**347.67**	**1705.07**	**456.07**	
POWER SECTOR														
53	KPC	2008-09	2009-10	1343.09	572.61	378.55	391.93	4147.90	-	1243.26	2587.91	10973.13	964.54	8.79
54	KREDL	2007-08	2008-09	6.40	0.67	-	5.73	10.57	-	0.50	9.66	57.99	6.40	11.04
55	KPTCL	2008-09	2009-10	603.37	394.65	185.96	22.76	799.02	-13.66	1033.27	170.20	6167.94	417.41	6.77
56	BESCOM	2008-09	2009-10	-399.94	123.17	64.25	-587.36	6190.32	-	205.97	-362.48	3331.06	-464.19	-
57	HESCOM	2008-09	2009-10	-315.18	193.79	51.54	-560.51	1868.95	-19.22	233.33	-485.44	1684.15	-366.72	-
58	MESCOM	2008-09	2009-10	33.95	48.70	26.27	-41.02	1047.84	-	100.34	41.95	950.70	7.68	0.81
59	CHESC	2008-09	2009-10	-122.77	67.06	27.32	-217.15	1148.67	3.72	79.30	-221.00	591.49	-150.09	-
60	GESCOM	2007-08	2008-09	156.05	108.74	25.74	21.57	1473.39	-104.20	130.14	12.67	1114.53	130.31	11.69
61	KPCB	2008-09	2009-10	-	-	-	$$	-	-	0.05	-	-6.84	-	-
62	PCKL	2008-09	2009-10	-4.56	0.01	0.01	-4.58	-	-	20.05	-4.50	26.99	-4.57	-
	Sectorwise Total			**1300.41**	**1509.40**	**759.64**	**-968.63**	**16686.66**	**-133.36**	**3046.21**	**1748.97**	**24891.14**	**540.77**	**-**
SERVICE SECTOR														
63	KFCSCL	2008-09	2009-10	12.72	2.41	0.53	9.78	1005.76	-0.21	3.25	94.28	209.71	12.19	5.81
64	KSTDC	2007-08	2008-09	9.72	0.38	7.69	1.65	21.71	0.78	6.41	1.00	30.19	2.03	6.73
65	JLR	2008-09	2009-10	7.16	0.22	1.20	5.74	24.81	-	0.92	9.66	22.38	5.96	26.63
	Sectorwise Total			**29.60**	**3.01**	**9.42**	**17.17**	**1052.28**	**0.57**	**10.58**	**104.94**	**262.28**	**20.18**	
MISCELLANEOUS SECTOR														
66	KVTSDCL	Sep. 08	First Accounts not finalised	-	-	-	-	-	-	0.01	-	-	-	-
	Sectorwise Total								**-**	**0.01**				
	TOTAL A (All sectorwise Government companies)			**1952.47**	**1642.55**	**882.97**	**-573.05**	**28310.55**	**-147.74**	**22784.19**	**1519.00**	**59231.32**	**1070.82**	**1.81**

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed @	Return on capital employed $	Percen-tage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss (x)							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
B. **WORKING STATUTORY CORPORATIONS**														
AGRICULTURE AND ALLIED SECTOR														
1	KSWC	2007-08	2008-09	12.65	2.11	1.96	8.58	25.14	-2.87	10.15	41.97	124.20	8.40	6.76
	Sectorwise Total			**12.65**	**2.11**	**1.96**	**8.58**	**25.14**	**-2.87**	**10.15**	**41.97**	**124.20**	**8.40**	**-**
FINANCING SECTOR														
2	KSFC	2008-09	2009-10	-37.69	-	1.48	-39.17	227.78	-4.19	534.06	-578.59	2061.77	166.67	8.08
	Sectorwise Total			**-37.69**	**-**	**1.48**	**-39.17**	**227.78**	**-4.19**	**534.06**	**-578.59**	**2061.77**	**166.67**	
SERVICE SECTOR														
3	KSRTC	2008-09	2009-10	250.87	31.66	161.50	57.71	1639.36	-101.76	311.07	-67.75	598.16	89.37	14.94
4	BMTC	2008-09	2009-10	153.51	0.67	97.66	55.18	1000.63	-50.53	157.71	587.55	922.38	55.85	6.06
5	NWKRTC	2008-09	2009-10	48.59	35.29	81.87	-68.57	863.15	-76.86	214.38	-333.51	233.81	-33.28	-
6	NEKRTC	2008-09	2009-10	37.56	13.60	52.61	-28.65	561.07	-21.49	149.25	-292.99	16.52	-15.05	-
	Sectorwise Total			**490.53**	**81.22**	**393.64**	**15.67**	**4064.21**	**-250.64**	**832.41**	**-106.70**	**1770.87**	**96.89**	
	Grand total (B)			**465.49**	**83.33**	**397.08**	**-14.92**	**4317.13**	**-257.70**	**1376.62**	**-643.32**	**3956.84**	**271.96**	**6.87**
	Grand total (A+B)			**2417.96**	**1725.88**	**1280.05**	**-587.97**	**32627.68**	**-405.44**	**24160.81**	**875.68**	**63188.16**	**1342.78**	**2.13**
C. NON WORKING GOVERNMENT COMPANIES														
AGRICULTURE AND ALLIED SECTOR														
1	KAIC	2008-09	2009-10	7.57	4.72	0.05	2.80	-	-7.08	55.90	-160.09	-25.33	7.52	-
2	MTC	2008-09	2009-10	0.18	0.57	0.01	-0.40	-	-0.18	0.78	-12.81	-9.12	0.17	-
3	KPL	2008-09	2009-10	0.00	-	-	0.00	-	-	15.16	-20.87	-2.75	0.00	-
4	KSVL	2004-05	2005-06	-0.44		0.01	-0.45	-	-	1.00	-8.85	0.26	-0.45	-
5	MMCL	2007-08	2008-09	0.00			0.00	-	-	0.05	-0.27	-0.21	0.00	-
	Sectorwise Total			**7.31**	**5.29**	**0.07**	**1.95**	**-**	**-7.26**	**72.89**	**-202.89**	**-37.15**	**7.24**	
FINANCING SECTOR														
6	KFIDCL	2006-07	2007-08	-0.02	-		-0.02	-	-	1.02	-1.02	-	-0.02	-
	Sectorwise Total			**-0.02**	**-**	**-**	**-0.02**	**-**	**-**	**1.02**	**-1.02**		**-0.02**	
MANUFACTURING SECTOR														
7	KSIMC	2007-08	2008-09	-0.44	--	0.04	-0.48	-	-0.18	1.71	0.65	2.96	-0.48	-
8	MLW	2008-09	2009-10	0.19	13.48	0.08	-13.37	-	-	11.81	-212.42	-19.75	-	-

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed @	Return on capital employed $	Percen-tage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss (x)							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
9	VSL	2008-09	2009-10	-	0.17	-	-	-	-	12.91	-0.01	13.39	-	-
10	MCL	2003-04	2004-05	-0.79	-	-	-0.96	-	-	0.16	-3.12	-0.23	-0.96	-
11	MCT	2008-09	2009-10	0.13	-	-	0.13	-	-	0.76	-9.63	-8.47	0.13	-
12	NGEF	2002-03	2003-04	-157.48	-	-	-157.48	-	-	46.51	-408.85	98.21	-157.70	-
13	KTL	2003-04	2004-05	0.05	-	-	0.05	-	-	3.00	-36.11	-29.23	0.05	-
14	CMTL	2006-07	2007-08	-0.01	-	-	-0.01	-	-	0.63	-7.97	-3.71	-0.01	-
15	KSTL	1998-99	1999-00	-0.88	-	-	-0.88	-	-	0.50	-8.91	4.32	-0.47	-
16	MACCL	2002-03	2003-04	-0.42	-	0.04	-0.46	-	-	12.18	-25.33	0.09	-0.86	-
	Sectorwise Total			**-159.65**	**13.65**	**0.16**	**-173.46**	**-**	**-0.18**	**90.17**	**-711.70**	**57.58**	**-160.30**	
	TOTAL C (Non working Government companies)			**-152.36**	**18.94**	**0.23**	**-171.53**	**-**	**-7.44**	**164.08**	**-915.61**	**20.43**	**-153.08**	
	Grand Total (A+B+C)			**2265.60**	**1744.82**	**1280.28**	**-759.50**	**32627.68**	**-412.88**	**24324.89**	**-39.93**	**63208.59**	**1189.70**	**1.88**

 # Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/ decrease in losses and (-) decrease in profit/ increase in losses.

@ Capital employed represents net fixed assets (including capital works-in-progress) *plus* working capital except in case of finance companies/ corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).

$ Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

$$ No profit and loss account prepared, only pre-operative expenditure.

£ Excess of expenditure over income capitalised. No profit and loss account prepared.

No turnovers as the companies are engaged in development or social work.

(x) Net profit/loss includes adjustment for prior period income / expenses but excludes appropriations and tax provisions.

Annexure – 3

Statement showing grants and subsidy received / receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2009.

(Referred to in paragraph 1.10)

(Figures in column 3 (a) to 6 (d) are Rupees in crore)

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
A. WORKING GOVERNMENT COMPANIES													
AGRICULTURE & ALLIED SECTOR													
1	KSACPL	-	-	0.30 (PS)	-	-	0.30(PS)	-	-	-	-	-	-
2	KAPPEC	-	-	3.72 (G)	-	-	3.72 (G)	-	-	-	-	-	-
3	KFDC	-	-	3.04 (G)	-	-	3.04 (G)	12.50	-	-	-	-	-
4	KSAWDCL	-	-	-	2.62 (G) 1.38 (PS)	-	2.62 (G) 1.38 (PS)	-	-	-	-	-	-
5	KCDC	-	-	1.78 (G) 1.46 (PS)	-	-	1.78 (G) 1.46 (PS)	-	-	-	-	-	-
6	KSSCL	0.08	-	--	-	-	-	-	-	-	-	-	-
7	FKL	0.05	-	-	-	-	-	-	-	-	-	-	-
	Sectorwise Total	**0.13**	**-**	**1.76 (PS)** **8.54 (G)**	**1.38 (PS)** **2.62 (G)**	**-**	**3.14 (PS)** **11.16(G)**	**12.50**	**-**	-	-	-	-
FINANCING SECTOR													
8	KHDCL	-	-	0.49 (PS) 1.47 (S)	0.49 (PS) 5.18 (S)		0.98 (PS) 6.65 (S)	-	24.82	-	-	-	-
9	KSHDCL	-	-	0.11 (G)	0.13 (G)	-	0.24 (G)	-	-	-	-	-	-
10	DUBCDCL	11.00	-	-	40.88 (S)	-	40.88 (S)	-	70.00	-	-	-	-
11	KSWDC	0.19	-	0.41 (G)	12.89 (G)	-	13.30 (G)	-	-	-	-	-	
12	BRADCL	7.53	-	-	-	-	-	19.00	110.74	-	-	-	-
13	KSTADC	1.65	-	-	61.92 (G)		61.92 (G)	18.49	17.08	-	-	-	-
14	KMDC	38.43	-	-	28.13 (G)	-	28.13 (G)	45.00	39.43	-	-	-	-
15	KSIIDC	18.44	-	-	-	-	-	217.98	207.15	-	-	-	-
	Sectorwise Total	**77.24**	**-**	**0.49 (PS)** **1.47 (S)** **0.52 (G)**	**0.49 (PS)** **46.06 (S)** **103.07(G)**	**-**	**0.98 (PS)** **47.53 (S)** **103.59(G)**	**300.47**	**469.22**	-	-	-	-

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
INFRASTRUCTURE SECTOR													
16	KLAC							-	84.67	-	-	-	-
17	KSPHCL	-	-	-	52.63 (G)	-	52.63 (G)		221.27	-	-	-	-
18	RGRHCL	-	100.00	0.09 (PS)	671.22 (PS)	-	671.31 (PS)	3.25	517.93	-	-	-	-
19	KRDCL	134.13	-		461.00(G) 250.00 (PS)		461.00 (G) 250.00 (PS)	50.00	487.40	-	-	-	-
20	KBJNL	59.14			898.29 (G)		898.29 (G)		514.90	-	-		
21	KNNL	991.77	-						607.01	-	-	-	-
22	CNNL	653.69	-	-	-	-	-	-	7.39	-	-	-	-
23	BMRCL	626.04	-	-	-	-	-	-	-	-	-	-	-
	Sectorwise Total	**2464.77**	**100.00**	**0.09 (PS)**	**921.22 (PS) 1411.92 (G)**	-	**921.31 (PS) 1411.92(G)**	**53.25**	**2440.57**	-	-	-	-
MANUFACTURING SECTOR													
24	LIDKAR	-	-		0.12 (PS)		0.12 (PS)	-	-	-	-	-	-
25	KSSIDC	-	-	-	17.00 (G)		17.00 (G)	-	-	-	-	-	-
26	MPM	-	8.35	-	-	-	-	-	-	-	-	-	-
27	KEONICS	5.00	-		-	-	-	-	-	-	-		
28	KSPDCL	-	-	3.61 (G)	3.69 (G)	-	7.30 (G)	-	-	-	-	-	-
29	MML	-	-	-	-	-	-	-	-	-	-	0.15	0.15
30	MYSUGAR	-	-	-	-	-	-	15.00		-	-	-	-
	Sectorwise Total	**5.00**	**8.35**	**3.61 (G)**	**0.12 (PS) 20.69 (G)**	**-**	**0.12 (PS) 24.30 (G)**	**15.00**	**-**	**-**	**-**	**0.15**	**0.15**
POWER SECTOR													
31	KPC	500.00	-	-	-	-	-	0.03	692.90	-	-	-	
32	KREDL	-	-	-	0.50 (G)		0.50 (G)		19.40	-	-	-	-
33	BESCOM		110.13						13.24	-	-	-	-
34	HESCOM	-	215.77	36.00 (G)	39.97(G)		75.97 (G)	-	-	-	-	-	-
35	MESCOM	-	21.85	23.62 (PS)	1.00(PS) 1.89(S)	-	24.62 (PS) 1.89 (S)	-	-	-	-	-	-
36	CHESC	-	44.45	-	13.50 (G) 253.75 (S)	-	13.50 (G) 253.75 (S)	-	1.86	-	-	-	-
	Sectorwise Total	**500.00**	**392.20**	**23.62 (PS) 36.00 (G)**	**1.00 (PS) 255.64 (S) 53.97 (G)**	**-**	**24.62 (PS) 255.64 (S) 89.97 (G)**	**0.03**	**727.40**	**-**	**-**	**-**	

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
SERVICE SECTOR													
37	KSTDC	-	-	-	10.86 (G)	-	10.86 (G)	-	-	-	-	-	-
	Sectorwise Total				**10.86 (G)**		**10.86 (G)**	-	-	-	-	-	-
MISCELLANEOUS SECTOR													
38	KVTSDCL	0.01	-	-	-	-	-	-	-	-	-	-	-
	Sectorwise Total	**0.01**	-	-	**-**	**-**	**-**	-	-	-	-	-	-
	TOTAL A (All sectorwise Government companies)	**3047.15**	**500.55**	**25.96 (PS) 1.47 (S) 48.67 (G)**	**924.21 (PS) 301.70 (S) 1603.13(G)**		**950.17 (PS) 303.17 (S) 1651.80 (G)**	**381.25**	**3637.19**	-	-	**0.15**	**0.15**
B. WORKING STATUTORY CORPORATIONS													
FINANCING SECTOR													
1	KSFC	250.21	-	-	-	-	-	11.86	564.12	-	1.00	-	1.00
	Sectorwise Total	**250.21**	**-**	**-**	**-**	**-**	**-**	**11.86**	**564.12**	**-**	**1.00**	**-**	**1.00**
SERVICES SECTOR													
2	KSRTC	23.50	-	10.66(PGS)	6.82 (PGS)	-	17.48 (PGS)	-	-	-	-	-	-
3	BMTC	-	-	58.75 (G)	7.54 (G) 1.65(S)	-	66.29 (G) 1.65 (S)	-	-	-	-	-	-
4	NWKRTC	63.75	-	-	40.00 (G) 19.25 (PS) 60.00 (S)	-	40.00(G) 19.25(PS) 60.00(S)	-	-	-	-	-	-
5	NEKRTC	15.75	-	-	10.93 (S)		10.93 (S)	-	-	-	-	-	-
	Sectorwise Total	**103.00**	**-**	**10.66 (PGS) 58.75 (G)**	**6.82 (PGS) 47.54 (G) 19.25 (PS) 72.58 (S)**		**17.48(PGS) 106.29 (G) 19.25 (PS) 72.58 (S)**						
	TOTAL B (all sectorwise Statutory corporations)	**353.21**	**-**	**10.66 (PGS) 58.75 (G)**	**6.82 (PGS) 19.25 (PS) 72.58 (S) 47.54 (G)**	**-**	**17.48(PGS) 19.25 (PS) 72.58 (S) 106.29 (G)**	**11.86**	**564.12**		**1.00**		**1.00**

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Govern-ment	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
	Grand total (A + B)	**3400.36**	**500.55**	**25.96 (PS) 10.66 (PGS) 1.47 (S) 107.42 (G)**	**943.46 (PS) 6.82 (PGS) 374.28 (S) 1650.67(G)**	**-**	**969.42 (PS) 17.48(PGS) 375.75 (S) 1758.09(G)**	**393.11**	**4201.31**		**1.00**	**0.15**	**1.15**
C. NON WORKING GOVERNMENT COMPANIES													
AGRICULTURE AND ALLIED SECTOR													
1.	KAIC	-	-	-	-	-	-	-	0.87	-	-	-	-
	Sectorwise Total								**0.87**				
	TOTAL (A+B+C)	**3400.36**	**500.55**	**25.96 (PS) 10.66 (PGS) 1.47 (S) 107.42 (G)**	**943.46 (PS) 6.82 (PGS) 374.28 (S) 1650.67 (G)**	**-**	**969.42 (PS) 17.48(PGS) 375.75 (S) 1758.09(G)**	**393.11**	**4202.18**		**1.00**	**0.15**	**1.15**

@ Figures indicate total guarantees outstanding at the end of the year.
Note: Figures are provisional and as furnished by the companies in respect of companies that have not finalised their accounts for 2008-09.
G = Grants, S = Subsidy, PS = Project Subsidy, PGS = Programme Subsidy.

Annexure – 4

Statement showing the investments made by the State Government in PSUs whose accounts are in arrears at the end of March 2009.

(Referred to in paragraph 1.54)

(Rupees in crore)

Sl. No.	Name of PSU	Year up to which accounts finalised	Paid up capital as per latest finalised accounts	Year	Investment made by the State Government during the years for which accounts are in arrears				
					Equity	Loans	Grants	Project subsidy	Subsidy
A. WORKING GOVERNMENT COMPANIES									
1	KSAWDCL	2006-07	0.05	2007-08	6.00	-	1.58	4.00	-
		-	-	2008-09	-	-	2.62	1.38	-
2	KSHDCL	2007-08	4.05	2008-09	-	-	0.13	-	-
3	DUBCDCL	2007-08	95.22	2008-09	11.00	-	-	-	40.88
4	KSTADC	2007-08	2.13	2008-09	1.65	-	61.92	-	-
5	KRDCL	2007-08	550.88	2008-09	134.13	-	461.00	250.00	-
6	LIDKAR	2006-07	3.35	2008-09	-	-	-	0.12	-
7	KSSIDC	2007-08	24.66	2008-09	-	-	17.00	-	-
8	KREDL	2007-08	0.50	2008-09	-	-	0.50	-	-
9	KSTDC	2007-08	6.41	2008-09	-	-	10.86	-	-
10	KVTSDCL	First accounts not yet finalised	-	2008-09	0.01	-	-	-	-
	Total		**687.25**	**-**	**152.79**	**-**	**555.61**	**255.50**	**40.88**

Annexure – 5
Statement showing financial position of Statutory corporations.
(Referred to in paragraph 1.15)

Working Statutory corporations

1. Bangalore Metropolitan Transport Corporation, Bangalore

(Rupees in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
A. Liabilities					
Paid up Capital	64.72	92.72	158.16	173.53	157.71
Reserve and Surplus (including Capital Grants but excluding Depreciation Reserve)	197.24	298.56	525.35	637.40	735.03
Borrowings (Loan Funds)	28.93	26.42	22.65	14.45	49.66
Current Liabilities and Provisions	64.00	49.10	61.36	73.51	160.94
Total	**354.89**	**466.80**	**767.52**	**898.89**	**1103.34**
B. Assets					
Gross Block	379.65	433.52	582.42	699.93	1071.40
Less: Depreciation	152.53	194.72	236.58	287.46	359.43
Net Fixed Assets	227.12	238.80	345.84	412.47	711.97
Capital works-in-progress (including cost of chassis)	27.01	55.86	91.57	161.07	243.20
Investments	0.00	0.00	194.02	194.02	20.02
Current Assets, Loans and Advances	100.76	172.14	136.09	131.33	128.15
Accumulated losses	0.00	0.00	0.00	0.00	0.00
Total	**354.89**	**466.80**	**767.52**	**898.89**	**1103.34**
Capital Employed	**290.45**	**417.51**	**511.77**	**631.22**	**922.38**

Annexure – 5
Statement showing financial position of Statutory corporations.
(Referred to in paragraphs 1.15 and 3.2.10)

2. Karnataka State Road Transport Corporation, Bangalore

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
A. Liabilities					
Paid up Capital	220.39	233.39	233.39	268.39	311.07
Reserve and Surplus (including Capital Grants but excluding Depreciation Reserve)	34.34	37.07	38.43	41.91	44.83
Borrowings (Loan Funds)	223.49	237.37	275.29	314.29	313.65
Current Liabilities and Provisions	188.38	218.53	236.78	277.65	282.25
Total	**666.60**	**726.36**	**783.89**	**902.24**	**951.80**
B. Assets					
Gross Block	634.97	806.15	952.97	1138.12	1262.59
Less: Depreciation	345.16	401.79	478.49	563.52	640.40
Net Fixed Assets	289.81	404.36	474.48	574.60	622.19
Capital works-in-progress (including cost of chassis)	49.74	21.84	30.36	68.47	68.48
Investments	1.80	0.05	0.05	8.05	0.05
Current Assets, Loans and Advances	98.57	100.21	113.00	125.66	193.33
Accumulated losses	226.68	199.90	166.00	125.46	67.75
Total	**666.60**	**726.36**	**783.89**	**902.24**	**951.80**
Capital Employed	**248.54**	**304.53**	**378.51**	**490.18**	**598.18**

Annexure – 5
Statement showing financial position of Statutory corporations.
(Referred to in paragraphs 1.15 and 3.2.10)

3. North Western Karnataka Road Transport Corporation, Hubli

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
A. Liabilities					
Paid up Capital	102.64	115.64	115.64	150.63	214.38
Reserve and Surplus (including Capital Grants but excluding Depreciation Reserve)	24.76	25.90	28.72	32.78	40.52
Borrowings (Loan Funds)	122.97	172.86	226.13	316.75	314.36
Current Liabilities and Provisions	137.06	160.49	183.50	215.59	214.77
Total	**387.43**	**474.89**	**553.99**	**715.75**	**784.03**
B. Assets					
Gross Block	377.31	426.63	523.97	635.82	648.85
Less: Depreciation	236.86	265.99	281.54	306.65	348.49
Net Fixed Assets	140.45	160.64	242.43	329.17	300.36
Capital works-in-progress (including cost of chassis)	9.55	8.75	2.85	11.77	14.29
Investments	0.00	0.00	0.00	0.00	0.00
Current Assets, Loans and Advances	57.08	94.95	110.83	109.86	135.87
Accumulated losses	180.35	210.55	197.88	264.95	333.51
Total	**387.43**	**474.89**	**553.99**	**715.75**	**784.03**
Capital Employed	**72.52**	**106.68**	**174.72**	**236.18**	**233.81**

Annexure – 5
Statement showing financial position of Statutory corporations.
(Referred to in paragraphs 1.15 and 3.2.10)

4. North Eastern Karnataka Road Transport Corporation, Gulbarga

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
A. Liabilities					
Paid up Capital	92.50	103.50	103.50	133.50	149.25
Reserve and Surplus (including Capital Grants but excluding Depreciation Reserve)	20.69	24.71	28.75	31.47	34.24
Borrowings (Loan Funds)	37.01	65.35	86.96	109.27	128.77
Current Liabilities and Provisions	136.77	158.57	198.41	246.30	273.87
Total	**286.97**	**352.13**	**417.62**	**520.54**	**586.13**
B. Assets					
Gross Block	178.72	226.10	264.71	321.45	403.93
Less: Depreciation	136.56	136.51	147.86	166.88	203.40
Net Fixed Assets	42.16	89.59	116.85	154.57	200.53
Capital works-in-progress (including cost of chassis)	12.15	12.19	15.60	30.83	29.17
Investments	0.05	0.05	0.05	0.05	0.05
Current Assets, Loans and Advances	41.54	31.44	36.73	70.75	63.39
Accumulated losses	191.07	218.86	248.39	264.34	292.99
Total	**286.97**	**352.13**	**417.62**	**520.54**	**586.13**
Capital Employed	**-41.44**	**-26.33**	**-30.45**	**9.05**	**19.22**

Annexure – 5
Statement showing financial position of Statutory corporations.
(Referred to in paragraph 1.15)

5. Karnataka State Financial Corporation, Bangalore

(Rupees in crore)

Sl. No.	Particulars	2006-07	2007-08	2008-09
A.	**Liabilities**			
	Paid up capital	97.85	97.85	123.05
	Share application money	26.83	176.83	401.83
	Reserve fund and other reserves and surplus	4.25	56.41	55.67
	Borrowings			
	i) Bonds and Debentures	721.10	654.71	683.31
	ii) Fixed Deposits	31.45	27.93	24.45
	iii) Industrial Development Bank of India & Small Industries Development Bank of India	875.68	856.94	891.56
	iv) Loan towards Share Capital- Industrial Development Bank of India	9.18	9.18	9.18
	(v) Others (including State Government)	94.25	92.33	73.95
	Other liabilities and Provisions	428.36	481.98	380.44
	Total	**2288.95**	**2454.16**	**2643.44**
B.	**Assets**			
	Cash and Bank balances	149.48	233.62	64.98
	Investments	56.89	200.45	354.63
	Loans and Advances	1418.28	1354.65	1402.18
	Net fixed Assets	7.48	61.55	60.94
	Other assets	55.91	65.14	182.12
	Miscellaneous expenditure	600.91	538.75	578.59
	Total	**2288.95**	**2454.16**	**2643.44**
C.	**Capital Employed***	**1915.87**	**1886.06**	**2061.77**

* **Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, loans in lieu of capital, seed money, debentures, reserves (other than those which have been funded specifically and backed by investments outside), bonds, deposits and borrowings (including refinance).**

Annexure – 5
Statement showing financial position of Statutory corporations.
(Referred to in paragraph 1.15)

6. Karnataka State Warehousing Corporation, Bangalore

(Rupees in crore)

Sl. No.	Particulars	2005-06	2006-07	2007-08
A.	**Liabilities**			
	Paid-up capital	10.05	10.15	10.15
	Reserves and Surplus	38.58	42.39	44.75
	Borrowings (Government)	12.80	12.80	18.41
	(Others)	163.09	45.91	50.89
	Trade dues and Current liabilities (including provisions)	52.95	42.03	38.69
	Total	**277.47**	**153.28**	**162.89**
B.	**Assets**			
	Gross block	99.29	101.25	119.28
	Less: Depreciation	10.52	12.22	14.61
	Net fixed assets	88.77	89.03	104.67
	Capital work-in-progress	0.09	2.72	6.58
	Investment	0.11	0.00	0.00
	Current assets, loans and advances	188.50	61.53	51.64
	Total	**277.47**	**153.28**	**162.89**
C.	**Capital employed** **	**224.41**	**119.89**	**124.20**

** **Capital employed represents net fixed assets, (including capital work-in-progress) *plus* working capital**.

Annexure – 6
Statement showing working results of Statutory corporations.
(Referred to in paragraph 1.15)

1. Bangalore Metropolitan Transport Corporation, Bangalore

(Rupees in crore)

Sl. No.	Description	2004-05	2005-06	2006-07	2007-08	2008-09 (provisional)
1	Total Revenue	572.19	703.40	887.59	939.80	1000.63
2	Operating revenue[1]	542.40	667.71	817.10	853.72	909.15
3	Total Expenditure	**492.18**	**588.50**	**663.27**	**799.58**	**945.45**
4	Operating Expenditure[2]	479.52	580.24	649.54	782.85	929.82
5	Operating Profit/Loss	62.88	87.47	167.56	70.87	-20.67
6	Profit for the year	**80.01**	**114.90**	**224.32**	**140.22**	**55.18**
7	Accumulated profit	172.07	261.13	460.12	560.02	587.55
8	Fixed costs					
	Personnel Costs	170.52	205.38	211.94	282.28	325.05
	Depreciation	37.18	44.31	56.73	67.57	97.66
	Interest	1.85	2.33	0.76	0.45	0.67
	Other Fixed Costs	18.92	18.89	28.87	37.90	27.42
	Total Fixed Costs	**228.47**	**270.91**	**298.30**	**388.20**	**450.80**
9	Variable Costs					
	Fuel & Lubricants	144.25	202.20	255.12	295.41	365.36
	Tyres & Tubes	6.52	8.84	11.62	16.70	21.37
	Other Items/ spares	11.29	14.06	25.12	33.39	47.28
	Taxes (MV Tax, Passenger Tax, *etc.*)	28.39	34.39	39.27	44.31	50.28
	Other Variable Costs	73.26	58.10	33.84	21.57	10.36
	Total Variable Costs	**263.71**	**317.59**	**364.97**	**411.38**	**494.65**
10	Effective KMs operated (in lakh)	2,973.50	3,163.34	3,334.49	3,766.85	4,062.43
11	Earnings *per* KM (Rs.)(1/10)	19.24	22.24	26.62	24.95	24.63
12	Fixed Cost *per* KM (Rs.) (8/10)	7.68	8.56	8.95	10.31	11.10
13	Variable Cost *per* KM (Rs.) (9/10)	8.87	10.04	10.95	10.92	12.18
14	Cost *per* KM (Rs.) (12+13)	16.55	18.60	19.90	21.23	23.28
15	Net Earnings *per* KM (Rs.) (11-14)	2.69	3.64	6.72	3.72	1.35
16	Traffic Revenue[3] (Rs. in crore)	506.19	623.34	707.43	801.49	907.50
17	Traffic Revenue *per* KM (Rs.) (16/10)	17.02	19.71	21.22	21.28	22.34
18	Return on capital employed	81.86	117.21	225.08	140.69	55.85
19	Percentage on capital employed	28.18	28.07	43.98	22.29	6.06

[1] **operating revenue includes traffic earnings, passes and season tickets, re-imbursement against concessional passes, fare realised from private operators under 'KM Scheme', *etc.***

[2] **operating expenditure include expenses relating to traffic, depreciation on fleet, repair and maintenance, electricity, welfare and remuneration, licences and taxes and general administration expenses.**

[3] **traffic revenue represents sale of tickets, advance booking, reservation charges and contract services earnings.**

Annexure – 6
Statement showing working results of Statutory corporations.
(Referred to in paragraphs 1.15 and 3.2.11)

2. Karnataka State Road Transport Corporation, Bangalore

(Rupees in crore)

Sl. No	Description	2004-05	2005-06	2006-07	2007-08	2008-09 (provisional)
1	Total Revenue	895.46	1085.69	1271.79	1448.11	1639.35
2	Operating Revenue[1]	862.52	1049.12	1226.09	1401.91	1500.26
3	Total Expenditure	**868.83**	**1058.91**	**1237.90**	**1407.57**	**1581.66**
4	Operating Expenditure[2]	830.98	1008.50	1187.35	1341.51	1513.75
5	Operating Profit/Loss	31.54	40.62	38.74	60.40	-13.49
6	Profit / Loss for the year	**26.63**	**26.78**	**33.89**	**40.54**	**57.69**
7	Accumulated profit/Loss	-226.68	-199.90	-166.00	-125.46	-67.75
8	Fixed costs					
	Personnel Costs	295.10	298.70	336.30	405.68	427.09
	Depreciation	75.61	101.42	124.43	142.21	161.50
	Interest	13.11	13.25	18.68	24.99	31.66
	Other Fixed Costs	49.21	70.04	70.21	85.40	76.62
	Total Fixed Costs	**433.03**	**483.41**	**549.62**	**658.28**	**696.87**
9	Variable Costs					
	Fuel & Lubricants	289.57	399.69	498.22	541.70	647.13
	Tyres & Tubes	25.99	32.90	46.83	54.00	63.38
	Other Items/ spares	58.60	66.61	52.35	52.33	84.54
	Taxes (MV Tax, Passenger Tax, *etc.*)	61.64	76.30	90.88	101.26	89.74
	Other Variable Costs	0.00	0.00	0.00	0.00	0.00
	Total Variable Costs	**435.80**	**575.50**	**688.28**	**749.29**	**884.79**
10	Effective KMs operated (in Lakh) (Own + hired)	5809.62	6392.10	6904.32	7598.07	8104.27
11	Earnings *per* KM (Rs.)(1/10)	15.41	16.98	18.42	19.06	20.23
12	Fixed Cost *per* Km (Rs.) (8/10)	7.45	7.56	7.96	8.66	8.60
13	Variable Cost *per* KM (Rs.) (9/10)	7.50	9.00	9.97	9.86	10.92
14	Cost per KM (Rs.) (3/10)	14.95	16.56	17.93	18.52	19.52
15	Net Earnings *per* KM (Rs.)(11-14)	0.46	0.42	0.49	0.54	0.71
16	Traffic Revenue (Rs. in crore)	798.99	989.11	1173.98	1320.09	1429.53
17	Traffic Revenue *per* km (Rs.) (16/10)	13.75	15.47	17.00	17.37	17.64
18	Return on capital employed	39.74	40.03	52.57	65.63	89.35
19	Percentage on capital employed	15.99	13.14	13.89	13.37	14.85

[1] **operating revenue includes traffic earnings, passes and season tickets, re-imbursement against concessional passes, fare realised from private operators under 'KM Scheme',** ***etc.***

[2] **operating expenditure include expenses relating to traffic, repair and maintenance, electricity, welfare and remuneration, licences and taxes, general administration expenses and depreciation on fleet.**

Annexure – 6
Statement showing working results of Statutory corporations.
(Referred to in paragraphs 1.15 and 3.2.11)

3. North Western Karnataka Road Transport Corporation, Hubli

(Rupees in crore)

Sl. No	Description	2004-05	2005-06	2006-07	2007-08	2008-09 (provisional)
1	Total Revenue	601.75	699.89	809.85	907.25	994.94
2	Operating Revenue[1]	578.67	635.79	785.33	871.48	922.97
3	Total Expenditure	**664.13**	**730.09**	**797.18**	**974.31**	**1063.51**
4	Operating Expenditure[2]	630.82	702.30	765.74	910.64	1006.39
5	Operating Profit/Loss	-52.15	-66.51	19.59	-39.16	-83.42
6	Profit/Loss for the year	**-62.38**	**-30.20**	**12.67**	**-67.06**	**-68.57**
7	Accumulated profit/Loss	-180.35	-210.55	-197.88	-264.95	-333.51
8	Fixed costs					
	Personnel Costs	232.09	244.19	260.29	286.25	326.63
	Depreciation	36.43	38.49	47.36	64.15	81.88
	Interest	8.82	10.59	18.09	28.48	35.29
	Other Fixed Costs	0.00	0.00	0.00	0.00	0.00
	Total Fixed Costs	**277.34**	**293.27**	**325.74**	**378.88**	**443.80**
9	Variable Costs					
	Fuel & Lubricants	210.73	254.96	302.71	375.96	427.93
	Tyres & Tubes	19.21	22.26	27.87	43.52	41.62
	Other Items/ spares	118.11	117.46	93.43	122.19	106.23
	Taxes (MV Tax, Passenger Tax, etc.)	38.74	42.14	47.43	53.76	43.93
	Other Variable Costs	0.00	0.00	0.00	0.00	0.00
	Total Variable Costs	**386.79**	**436.82**	**471.44**	**595.43**	**619.71**
10	Effective KMs operated (in Lakh) (Own + hired)	4537.81	4487.82	4918.07	5457.23	5541.02
11	Earnings *per* KM (Rs.)(1/10)	13.26	15.60	16.47	16.62	17.96
12	Fixed Cost *per* Km (Rs.) (8/10)	6.11	6.53	6.62	6.94	8.01
13	Variable Cost *per* KM (Rs.) (9/10)	8.52	9.73	9.59	10.91	11.18
14	Cost *per* KM (Rs.) (3/10)	14.63	16.26	16.21	17.85	19.19
15	Net Earnings *per* KM (Rs.)(11-14)	-1.37	-0.66	0.26	-1.23	-1.23
16	Traffic Revenue (Rs. in crore)	556.76	611.43	691.71	791.33	863.15
17	Traffic Revenue *per* km (Rs.)(16/10)	12.27	13.62	14.06	14.50	15.58
18	Return on capital employed	-53.57	-19.61	30.75	-38.59	-33.28
19	Percentage on capital employed	-	-	17.60	-	-

[1] operating revenue includes traffic earnings, passes and season tickets, re-imbursement against concessional passes, fare realised from private operators under 'KM Scheme', *etc.*

[2] operating expenditure include expenses relating to traffic, repair and maintenance, electricity, welfare and remuneration, licences and taxes, general administration expenses and depreciation on fleet.

Annexure – 6
Statement showing working results of Statutory corporations
(Referred to in paragraphs 1.15 and 3.2.11)

4. North Eastern Karnataka Road Transport Corporation, Gulbarga

(Rs. in crore)

SL. No	Description	2004-05	2005-06	2006-07	2007-08	2008-09 (provisional)
1	Total Revenue	345.89	394.70	459.54	507.38	561.07
2	Operating Revenue[1]	335.95	379.82	445.86	492.85	523.29
3	Total Expenditure	**386.20**	**422.49**	**489.07**	**523.34**	**589.72**
4	Operating Expenditure[2]	371.70	411.17	473.34	502.38	564.13
5	Operating Profit/Loss	-35.75	-31.35	-27.48	-9.53	-40.84
6	Profit/Loss for the year	**-40.31**	**-27.79**	**-29.53**	**-15.96**	**-28.65**
7	Accumulated profit/Loss	-191.07	-218.86	-248.39	-264.34	-292.99
8	Fixed costs					
	Personnel Costs	115.09	120.55	139.36	157.64	172.91
	Depreciation	14.35	16.89	25.53	35.00	52.60
	Interest	2.93	2.91	6.14	9.27	13.60
	Other Fixed Costs	19.56	17.19	18.90	23.24	24.79
	Total Fixed Costs	**151.93**	**157.54**	**189.93**	**225.15**	**263.90**
9	Variable Costs					
	Fuel & Lubricants	90.33	117.47	155.96	171.79	232.56
	Tyres & Tubes	10.45	10.35	15.13	19.42	23.34
	Other Items/ spares	10.25	10.30	10.46	13.79	16.72
	Taxes (MV Tax, Passenger Tax, *etc.*)	24.68	28.20	31.94	34.82	30.93
	Other Variable Costs	98.56	98.63	85.65	58.37	22.27
	Total Variable Costs	**234.27**	**264.95**	**299.14**	**298.19**	**325.82**
10	Effective KMs operated (in Lakh) (own + hired)	2643.28	2695.31	2966.33	3056.48	3297.27
11	Earnings *per* KM (Rs.)(1/10)	13.09	14.64	15.49	16.60	17.02
12	Fixed Cost *per* Km (Rs.) (8/10)	5.75	5.84	6.40	7.37	8.00
13	Variable Cost *per* KM (Rs.) (9/10)	8.86	9.83	10.08	9.76	9.88
14	Cost *per* KM (Rs.) (3/10)	14.61	15.67	16.48	17.13	17.88
15	Net Earnings *per* KM (Rs.)(11-14)	-1.52	-1.03	-0.99	-0.53	-0.86
16	Traffic Revenue (Rs. in crore)	324.74	367.35	424.80	465.80	512.25
17	Traffic Revenue *per* km (Rs.) (16/10)	12.29	13.63	14.32	15.24	15.54
18	Return on capital employed	-37.38	-24.96	-23.46	-6.77	-15.05
19	Percentage on capital employed	-	-	-	-	-

[1] operating revenue includes traffic earnings, passes and season tickets, re-imbursement against concessional passes, fare realised from private operators under 'KM Scheme', *etc.*

[2] operating expenditure include expenses relating to traffic, repair and maintenance, electricity, welfare and remuneration, licences and taxes, general administration expenses and depreciation on fleet.

Annexure – 6
Statement showing working results of Statutory corporations
(Referred to in paragraph 1.15)

5. Karnataka State Financial Corporation, Bangalore

(Rs. in crore)

Sl. No.	Particulars	2006-07	2007-08	2008-09
1	**Income**			
	a) Interest on Loans	167.61	189.84	172.17
	b) Other Income	18.61	20.07	54.87
	Total (1)	**186.22**	**209.91**	**227.04**
2	**Expenses**			
	a) Interest on long term and short term loans	139.70	135.92	162.83
	b) Other Expenses	42.62	65.99	60.37
	c) Provision for non performing assets	(9.89)	(55.29)	43.01
	Total (2)	**172.43**	**146.62**	**266.21**
3	Profit (+) / Loss (-) before tax (1-2)	13.79	63.29	39.17
4	Total return on Capital Employed	153.49	199.21	166.67
5	Percentage of return on Capital employed	8.01	10.56	8.08

Annexure – 6
Statement showing working results of Statutory corporations
(Referred to in paragraph 1.15)

6. Karnataka State Warehousing Corporation, Bangalore

(Rs. in crore)

Sl. No.	Particulars	2005-06	2006-07	2007-08
1	**Income:**			
	a) Warehousing charges	22.01	28.71	25.29
	b) Other income	5.84	2.82	6.19
	Total (1)	**27.85**	**31.53**	**31.48**
2	**Expenses:**			
	a) Establishment charges	9.05	7.88	8.82
	b) Other expenses	13.93	15.83	14.08
	Total (2)	**22.98**	**23.71**	**22.90**
3	Profit before tax	4.87	7.82	8.58
4	Provision for tax	2.45	2.86	2.29
5	Amount available for dividend	2.42	4.96	6.29
6	Dividend for the year	0.48	0.99	0.57
7	Total return on Capital employed	6.43	8.63	8.40
8	Percentage of return on Capital employed	2.86	7.20	6.76

Annexure – 7
Statement showing operational performance of Statutory corporations
(Referred to in paragraph 3.1.13)

Working Statutory corporations

1. Bangalore Metropolitan Transport Corporation, Bangalore

(Rs. in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09 (provisional)
Average number of vehicles held	3718.60	3976.70	4202.60	4849.30	5155.20
Average number of vehicles on road	3533.40	3802.20	3966.70	4548.40	4873.90
Percentage of utilisation of vehicles	95.02	95.61	94.39	93.79	94.54
Number of employees	17759	19009	20582	25542	27608
Employee vehicle ratio (own + taken over)	5.39	5.17	4.68	5.27	5.02
Number of routes operated at the end of the year	1690	1726	1927	2064	2358
Route kilometres	35370.7	37335.0	42298.8	46027.2	53291.3
Kilometres operated (in lakh) (own vehicles)					
Gross KMs	2483.61	2883.06	3269.77	3837.42	4232.45
Effective KMs [1]	2400.29	2755.39	3119.87	3648.45	4018.63
Dead KMs	83.32	127.67	149.40	188.97	213.82
Percentage of dead kilometres to gross kilometres	3.35	4.42	4.57	4.92	5.05
Average kilometres covered *per* bus *per* day	230	229	232	227	228
Average revenue *per* kilometre (Rs.)	19.24	22.24	26.62	24.95	24.63
Average expenditure *per* kilometre (Rs.)	16.55	18.60	19.90	21.23	23.28
Loss (-)/Profit (+) *per* kilometre (Rs.)	2.69	3.64	6.72	3.72	1.35
Number of operating depots	24	25	28	30	30
Average number of break-down *per* lakh kilometres	0.012	0.012	0.009	0.008	0.007
Average number of accidents *per* lakh kilometres	0.18	0.16	0.14	0.15	0.15
Passenger kilometre operated (in crore)	1275	1338	1402	1576	1682
Occupancy ratio (Load Factor)	67	63.9	63.3	63.4	63.8
KMs obtained *per* litre of:					
Diesel Oil	4.74	4.66	4.55	4.45	4.37
Engine Oil					
(i) Top-up	6984.9	7858.7	5567.7	5126.9	6127.1
(ii) Total	1258.7	1616.7	1218.5	1279.5	1382.2

[1] **the figure will not agree with figure in Paragraph 3.1.9 where it includes effective KMs operated by hired vehicles also.**

Annexure – 7
Statement showing operational performance of Statutory corporations
(Referred to in paragraph 3.2.15)
2. Karnataka State Road Transport Corporation, Bangalore

(Rs. in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09 (provisional)
Average number of vehicles held	4568.30	5190.10	5833.40	6252.50	6873
Average number of vehicles on road	4342.20	4863.00	5397.40	5696.40	6108
Percentage of utilisation of vehicles	95.05	93.70	92.53	91.11	88.87
Number of employees	24989.00	24868.00	27255.00	27505.00	32100
Employee vehicle Ratio	5.29	4.77	4.59	4.07	4.64
Number of routes operated at the end of the year	4608.00	4811.00	5752	5351.00	5466
Route Kilometres (in lakhs)	3.98	4.08	4.69	4.75	5.12
Kilometres operated (in lakh) (own vehicles)					
Gross KMs	5608.63	6284.33	7061.57	7807.89	8330.65
Effective KMs [1]	5445.90	6072.55	6823.89	7539.28	8013.01
Dead KMs	162.73	211.78	237.68	268.60	317.64
Percentage of dead kilometres to gross kilometres	2.90	3.37	3.37	3.44	3.81
Average kilometres covered *per* bus *per* day	367	360	350	365	364
Average revenue *per* kilometre (Rs.)	15.41	16.98	18.42	19.06	20.23
Average expenditure *per* kilometre (Rs.)	14.95	16.56	17.93	18.52	19.52
Loss(-)/Profit(+) *per* kilometre (Rs.)	0.46	0.42	0.49	0.54	0.71
Number of operating depots	50	56	59	60	63
Average number of breakdown *per* lakh kilometres	0.005	0.006	0.008	0.009	0.008
Average number of accidents *per* lakh kilometres	0.17	0.18	0.16	0.18	0.17
Passenger kilometre operated (in crore)	2291.35	2411.89	2650.08	2977.91	3041.56
Occupancy ratio (Load Factor)	70.70	68.60	70.20	72.20	70.90
Kilometre obtained *per* litre of	.				
Diesel oil	5.28	5.13	5.07	5.02	4.92
Engine Oil	9799	9737	9602	9487	13746

[1] **the figure will not agree with figure in paragraph 3.2.11 where it includes effective KMs operated by hired vehicles also.**

Annexure – 7
Statement showing operational performance of Statutory corporations
(Referred to in paragraph 3.2.15)
3. North Western Karnataka Road Transport Corporation, Hubli

(Rs. in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09 (provisional)
Average number of vehicles held	3810.00	3935.40	4296.80	4714.80	4791.50
Average number of vehicles on road	3644.04	3772.00	4070.90	4322.70	4430.10
Percentage of utilisation of vehicles	95.64	95.85	94.74	91.68	92.46
Number of employees	20507	20024	22539	23972	25257
Employee vehicle Ratio	6.05	5.24	5.18	4.90	5.16
Number of routes operated at the end of the year	5594	5797	5920	6393	6413
Route Kilometres (in lakh)	4.41	4.97	5.60	6.13	6.16
Kilometres operated (in lakh) (own vehicles)					
Gross KMs	3869.70	4031.55	4652.83	5352.06	5576.66
Effective KMs[1]	3794.62	3951.91	4556.99	5245.05	5445.11
Dead KMs	75.08	79.64	95.84	107.01	131.55
Percentage of dead kilometres to gross kilometres	1.94	1.98	2.06	2.00	2.36
Average kilometres covered *per* bus *per* day	330	320	327	344	343
Average revenue *per* kilometre (Rs.)	13.26	15.60	16.47	16.62	17.96
Average expenditure *per* kilometre (Rs.)	14.63	16.26	16.21	17.85	19.19
Loss (-) / Profit(+) *per* kilometre (Rs.)	-1.37	-0.66	0.26	-1.23	-1.23
Number of operating depots	48	49	51	53	53
Average number of breakdown *per* 10000 kilometres	0.012	0.014	0.014	0.013	0.012
Average number of accidents *per* lakh kilometres	0.16	0.15	0.15	0.14	0.14
Passenger kilometre operated (in crore)	1637.93	1828.34	1840.56	1755.08	1761.54
Occupancy ratio (Load Factor)	64.30	68.00	62.40	63.10	63.40
Kilometre obtained *per* litre of					
Diesel oil	5.36	5.25	5.23	5.10	5.07
Engine Oil	7680.00	7758.00	8774.00	8697.00	6452.00

[1] **the figure will not agree with figure in paragraph 3.2.11 where it includes effective KMs operated by hired vehicles also.**

Annexure – 7
Statement showing operational performance of Statutory corporations
(Referred to in paragraph 3.2.15)

4. North Eastern Karnataka Road Transport Corporation, Gulbarga

(Rs. in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09 (provisional)
Average number of vehicles held	2386	2435.8	2558.7	2649.9	2830.5
Average number of vehicles on road	2290.6	2327.1	2442.0	2488.9	2632.2
Percentage of utilisation of vehicles	96.0	95.54	95.0	93.92	92.99
Number of employees	10639	10880	11493	12262	13705
Employee vehicle ratio	6.39	5.56	5.29	4.45	4.81
Number of routes operated at the end of the year	2888	3033	3104	2883	3126
Route kilometres (in lakh)	2.36	2.45	2.57	2.57	2.85
Kilometres operated (in lakh) (own vehicles)					
Gross KMs	1759.30	1912.40	2337.76	2642.55	3201.21
Effective KMs [1]	1717..89	1863.29	2284.13	2578.57	3124.62
Dead KMs	41.41	49.11	53.63	63.98	76.59
Percentage of dead kilometres to gross kilometres	2.4	2.6	2.3	2.4	2.4
Average kilometres covered *per* bus *per* day	316	317	333	336	343
Average revenue *per* kilometre (Rs.)	13.09	14.64	15.49	16.60	17.02
Average expenditure *per* kilometre (Rs.)	14.61	15.67	16.48	17.13	17.88
Loss (-) / Profit (+) *per* kilometre (Rs.)	-1.52	-1.03	-0.99	-0.53	-0.86
Number of operating depots	29	29	31	32	32
Average number of break-down *per* lakh kilometres	0.022	0.022	0.018	0.011	0.010
Average number of accidents *per* lakh kilometres	0.14	0.15	0.16	0.14	0.15
Passenger kilometre operated (in crore)	958.50	885.18	929.54	1006.05	1039.68
Occupancy ratio (Load Factor)	68.80	60.80	58.00	61.00	59.60
KMs obtained *per* litre of:					
Diesel Oil	5.44	5.44	5.45	5.41	5.34
Engine Oil	NA	NA	NA	NA	NA

NA=Not available.

[1] **the figure will not agree with figure in paragraph 3.2.11 where it includes effective KMs operated by hired vehicles also.**

Annexure – 8
Statement showing major comments made by the Statutory Auditors on possible improvement in the internal audit / internal control system.
(Referred to in paragraph 1.64)

PSU	Year	Comments
Hubli Electricity Supply Company Limited	2007-08	The system of internal audit and its control needs strengthening and improvement. The accounts department at central office needs adequate and skilled personnel.
	2007-08	Accounts / Technical staff is highly understaffed.
	2007-08	The Company does not have an IT strategy.
Mangalore Electricity Supply Company Limited	2007-08	Internal audit requires to be strengthened in respect of areas like Tax deduction at source and Fringe benefit taxation.
	2007-08	The Company does not have an IT strategy.
The Karnataka State Forest Industries Corporation Limited	2007-08	Scope and coverage of internal audit needs to be improved.
	2007-08	Delay in remittance / non-recovery / short-recovery of statutory dues noticed.
Karnataka Neeravari Nigam Limited	2007-08	Delegation of financial powers in respect of part payments were not obtained from competent authority.
	2007-08	The Company should strictly comply with the provisions of Section 209 of the Companies Act (Accrual system of accounting) in respect of all known liabilities and also take appropriate steps to ascertain taxes that are due to be paid.
	2007-08	The Company should establish necessary systems to collect water rates from farmers on time.
	2007-08	Steps for better management of funds necessary, including funds at various Special Land Acquisition Officers.
	2007-08	Company is yet to formulate an investment policy.
	2007-08	Scope and follow up of internal audit requires improvement.
Karnataka Power Corporation Limited	2007-08	Suggestion to induct more effective independent members with financial expertise in the Audit Committee.
	2007-08	The procedure for purpose of control over stores are not adequate.
	2007-08 and 2008-09	There is continuing failure on verification of fixed assets and valuation.
Marketing Consultants and Agencies Limited	2007-08	The Company has hired Chartered Accountants as Internal auditors. The internal auditors have not conducted audit properly as per scope and programme.
Mysore Sales International Limited	2007-08	Present activities lack definite long term strategy for growth and there is no *inter se* synergy among various divisions.
	2007-08	Scope and coverage of the internal audit needs improvement.
D. Devaraj Urs Backward Classes Development Corporation Limited	2007-08	Audit Committee not formed.
	2007-08	System of monitoring of recovery is generally inadequate and action is not taken against defaulters.
	2007-08	Internal audit is done once in a year instead of regular audit.
Karnataka State Women's Development Corporation	2007-08	Adequate financial records not available at head office to review the financial controls at field level.
Karnataka State Construction Corporation Limited	2007-08	Control over monitoring and collection of receivables is not satisfactory.
	2007-08	The Company does not have an internal audit system.
Karnataka Land Army Corporation Limited	2007-08	The internal audit system is not adequate in commensurate with the size of the Company.

PSU	Year	Comments
Karnataka Forest Development Corporation Limited	2007-08	Fixed assets register is not properly maintained by giving full particulars.
	2007-08	Monitoring of work advance to officials are not regularized within reasonable time.
	2007-08	The Company has not fixed inventory limits for stores. No adequate system exists for disposing of obsolete goods.
	2007-08	Scope and coverage of internal audit needs to be improved.
	2007-08	The audit committee though formed in not functioning.
Mysore Minerals Limited	2007-08	The Company has not done debtors reconciliation since 1995 nor obtained confirmation of balances.
	2007-08	The reports of the internal audit are not placed before the Board as and when presented.
Karnataka Togari Abhivridhi Mandali Limited	2007-08	The Board of directors have not reported in the Director's report to the shareholders compliance in their responsibility statement under Section 217(2AA) of the Companies Act, 1956.
Karnataka State Seeds Corporation Limited	2007-08	Due to computer illiteracy amongst employees, there were differences in various heads of accounts.
Karnataka Renewable Energy Development Limited	2007-08	Major weakness has been noticed in the internal control system over release of subsidy to beneficiaries under 'MNRE-SPB' programme.
	2007-08	The company does not have a costing policy.
	2007-08	The Company did not have an internal audit system.
	2007-08	The Company has not laid down an investment policy, IT strategy.
Dr.B.R. Ambedkar Development Corporation Limited	2008-09	The internal control measures are not adequate. Audit Committee as required under Companies Act, 1956 was not formed.
	2008-09	Scope of internal audit needs to be enlarged.
	2008-09	The Company does not have an IT strategy.
Jungle Lodges and Resorts Limited	2008-09	The Company does not have internal aid standards / manuals and there was no audit committee formed in the Company.
	2008-09	The Company does not have an IT strategy.
Karnataka Compost Development Corporation Limited	2008-09	The Company does not have a clear credit policy and system of monitoring of outstanding dues needs to be improved.
	2008-09	The Company is maintaining adequate records except for location of fixed assets.
Karnataka Minorities Development Corporation Limited	2008-09	Systems of financial and accounting controls need to be improved substantially.
Karnataka State Coir Development Corporation Limited	2008-09	The Company has been investing huge amounts on expansion every year out of the grants received from Government without proper evaluation of the expenditure.
Cauvery Neeravari Nigam Limited	2008-09	Fixed Assets Register is incomplete.
Karnataka State Electronics Development Corporation Limited	2008-09	Level of Competence, frequency of reporting and compliance to Accounting Standards need to be strengthened.
Krishna Bhagya Jala Nigam Limited	2008-09	The Company has problems in recovery of water dues from the farmers though proper system of levy of water rates has been laid.
Karnataka State Powerloom Development Corporation Limited	2008-09	Internal control needs to be strengthened in respect of material received from weavers and held at godowns in custodial capacity.

Annexure – 9

Statement showing the details of CLA released, expenditure incurred, time and cost overrun of the projects assisted under AIBP

(Referred to in paragraphs 2.1.3, 2.1.12 and 2.1.13)

(Rupees in crore)

Name of Project	Start year of AIBP assistance	Original target Date of completion	Projected amount required for completion	CLA released within the original period	Expenditure up to the original targeted period	Short fall	CLA released beyond the original period	Expenditure incurred beyond the original period	Expenditure after AIBP assistance	Latest estimated cost	Estimated balance work with reference to latest estimates	Increase	Percentage of cost over-run	Expected date of completion
UKP Stage I, phase III	1996-97	03/2000	863.76	257.00	442.02	421.74	836.16	1120.96	1562.98	1673.66	110.68	809.90	93.76	2009-10
UKP Stage II	2001-02	03/2006	1787.69	1127.00	1663.33	124.36	293.55	530.82	2194.15	2209.26	15.11	421.57	23.58	2009-10
Malaprabha	1996-97	12/2000	88.53	37.00	57.70	30.83	165.84	173.22	230.92	312.42	81.50	223.89	252.89	NA
Ghataprabha	1997-98	12/2000	320.70	92.50	96.29	224.41	375.56	531.62	627.31	801.71	174.40	481.01	150.00	2009-10
Gandorinala	2001-02	03/2004	74.95	25.37	32.35	42.60	60.73	102.26	144.70	150.48	5.78	75.53	100.77	NA
Varahi	2007-08	2010-11	435.60	22.05	-	-	20.17	64.76	143.62	435.60	291.98	-	-	2010-11
Total			**3571.23**	**1560.92**	**2291.69**	**843.94**	**1752.01**	**2523.64**	**4903.68**	**5583.13**	**679.45**	**2011.9**		

NA= Revised dates not available.

Annexure – 10
Statement showing the details of fleet strength and age profile in respect of Rural corporations.

(Referred to in paragraph 3.2.24)

Sl. No.	Particulars	Corporation	2004-05	2005-06	2006-07	2007-08	2008-09
1	Total No. of buses at the beginning of the year (own vehicles)	KSRTC	4189	4728	5215	5935	6664
		NWKRTC	3433	3391	3818	4353	4771
		NEKRTC	1811	1666	1956	2174	2460
		Total	**9433**	**9785**	**10989**	**12462**	**13895**
2	Additions during the year	KSRTC	1046	1190	1263	1579	995
		NWKRTC	272	576	964	958	377
		NEKRTC	11	536	414	513	565
		Total	**1329**	**2302**	**2641**	**3050**	**1937**
3	Buses scrapped during the year (1+2-4)	KSRTC	507	703	543	850	843
		NWKRTC	314	149	429	540	296
		NEKRTC	156	246	196	227	247
		Total	**977**	**1098**	**1168**	**1617**	**1386**
4	Buses held at the end of the year	KSRTC	4728	5215	5935	6664	6816
		NWKRTC	3391	3818	4353	4771	4852
		NEKRTC	1666	1956	2174	2460	2778
		Total	**9785**	**10989**	**12462**	**13895**	**14446**
5	Of (4), No. of buses over-age buses as per Corporations' norms	KSRTC	86	152	195	101	32
		NWKRTC	1268	1728	1775	1534	1485
		NEKRTC	616	720	824	894	818
		Total	**1970**	**2600**	**2794**	**2529**	**2335**
6	Percentage of overage buses to total buses	KSRTC	1.82	2.91	3.29	1.52	0.47
		NWKRTC	37.39	45.26	40.78	32.15	30.61
		NEKRTC	36.97	36.81	37.90	36.34	29.45
		Total	**20.13**	**23.66**	**22.42**	**18.20**	**16.16**

Annexure – 11

Statement showing the details of cause-wise cancellation in respect of Rural corporations.

(Referred to in paragraph 3.2.41)

Sl. No.	Particulars	Corporation	2004-05	2005-06	2006-07	2007-08	2008-09
1	Scheduled kilometres (lakh KMs)	KSRTC	5682.72	6218.28	6892.89	7632.05	8041.49
		NWKRTC	4534.39	4679.71	5058.49	5766.23	5779.32
		NEKRTC	2767.68	2849.29	3082.62	3225.15	3438.74
		Total	**12984.79**	**13747.28**	**15034.00**	**16623.43**	**17259.55**
2	Effective kilometres (lakh KMs)	KSRTC	5809.62	6392.11	6904.32	7598.07	8104.27
		NWKRTC	4537.81	4487.82	4918.07	5457.23	5541.02
		NEKRTC	2643.28	2695.31	2966.33	3056.48	3297.27
		Total	**12990.71**	**13575.24**	**14788.72**	**16111.78**	**16942.56**
3	Kilometres cancelled (lakh KMs)	KSRTC	58.42	85.60	240.25	278.89	241.49
		NWKRTC	100.69	243.49	234.76	382.33	353.08
		NEKRTC	177.65	209.60	181.23	226.58	219.87
		Total	**336.76**	**538.69**	**656.24**	**887.80**	**814.44**
4	Percentage of cancellation	KSRTC	1.03	1.38	3.49	3.65	3.00
		NWKRTC	2.22	5.20	4.64	6.63	6.11
		NEKRTC	6.42	7.36	5.88	7.03	6.39
		Total	**2.59**	**3.92**	**4.37**	**5.34**	**4.72**
	Cause-wise Cancellation						
5	Want of buses (lakh KMs)	KSRTC	1.27	7.30	19.67	18.33	19.03
		NWKRTC	6.77	17.93	49.18	163.49	94.06
		NEKRTC	35.30	56.31	50.44	46.04	59.19
		Total	**43.34**	**81.54**	**119.29**	**227.86**	**172.28**
6	Want of crew (lakh KMs)	KSRTC	27.99	28.84	49.86	59.23	81.84
		NWKRTC	30.16	77.40	71.51	89.94	62.99
		NEKRTC	65.98	82.37	51.43	94.37	56.96
		Total	**124.13**	**188.61**	**172.80**	**243.54**	**201.79**
7	Others (lakh KMs)	KSRTC	29.16	49.46	170.72	201.33	140.62
		NWKRTC	63.76	148.16	114.07	128.90	196.03
		NEKRTC	76.37	70.92	79.36	86.17	103.72
		Total	**169.29**	**268.54**	**364.15**	**416.40**	**440.37**
8	Contribution *per* KM (Rs.)	KSRTC	4.80	5.09	5.62	5.80	5.76
		NWKRTC	4.80	5.09	5.62	5.80	5.76
		NEKRTC	4.80	5.09	5.62	5.80	5.76
		Total	**4.80**	**5.09**	**5.62**	**5.80**	**5.76**
9	Avoidable cancellation (want of buses and crew) (lakh KMs)	KSRTC	29.26	36.14	69.53	77.56	100.87
		NWKRTC	36.93	95.33	120.69	253.43	157.05
		NEKRTC	101.28	138.68	101.87	140.41	116.15
		Total	**167.47**	**270.15**	**292.09**	**471.40**	**374.07**
10	Loss of contribution (Rs. in crore)	KSRTC	1.41	1.84	3.91	4.50	5.81
		NWKRTC	1.77	4.85	6.78	14.70	9.05
		NEKRTC	4.86	7.06	5.73	8.14	6.69
		Total	**8.04**	**13.75**	**16.42**	**27.34**	**21.55**

Annexure – 12
Statement showing the details of Repairs and Maintenance in respect of Rural corporations.

(Referred to in paragraph 3.2.46)

Sl. No.	Particulars	Corporation	2004-05	2005-06	2006-07	2007-08	2008-09
1	Number of buses at the end (own + taken over for own operation)	KSRTC	4728	5215	5935	6664	6914
		NWKRTC	3391	3818	4353	4771	4852
		NEKRTC	1666	1956	2174	2460	2778
		Total	**9785**	**10989**	**12462**	**13895**	**14544**
2	No. of buses over-age buses as per Corporations' norms	KSRTC	86	152	195	101	32
		NWKRTC	1268	1728	1775	1534	1485
		NEKRTC	616	720	824	894	818
		Total	**1970**	**2600**	**2794**	**2529**	**2335**
3	Percentage of overage buses to total buses	KSRTC	1.82	2.91	3.29	1.52	0.47
		NWKRTC	37.39	45.26	40.78	32.15	30.61
		NEKRTC	36.97	36.81	37.90	36.34	29.45
		Total	**20.13**	**23.66**	**22.42**	**18.20**	**16.16**
4	Repairs and Maintenance Expenses (Rs. in crore)	KSRTC	89.44	106.80	130.09	157.60	189.91
		NWKRTC	71.16	85.83	90.45	111.40	122.15
		NEKRTC	40.16	39.82	45.00	54.15	63.78
		Total	**200.76**	**232.45**	**265.54**	**323.15**	**375.84**
5	Repairs and Maintenance Expenses *per* bus (Rs. in lakh)	KSRTC	1.89	2.05	2.19	2.36	2.75
		NWKRTC	2.10	2.25	2.08	2.33	2.52
		NEKRTC	2.41	2.04	2.07	2.20	2.30
		Total	**2.05**	**2.12**	**2.13**	**2.33**	**2.58**
6	Percentage of Manpower cost in Repairs and Maintenance expenses	KSRTC	42.18	33.31	27.76	25.84	22.45
		NWKRTC	38.87	38.47	34.98	29.17	29.07
		NEKRTC	43.97	43.07	38.31	33.00	30.09
		Total	**41.37**	**36.89**	**32.01**	**28.19**	**25.90**

Annexure – 13
Statement showing the details of Manpower cost in respect of Rural corporations.
(Referred to in paragraph 3.2.50)

Sl. No.	Particulars	Corporation	2004-05	2005-06	2006-07	2007-08	2008-09
1	Total Manpower (excluding conductors required for hired buses)	KSRTC	24773	24699	27240	27410	32100
		NWKRTC	19987	19598	22316	23854	25257
		NEKRTC	9925	10250	10990	11965	13705
		Total	**54685**	**54547**	**60546**	**63229**	**71062**
2	Total Manpower cost (Rs. in crore) (excluding conductors required for hired buses)	KSRTC	293.53	297.42	336.18	404.83	427.09
		NWKRTC	228.32	240.97	258.44	285.20	326.10
		NEKRTC	109.91	115.79	135.19	154.99	172.02
		Total	**631.76**	**654.18**	**729.81**	**845.02**	**925.21**
3	Effective Kilometres (lakh KMs) (own)	KSRTC	5445.90	6072.55	6823.89	7539.28	8013.01
		NWKRTC	3794.62	3951.91	4556.99	5245.05	5445.11
		NEKRTC	1717.89	1863.29	2284.13	2578.57	3124.62
		Total	**10958.41**	**11887.75**	**13665.01**	**15362.90**	**16582.74**
4	Cost *per* Kilometre	KSRTC	5.39	4.90	4.93	5.37	5.27
		NWKRTC	6.02	6.10	5.67	5.44	5.99
		NEKRTC	6.40	6.21	5.92	6.01	5.50
		Total	**5.77**	**5.50**	**5.34**	**5.50**	**5.58**
5	Productivity *per* day *per* person	KSRTC	60.23	67.36	68.63	75.36	69.16
		NWKRTC	52.01	55.25	55.94	60.24	59.07
		NEKRTC	47.42	49.80	56.94	59.04	62.46
		Total	**54.90**	**59.71**	**61.83**	**66.57**	**63.93**
6	Number of buses at the end (own + taken over for own operation)	KSRTC	4728	5215	5935	6664	6914
		NWKRTC	3391	3818	4353	4771	4852
		NEKRTC	1666	1956	2174	2460	2778
		Total	**9785**	**10989**	**12462**	**13895**	**14544**
7	Manpower *per* bus	KSRTC	5.24	4.74	4.59	4.11	4.64
		NWKRTC	5.89	5.13	5.13	5.00	5.21
		NEKRTC	5.96	5.24	5.05	4.86	4.93
		Total	**5.59**	**4.96**	**4.86**	**4.55**	**4.89**

Annexure – 14

Statement showing list of paragraphs involving recovery of money

(Referred to in paragraph 4.19)

(Rs. in lakh)

Sl. No.	Year of IR	Para No.	Part	Subject in brief	Amount to be recovered	Remarks
The Karnataka State Forest Industries Corporation Limited						
1	1998-01	6	II B	Non recovery of rent at Mangalore.	2.40	
2	1998-01	3(b)	II B	Non recovery of advances.	6.29	
3	1998-01	3(c)	II B	Non recovery of dues.	13.73	
Total		**3**			**22.42**	
Karnataka Agro Industries Corporation Limited						
4	1998-01	5	II B	Non realisation of rent for Seed Processing Unit building from KSSC, Kolar.	13.8	
5	1998-01	9	II B	Non recovery of advances paid to suppliers.	56.25	
6	1998-01	12	II B	Non recovery of advances paid to suppliers - Mysore Dist. Office.	5.71	
7	1998-01	10	II B	Sundry debtors at Bangalore (Rs. 11.28 lakh), Shimoga and Mysore (Rs. 16.25 lakh).	27.53	
8	1998-01	14(a)	II B	Sundry Debtors -Tumkur District.	24.85	
9	1998-01	14(b)	II B	Shortage of stores at Turuvekere and Koratagere.	0.26	
Total		**6**			**128.40**	
Karnataka Food and Civil Supplies Corporation Limited						
10	2002-03	1	II A	Deduction of differential costs by Food Corporation of India (FCI) in contravention of guidelines - Loss of interest due to locking up of funds (Rs. 19.98 lakh).	30.55	
Total		**1**			**30.55**	
Karnataka Handloom Development Corporation Limited						
11	1996-98	2	II B	Non realisation of dues from KCCF towards supply of cloth under *VVS Scheme*.	5.15	
Total		**1**			**5.15**	
Karnataka Small Industries Marketing Corporation Limited						
12	1998-02	2	II B	Outstanding service charges.	34.74	
Total		**1**			**34.74**	
Karnataka Leather Industries Development Corporation Limited						
13	2002-04	1(a)	II A	Implementation of Vishwa Scheme under loan assistance from KSFC - Doubtful recovery of principal.	61.45	
14	2002-04	1(b)	II A	Obtaining reimbursement of rebate allowed for selling unsold Vishwa goods (from Department of Industries and Commerce).	71.55	
15	2002-04	3(c)	II B	Stock shortages, Short remittance and other irregularities at Gulbarga Showroom.	2.16	
Total		**3**			**135.16**	
Karnataka State Small Industries Development Corporation Limited						
16	1999-01	11	II B	Sundry Debtors - out of Rs. 200 lakh recoverable as on March 2004 outstanding was Rs.56.43 lakh as at December 2007.	56.43	
17	2001-02	3	II A	Loss due to continued supplies to another State Government Company (NGEF) even after default in payment.	22.94	Matter being pursued with official liquidator for settlement of dues
18	2001-02	3	II B	Allotment of Flat without collection of 99 *per cent* cost from KEONICS - Loss thereof.	19.04	
19	2001-02	9	II B	Heavy outstanding from SSI Units - Out of Rs. 4,037.88 lakh, recoverable from SSI Units was Rs. 2401.86 lakh.	4037.88	Reply is not clear as to the amount recovered out of Rs. 4037.88 lakh
Total		**4**			**4136.29**	

Sl. No.	Year of IR	Para No.	Part	Subject in brief	Amount to be recovered	Remarks
Karnataka Urban Infrastructure Development and Finance Corporation Limited.						
20	2001-03	3	II B	Implementation of projects under Mega City Scheme - Non recovery of dues. The loans released to agencies to implement the projects were to be recovered along with penal interest at 2 *per cent* for default. The amount recoverable represents outstanding principal and penal interest from five agencies (24 Projects).	71.70	
Total		**1**			**71.70**	
Rajiv Gandhi Rural Housing Corporation Limited						
21	2001-03	2	II B	Misappropriation of Housing Scheme Funds in Bijapur District.	190.62	The delinquents (three members) identified in the enquiry belong to Rural Development and Panchayat Raj under the control of Zilla Panchayat and the recovery should be initiated by them.
Total		**1**			**190.62**	
Karnataka State Industrial Investment and Development Corporation Limited						
22	1998-01	3	II B	Sanction of loan to Superstar Confectionary (P) Limited, Malur - Abandoning of Project- The Company disbursed a total loan assistance of Rs. 107 lakh during December 1992. The project was abandoned by the promoter and was taken over by the Company in April 1996 for non-payment of dues. The assets acquired were valued for Rs. 96.05 lakh which could not be disposed off. The total dues amounted to Rs. 301.80 lakh (Principal Rs. 107 lakh + Interest Rs. 194.80 lakh).	301.80	First reply is not received
23	1998-01	6	II B	Financial Assistance to units in Floriculture Industry - Overdue Principal and Interest - the securities offered could not be acquired and disposed off to realise the dues.	2473.68	First reply is not received
24	1998-01	7	II B	Financial assistance to units in health care sector - overdue Principal and Interest - though the Company was aware of the failure of the units, fresh loans were sanctioned and the Company had inadequate securities and timely action was not taken.	5031.93	First reply is not received
25	1998-01	10	II B	Huge outstandings from State PSUs and Sugar Mills in Co-operative / private Sector.	2073.09	First reply is not received
26	1998-01	12	II B	Non-recovery of written off amounts in accounts - no legal action was taken to recover the amount relating to the period 1987-88 to 1998-99 even after the Boards insistence.	8033.73	First reply is not received
27	2001-03	5	II A	Sanctioning of term loan to Anugraha Distillaries Ltd. continuous default and doubtful recovery - Sanction of loan without verifying the track records or viability of project and waiver of conditions without ensuring security resulted in non recovery of principal and interest.	595.00	Developments in realisation of dues are awaited.
28	2001-03	6	II A	Sanction of corporate loan to Pentamedia Graphics Ltd. Chennai - Doubtful recovery - The loan was sanctioned without taking the opinion of the Banks which have sanctioned Rs. 126.25 crore for the same purpose.	456.01	Approval for One Time Settlement awaited
29	2001-03	7	II A	Sanction of term loan to unviable project - Technology Media Group Pvt. Ltd.- Doubtful recovery - The amount was disbursed based on illogical value of assets submitted by the party and failure to monitor the progress of the project.	310.67	
30	2001-03	8	II A	Term loan assistance to Shambavi Agrotech (P) Ltd. Bidar - in correct appraisal, monitoring and disbursement, Non recovery of Rs. 170.26 lakh.	170.26	

Sl. No.	Year of IR	Para No.	Part	Subject in brief	Amount to be recovered	Remarks
31	2001-03	9	II A	Non-recovery of Rs. 90.23 lakh on irregular sanction of corporate loan to Ovobal Foods Ltd. Sanction of loan in deviation of the basic guidelines and ignoring inherent risks.	90.23	The Company approached BIFR and the outstandings include interest of Rs. 43.98 lakh as on July 2004.
Total		**10**			**19536.40**	
Karnataka State Financial Corporation						
32	1994-96	16	II A	Term loan assistance to Chitra Cotton Seed Ind. - it is replied that there were no assets in the name of the proprietor for recovery.	27.56	The total outstanding including interest to be ascertained
33	1996-98	2	II B	Anjaneya Table Bricks - The recovery was pending through Special Tahsildar.	16.84	
34	1998-00	4	II B	Loan assistance to Rudreshwara Industries - Loss of Rs. 37.35 lakh.	37.35	Recovery of total dues by proceeding against securities and specific reply called for
35	1998-00	5	II B	Loan assistance to Hotel Geetha - dues recoverable - the request of One time settlement has not been considered as the firm has not made required payment.	22.23	Security were takenover and referred to DC for disposal
36	1998-00	6	II B	Loan assistance to Chest Care & Pain relief centre - dues recoverable.	33.06	Personal property and assets are yet to be taken over
37	1998-00	7	II B	Loan assistance to Gowrishree Industries Outstanding arrears.	31.65	
38	1998-00	10	II B	Sanction of term loan to Chain drill after recovery of Rs. 2.95 lakh on sale of primary assets, the case was referred to KPMRD Act for recovery from collateral property.	22.00	
39	1998-00	15	II B	Loan assistance to Kwality Heat Treaters - unit was taken over and the assets sold for Rs. 0.70 lakh.	35.10	Matter referred for investigation of personal property and for recovery.
40	1998-00	25	II B	Lease financial to Synthetic fibre (Mysore) Pvt. Ltd. - Non recovery of Loan.	215.44	
41	1998-00	28	II B	Lease assistance to Vividha Chemicals Pvt. Ltd. – locking up of funds.	145.60	
42	1998-00	29	II B	Loan assistance to Venkateshwara Groundnut Mill - non recovery of dues.	35.75	
43	1998-00	32	II B	Lease financed to Metropoly Overseas Ltd. - doubtful recovery of dues.	278.39	
44	2000-01	1	II B	Sanction of Deferred Payment Guarantee (DPG) of Rs. 37.90 lakh to Sri. K.T.Hennamuthi - The loanee defaulted from first installment in January 1998.	42.82	
45	2000-01	7	II A	Sanction of loan to Maruthi Silk Twisting Industries, Mandya- Suppression of facts about loanees antecedents.	87.30	
46	2000-01	9	II A	Loan to Star Travels without analyzing the background of the loanee.	43.23	
47	2000-01	3	II B	Sanction of DPG of Rs. 23.28 lakh to Sri. Nagesh (March 1997).	27.75	The recovery action under Section 31 of SFC Act invoking Personal guarantee of the contractor was contemplated.
48	2000-01	4	II B	Sanction of term loan to Mr. Mahesh (Tumkur Branch) in September 1993 against sanction of term loan of Rs. 9.30 lakh.	49.05	Action for recovery from collateral security and attachment of personal property was in progress.

Sl. No.	Year of IR	Para No.	Part	Subject in brief	Amount to be recovered	Remarks
49	2000-01	6	II B	Sanction of financial assistance to assisted units of Deshnur Group against the sanctioned loan Rs. 195 lakh (September 1992) - Outstanding as of March 2002.	537.16	Sanction of loan without proper appraisal and insufficient collateral security resulted in non-recovery of dues.
50	2000-01	19	II B	Sanction of loan to Adarsha Industries - Doubtful recovery - Term loan Rs. 5.72 lakh and soft loan Rs. 20 lakh (Feb. / March 1999).	19.09	Lapses in appraisal and monitoring.
51	2000-01	21	II B	Sanction of loan to Josika Solvent Extractions - Doubtful recovery - Term loan released Rs. 6.09 lakh (Oct-1992).	53.06	The unit was seized in March 1995 for default in payment
52	2000-01	27	II B	Sanction of loan to Venkateshwara Industries - Doubtful recovery of loan.	33.67	
53	2000-01	29	II B	Sanction of loan to Horti Coir India Pvt. Ltd. - doubtful of recovery.	58.44	Action to recover the amount is in progress.
54	2000-01	30	II B	Doubtful recovery of Rs. 106.26 lakh from Baba Oil Industries (Chitradurga Branch).	106.26	
55	2000-01	35	II B	Sanction of loan to Nandini Industries.	184.70	
Total		**24**			**2143.50**	
Sree Kanteerava Studios Limited						
56	1994-95	4	II B	Heavy outstanding dues from producers.	9.30	
57	1996-01	2	II B	Balance amount due from Gaja Gowri Productions.	1.30	
Total		**2**			**10.60**	
Mysore Minerals Limited						
58	1996-97	14	II A	Purchase of Manganese Ore from SMIORE - Non-recovery.	7.30	
59	1996-97	1	II B	Purchase of Manganese Ore from SMIORE - Non-recovery of Advance.	25.00	
60	1997-02	11	II A	Transactions with Santha Exports - Non-recovery due to non-reconciliation of accounts.	8.39	
61	1997-02	12	II A	Shortage of Chromite Ore at Byrapur Chromite Mines - Non-fixing of responsibility on the concerned officer.	110.69	
62	1997-02	8	II B	Non-realization of sale value of Granite blocks sold. Adjustment of Trade advance to sale value or extending quarry rights by Satyam Granite instead of recovery of sale value	14.82	
63	1997-02	10	II B	Shipment of Manganese Ore to Glencons International AG Switzerland - Non-recovery due to variation in moisture content.	7.60	
Total		**6**			**173.80**	
The Karnataka Fisheries Development Corporation Limited						
64	1996-03	3	II B	Dues from Boat parties and Merchants.	138.85	Out of Rs. 285.73 lakh the Company is yet to recover Rs. 138.85 lakh.
Total		**1**			**138.85**	
The Mysore Lamp Works Limited						
65	2000-03	5	II B	Onetime replacement Annual Maintenance contract (AMC) & other electrification works of street lights in CMC, Dasarahalli,-Non-recovery of dues.	83.06	
66	2000-03	6	II B	AMC of Street lighting contract of CMC, KR Puram - Non-collection of dues.	80.84	
67	2000-03	7	II B	Providing street lighting and other related electrification in the Corporation of Belgaum City - Pending dues.	79.41	
68	2000-03	9	II B	AMC of street lights at CMC, Raichur - Dues pending collection.	30.49	
69	2000-03	11	II B	AMC of street lights within the limits of Gangavathi - Pending dues.	12.83	
Total		**5**			**286.63**	

Sl. No.	Year of IR	Para No.	Part	Subject in brief	Amount to be recovered	Remarks
Karnataka Neeravari Nigam Limited (KNNL)						
KNNL, MLBC Division-I, Ramdurg						
70	Oct. 91	1	II A	Construction of cause way at Km. 140 Yaragatti - Katkal - Recovery pending from contractors.	4.50	
KNNL, SLAO, Soundatti						
71	Feb. 87	2	II A	Excess payment of compensation arising on account of reduction in the quantity by the Appellate Court.	21.55	Rs. 21.55 lakh out of Rs. 21.85 is recoverable.
KNNL, GRBC Circle, Hidkal						
72	June 99	3	II B	Tools and Plant shortages to be recovered.	0.26	
73	June 99	5	II B	Non-recovery of excess payment from Sri. B.H. Phani, Second division assistant.	0.23	
KNNL, Q.C Division, Naviluteertha						
74	June 99	3	II B	Miscellaneous Public Works Account (MPWA).	0.52	
KNNL, GRBC Division -2, Hidkal Dam						
75	Mar. 2000	2	II B	MPWA - Advance pertaining to stores shortages - Short recovery of Royalty. Recovery pending.	55.38	
76	Mar. 03	5	II B	Rent Register - Recovery of rent from occupants of quarters pending.	2.64	
KNNL, GRBC Division -3, Gokak						
77	Mar. 01	11	II A	Entrustment of additional work in the exit portion of Dasanal tunnel and in the canal reach at Km. 83 of GRBC – excess payment not recovered.	19.32	
KNNL, Central Office						
78	Mar. 02	10	II B	Monies due from contractors - Recovery process not initiated as intimated by the Company.	326.01	
79	Mar. 03	1	II A	Entrustment of additional work withdrawn from Tungabhadra Steel Projects Ltd. (package-II) to Batpasco Patson (package-II) - Non-invoking of clauses of tender conditions resulted in loss.	24.95	The Company intimated (December 2006) that the amount would be recovered and intimated - No progress, however, was intimated.
Total		**10**			**455.36**	
Karnataka Soaps and Detergents Limited						
80	2002-04	14	II B	Non-obtaining refund of excess sales tax, Mysore Unit recovery / adjustment pending.	6.36	
Total		**1**			**6.36**	
Karnataka Land Army Corporation Limited						
81	2001-04	6	II A	Improper planning in shifting of Company's Registered Office.	10.01	The recovery of Rs. 10.01 lakh from BMTC is pending
Total		**1**			**10.01**	
Dr. B.R.Ambedkar Development Corporation Limited						
82	1996-97	3(b)	II B	Payment of House Rent Allowance difference to the Chairman. The arrears were paid in violation of Government Order dated June 1998 - Recovery pending.	1.09	
Total		**1**			**1.09**	
D. Devaraj Urs Backward Classes Development Corporation Limited						
83	1995-99	13	II B	Irregular disbursement of loan under Mini Diary Scheme - Amount irrecoverable.	10.24	
Total		**1**			**10.24**	
Cauvery Neeravari Nigam Limited (CNNL)						
CNNL, Manchanabele Project Division, Ramanagaram						
84	Sept. 90	1	II A	Short Recovery of Interest drawn towards Mobilization - Advance recovery pending.	3.33	

Sl. No.	Year of IR	Para No.	Part	Subject in brief	Amount to be recovered	Remarks
85	Nov. 96	3	II A	Special repairs to river sluice gate - Unfruitful expenditure to be recovered.	7.00	
86	Feb. 04	2	II A	Drawal of cheques by forging the signatures of Executive Engineer and recovery was pending.	23.82	
Total		**3**			**34.15**	
Krishna Bhagya Jala Nigam Limited (KBJNL)						
KBJNL, NRBC Division -5, Rodalbanda						
87	Mar. 2000	1	II B	Incorrect calculation of completed item rate in respect of concrete works resulting in unintended benefit to contractor amounting to Rs. 9.34 lakh. Recovery to be made from 11 agencies (Para relates to NRBC-3, Gurugunta).	9.34	
88	Feb. 04	2	II B	Erroneous payment towards controlled blasting in contravention of the contract condition.	7.68	Recovery of irregular payment or ratification of payment called for.
89	July 01	1	II B	Recovery of cost of cement from different contractors.	12.30	
KBJNL, JBC Division-3, Chigarehalli						
90	Jan. 99	1	II A	Payment for excavation requiring blasting resulting in unauthorized aid to agencies amounting to Rs. 46.60 lakh	27.80	Represents balance amount recoverable
91	Jan. 99	5	II A	Introduction of new items *viz.,* Soft rock with blasting in the company Schedule of rates, resulting in unauthorized benefit to agencies - Recovery details called for.	254.97	
92	June 01	1	II B	Non-adherence to the term of contract - recovery of cost of cement.	9.55	
93	Aug. 02	1	II B	Application of non-existent rates for preparation of estimates resulting in erroneous payment.	42.54	
94	May 02	1	II A	Adoption of incorrect specification of Schedule of rates - Avoidable payment (JBC Dvn-4, Awarad).	17.06	
KBJNL, MBC Division (earlier IBC), Chigarehalli						
95	Dec. 99	1	II B	Defective material management and pending recovery.	3.47	
KBJNL, EE,IBC No.1, Kembhavi						
96	June 2000	2	II A	Inclusion of market rate for cement in estimates. The recovery of difference cost of cement.	16.10	The Company replied (October 2006) that an amount of Rs. 0.27 lakh has been recovered and balance will be recovered. The latest position on recovery called for (March 2009)
KBJNL, EE, KBJNL, NRBC-6, Shorapur (Amarapur Cross)						
97	Jan. 01	3	II B	Erroneous payment of de-silting charges - Recovery particulars called for.	4.71	
98	Jan. 01	5	II B	Defective maintenance of colony at Krishnapur and Doranhalli- Balance of Rs. 0.95 lakh and Rs. 2 lakh recoverable towards Electricity and Rent from the occupants.	2.95	
KBJNL EE, Dam Division, Narayanpur						
99	Nov. 99	7	II B	Land and Buildings, KBJNL, Sub-division No.4, Kodikal KBJNL, NLBC Subdivision no. 5, Kakkera - quarters occupied by private persons.	13.42	Rent to be recovered from the concerned (reply of August 2006)
Total		**13**			**421.89**	

Sl. No.	Year of IR	Para No.	Part	Subject in brief	Amount to be recovered	Remarks
North Western Karnataka Road Transport Corporation (NWKRTC)						
NWKRTC, Belgaum Division						
100	1995-01	8	II B	Loss of interest of Rs. 1.15 lakh on the value of replaceable batteries held by suppliers. Discount to be provided for new batteries against the failed batteries.	1.15	It was replied that the reimbursement of the cost of the unit of replacement of batteries from the suppliers. Recovery of interest awaited
NWKRTC, Gadag Division						
101	1998-02	1	II A	Failure to take timely action to vacate the licensee - Panbeeda and fruit stall in Gadag bus stand – Non recovery of license fees from Dec 1989 to September 2001.	14.95	
102	1998-02	3	II B	License fees recoverable from refreshment room at Savanoor	3.94	
NWKRTC, CE Division, Belgaum						
103	1995-00	8	II B	Construction of compound wall of Bus Stand at Guledagudda.	0.5	Balance amount to be recovered
NWKRTC, Bagalkot						
104	1996-03	5	II B	Non recovery of Rs. 1.02 lakh from Kirloskar Batteries Limited.	1.02	
Total		**5**			**21.56**	
Chamundeshwari Electricity Supply Corporation Limited (CESCO)						
CESCO, O&M, Madikeri						
105	1996-99	14	II B	Non recovery of decreed amount Rs. 1.62 lakh.	1.62	
106	1999-04	3	II B	Rs. 58.15 lakh recoverable from 2,354 long disconnected installations.	58.15	
107	1999-04	5	II B	Short claim of demand charges.	1.36	
CESCO, O&M Circle, Hassan						
108	2000-04	1	II B	Non recovery of leave salary.	1.28	
CESCO, O&M, Pandavapura						
109	1998-03	7	II B	Theft of cash pending investigation.	0.23	
Total		**5**			**62.64**	
Karnataka Power Transmission Corporation Limited (KPTCL)						
KPTCL, General Manager, HRD (ITC)						
110	1996-97	2	II B	Non-recovery of compensation from linemen trainees.	0.62	
KPTCL, SLDC, Bangalore						
111	2003-04	7	II B	Non recovery of transmission and wheeling charges Rs. 1.56 crore.	156.00	
112	2003-04	1	II B	Non recovery of transmission and wheeling charges from Tamil Nadu Electricity Board- Rs. 687.22 lakh.	687.22	
KPTCL, Corporate Office, Bangalore						
113	2003-04	3	II B	Supply of Low Tension PVC aluminium cable -Non recovery of liquidated damages Rs. 19.45 lakh.	19.45	
114	2003-04	1	II A	Supply and installation of single phase meters - non recovery of liquidated damages.	19.45	
115	2002-03	11	II B	Irregular payment of pay and allowance to Smt. Purna M.Cherla after repatriation to parent office.	1.68	
KPTCL, CEE, Transmission Zone ,Mysore						
116	2002-04	2	II B	Non-recovery of balance amount of Rs 2.61 lakh from the contractor -66 KV Sub-station at Gejjagahalli.	2.61	
KPTCL, EE, Major Works Division, Shimoga						
117	1996-99	7	II B	Deposit contribution works- Non-recovery of dues Rs. 11.72 lakh.	11.72	
KPTCL, EE, Major Works Division, Davanegere						
118	2000-01	2	II A	66 KV single circuit line from Hiriyur to Challakere failure to encash bank guarantee and recover advance of Rs. 38.41 lakh.	38.41	

Sl. No.	Year of IR	Para No.	Part	Subject in brief	Amount to be recovered	Remarks
119	1996-98	1	II A	Non recovery of Rs. 55.14 lakh from R.D.S Construction, Bellary.	55.14	
120	1992-95	3	II B	Construction of 220KV transmission line between Davangere-Hiriyur -Non recovery of Rs. 25.99 lakh from the contractor.	25.99	
KPTCL, EE, Major Works Division, Hubli						
121	1994-96	1	II A	Non obtaining of refund of excess duty paid on tower.	37.67	
Total		**12**			**1055.96**	
Gulbarga Electricity Supply Company Limited (GESCOM)						
GESCOM, O&M, Bellary						
122	1993-94	7(a)	II B	Non recovery of arrears from Radakrishna Industries -The installation has been disconnected in April 1991 and Forms A, B and C have already been issued.	6.79	This matter is being pursued with the Tehsildar, Bellary for recovery of arrears as per Land Revenue Act.
123	1994-95	3	II B	Bellary Steel and Alloys- Withdrawal of claims for penal charges for exceeding demand entitlement. The withdrawal of claims was preferred as the appellate authority allowed the sanction of additional demand. The same was subsequently revised to Rs. 4.22 lakh. Now the withdrawal. statement has been resubmitted to CE (Elect) GESCOM for approval for the withdrawal. The same is in progress.	2.02	
GESCOM, O&M Division, Raichur						
124	1999-2001	7	II B	Inordinate delay in realisation of arrears against permanently disconnected installations. This amount is outstanding after adjustment of deposits. A, B and C forms have been issued.	311.51	Efforts are being made to approach revenue authorities for recovery of arrears.
125	1999-2001	8	II B	Un-authorised power connection held by Sundeep Touring Cinema, Davadurga - non recovery of back billing charges. A detailed report is awaited from the vigilance authorities in this matter.	1.77	The matter is pending since Aug. 2000
126	1999-2001	17	II B	Pending vigilance cases at Shakthinagar -Non recovery of back billing charges. The installations have been disconnected and A, B and C forms have been issued to both the consumers between July 2005 and Feb 2006.	2.59	The recovery is still pending.
GESCOM ,O&M Division, Yadgir						
127	1996-03	1	II B	Non recovery of demand charges from CCI. The consumer company has been referred to BIFR as a sick Company. State Government has ordered (Feb 2009) to pay the entire arrears in six half yearly instalments.	199.35	The amount is yet to be received.
Total		**6**			**524.03**	
Bangalore Electricity Supply Company Limited (BESCOM)						
BESCOM, O&M, Ramnagar						
128	2002-03	8	II B	Arrears from APMC	1.73	
129	2002-03	12	II B	Failure to recover the contaminated transformer oil from the released distribution transformers.	2.99	
130	2002-03	13	II B	Non recovery of penalty for late supply of materials from Icon Tech.	0.36	
BESCOM, O&M, Harihar						
131	2002-04	1	II B	Arrears due from Mysore Kirloskar Ltd. Harihar - not claiming interest charges on outstanding dues (amount is to be received from official liquidator).	76.81	
132	1996-98	1	II A	Non recovery of Energy Charges from Kirloskar Ltd. (Amount is to be received from Official Liquidator).	79.79	
Total		**5**			**161.68**	

Sl. No.	Year of IR	Para No.	Part	Subject in brief	Amount to be recovered	Remarks
Hubli Electricity Supply Company Limited (HESCOM)						
HESCOM, O& M, Gadag						
133	1998-04	2	II B	Failure to take timely action from liquidator - Blocking up of funds.	39.58	
Total		**1**			**39.58**	
Karnataka Power Corporation Limited (KPCL)						
KPCL – CE Civil, Ganeshgudi						
134	1994-96	1	II B	Non recovery of dues from Public works department.	14.91	
Total		**1**			**14.91**	
Grand Total					**29864.27**	

Annexure – 15

Statement showing list of paragraphs where there were lack of remedial action on audit observations

(Referred to in paragraph 4.20)

(Rs. in lakh)

SL. No.	Year of IR	Para No.	Part	Subject in brief	Amount involved (Rs. in lakh)	Remarks
Karnataka Agro Industries Corporation Limited						
1	1998-01	2	II A	Avoidable payment of godown rent (Nissan Sheds).	6.80	As per Company records the sheds are not transferred to the Company by KSCMF Ltd.
2	1998-01	7	II B	Time expired and damaged stock of fertilised seeds / Pesticides - Non-disposal.	17.24	
3	1998-01	11(a)	II B	Loss of cash due to theft - Insurance claim not honoured due to non-insurance.	0.40	
4	1998-01	11(b)	II B	Non-recovery of advances paid to staff.	1.39	
5	1998-01	14(c)	II B	Bulldozer lying idle at Tumkur district office.	0.25	
6	1998-01	14(d)	II B	Idle stock of New Annapoorna Multi Grain at Tumkur District.	0.99	
7	1998-01	14(e)	II B	Excess procurement of Fertilizers in Tumkur District.	10.28	
Total		**7**			**37.35**	
Karnataka State Seeds Corporation Limited						
8	2001-04	1	II A	Avoidable loss due to procurement of seeds during Khariff 2003 for supply under CRF Programme.	49.95	
Total		**1**			49.95	
Karnataka Forest Development Corporation Limited						
9	2001-03	21	II B	Non-renewal of Lease agreement in respect of Rubber Plantation.	0	
Total		**1**			-	
Karnataka Food and Civil Supplies Corporation Limited						
10	2002-03	20	II B	Absence of Comprehensive Manual.	0	
Total		**1**			-	
Karnataka Leather Industries Development Corporation Limited						
11	2002-04	8(i)	II B	Review of stock records at procurement centre at KG Halli.	0.26	
		8(ii)		Non-disposal of old stock of raw materials.	9.87	
		8(iii)		Non-recovery of cost of Raw Materials.	0.04	
Total		**1**			10.17	
Karnataka Road Development Corporation Limited						
12	2002-04	1	II A	Extra interest liability due to injudicious drawal of loan in excess of actual requirement.	256.82	
Total		**1**			256.82	
Karnataka State Small Industries Development Corporation Limited						
13	2001-02	8	II B	Unauthorized encroachment of prime land at Peenya Industrial Estate (land encroached by slum dwellers).	0	
14	2003-06	4	II B	448 Sheds lying idle without allotment at the divisions from 1991 to 1999.	0	
15	2003-06	5	II B	Industrial plots are lying vacant – 1,844 plots are lying vacant from 1966 to 2000.	0	
Total		**3**			-	

SL. No.	Year of IR	Para No.	Part	Subject in brief	Amount involved (Rs. in lakh)	Remarks
Karnataka Renewable Energy Development Limited						
16	2000-04	1	II A	Unwarranted borrowings and avoidable payment of interest.	89.94	
Total		**1**			**89.94**	
Karnataka Urban Infrastructure Development and Finance Corporation Limited						
17	2001-03	1	II A	Inadequate Tax Planning – Avoidable payment of Income Tax – Rs. 164.85 lakh and Loss of Revenue of Rs. 14.93 lakh.	164.85	
18	2001-03	7	II B	Invitation of Bids (Karwar)-Calling for tenders only through one newspaper for six packages resulting in receipt of incompetent bids in respect of contract package (No.2303).	0	
19	2001-03	8	II B	Abnormal variation in the item-wise cost of the lowest bidder over the estimate.	-	
Total		**3**			**164.85**	
Rajiv Gandhi Rural Housing Corporation Limited						
20	2000-01	9	II B	Non-provision of Infrastructure facilities to Economically weaker section houses.	-	
21	2001-03	5	II B	Review of GPHP, Rural Ashraya and Rural Ambedkar Housing Scheme of Hassan District.	-	
Total		**2**			**-**	
Karnataka State Industrial Investment and Development Corporation Limited						
22	2001-03	3	II B	Non-implementation of recommendation by COPU.	-	First reply is not received
23	2001-03	9	II B	Acquisition of land for Bangalore International Airport Project – Total area of land acquired for the project and handed over to KSIIDC, the rate of compensation paid to landlords per acre and reasons for excess acquisition of land was called for.	-	First reply is not received
Total		**2**			**-**	
Karnataka State Financial Corporation						
24	1998-00	41	II A	Power mould (P) Ltd - Loss of principal and interest.	107.84	
25	1998-00	1	II B	Loan assistance to Sri. Ramachandra Fibre	203.06	
26	1998-00	12	II B	Sanction of loan to Sridhara, Mysore - Loss due to non-obtaining of collateral security.	17.17	
27	1998-00	19	II B	Investment of Corporation's fund (Rs. 70 crore) to meet subsidy commitments of Government of Karnataka to SSI Units resulted in loss of interest.	830.00	
Total		**4**			**1158.07**	
The Mysore Sugar Company Limited						
28	2001-04	1	II A	Loss in Sugar Unit balances 2001-04.	7585.63	
29	2001-04	3	II A	Revision in the system of internal transport for export of sugar - Avoidable loss.	27.53	
30	2001-04	4	II A	Non-processing of claim towards neutralization of freight ocean disadvantage on export shipment of sugar – loss.	147.30	
31	2001-04	5	II A	Avoidable expenditure on purchase of sugarcane for the season 2002-03.	529.80	
32	2001-04	1	II B	Non-creation of buffer stock – Loss.	1381.00	
33	2001-04	4	II B	Inefficient funds management - Avoidable interest expenditure due to holding huge balance in current account.	52.24	
34	2001-04	5	II B	Non-collection of tax at source on sale of arrack - IT demand.	4063.00	

SL. No.	Year of IR	Para No.	Part	Subject in brief	Amount involved (Rs. in lakh)	Remarks
35	2001-04	6	II B	Loss due to not considering lowest offer in export of sugar.	200.00	
36	2001-04	7	II B	Contribution to ryots Welfare Fund Trust - IT liability including penalty.	150.84	
37	2001-04	11	II B	Loss of Labour - Inadequate control.	-	
38	2001-04	13	II B	Loan for bagasse based co-generation project.	-	
39	2001-04	14	II B	Discrepancies in the maintenance of Cash Book.	-	First reply to all paras of 2001-04 Inspection Report has not been furnished
Total		**12**			**14137.34**	
Mysore Minerals Limited						
40	1996-97	13	II A	Export of Manganese Ore through Mineral Enterprises (P) Ltd – Excess payment towards additional commission.	38.21	
41	1997-02	9	II A	Under billing of sale of Granite to Santhur Exports – Loss due to billing at local rates instead of export rate.	160.55	
42	1997-02	16	II B	Advances for acquisition of Land – Non-adjustment on registration of land.	13.77	
43	1997-02	22	II B	Review of HSD stock register – Byrapura (Chromite Mines) – Shortages and non-procurement of HSD directly from Indian Oil Corporation.	0.49	
44	2002-03	14	II B	Non-settlement of dues towards supply of china clay – Loss of interest Rs. 17.36 lakh.	17.36	
45	2002-03	15	II B	Non-formation of credit policy.	845.00	
46	2002-03	18	II B	Physical verification of Stocks – Heavy shortages.	-	
Total		**7**			**1075.38**	
Karnataka Film Industries Development Corporation Limited						
47	1999-04	1	II A	Extension of Voluntary Retirement Scheme to employees on contract basis. Irregular payment of ex-gratia.	35.47	
Total		**1**			**35.47**	
The Mysore Lamp Works Limited						
48	2000-03	3	II B	Non-payment / delayed payment of statutory dues to PF authorities and sales tax authorities.	411.00 458.00	
49	2000-03	4	II B	Blocking up of funds due to non-release of value of work done.	163.92	
50	2000-03	16	II B	Payment of revised wages pending approval of State Government.	114.39	Approval of Government is pending
Total		**3**			**1147.31**	
Karnataka Neeravari Nigam Limited						
KNNL, MRB Construction, Navalgund						
51	Mar. 02	1	II A	Non-adherence of agreement for embankment works, resulting in irregular payment in six cases of canal works.	81.28	
KNNL, SLAO, Soundatti						
52	Apr. 90	1	II A	Additional acquisition proceedings due to joint measurement certified. Avoidable payment of interest.	1.31	

SL. No.	Year of IR	Para No.	Part	Subject in brief	Amount involved (Rs. in lakh)	Remarks
53	Apr. 90	2	II A	Delay in publication of 4(1) notification due to delay in receipt of proposals for acquisition.	-	
54	Apr. 91	1	II A	Payment of interest on account of inordinate delay in intimating the SLAOs by acquiring authorities – extra expenditure.	1.62	
55	Apr. 96	2	II A	Delay in issue of 4(1) notification for land acquisition in Ainapur and Yaragutti villages of Soundatti taluk for implementing Lift irrigation scheme under Malaprabha project – Avoidable payment of interest.	1.08	
56	June 99	1	II B	(a) Delay in finalization of award due to delay in receipt of proposals for acquisition by the acquiring bodies Heavy Interest Liabilities (b) Excess payment of land compensation.	0.18	
57	June 99	2	II B	Improper maintenance of cash book.	0	
58	June 99	3	II B	Fixation of Pay in respect of SC Mathad, Shirastedar.	0	
59	June 99	4	II B	Schedule and Settlement with Treasury.	0	
60	June 99	5	II B	Pending land acquisition cases.	0	
KNNL, GRBC Circle, Hidkal						
61	May 91	2	II A	Construction of Ghataprabha Right Bank Canal (GRBC) Km. 31 – Infructuous expenditure.	3.26	
62	May 91	3	II A	Construction of GRBC Km.2 – Extra cost.	19.59	
63	May 91	4	II A	Construction of GRBC in Km.32.37 – Lapses on the part of the officials.	0	
64	May 96	2	II B	Grant and outlay for 94-95 and 95-96 – Excess expenditure incurred.	4055.13	
65	June 99	1	II B	Rustumpur LIS – Unfruitful expenditure.	120.25	
66	June 99	2	II B	Preparation of Schedule of Rates for 1996-97 – Irregular inclusion of contractor profit in higher charges.	0	
67	June 99	4	II B	Grant and Outlay, excess /savings/ budget expenditure without Budget allotment for 1996-99 period.	18.94	Approval awaited
68	June 99	6	II B	Payment of Contingent charges – ratification not obtained.	0.47	
69	June 99	7	II B	Security Deposit not obtained from cashier.	0	
KNNL, Q.C Division, Naviluteertha						
70	June 99	1	II B	Excess staff deployed in the division.	0	
71	June 99	2	II B	Register of Deposits amount recovered credited to deposit instead of revenue account.	0.19	
72	June 99	4	II B	Schedule of settlement with Treasury – Non-reconciliation of Part I and II.	0.78	
KNNL, UTP Division, Honnali						
73	Oct. 01	1	II B	Unauthorized payments to contractors for extra items of works – package 7 – Non-approval by competent authority.	202.99	
KNNL, MLBC Construction, Division-3, Badami						
74	Mar. 02	2	II A	Unfruitful outlay on construction of Malaprabha Left Bank Canal (MLBC) from Km. 127 to 142.	3268.00	

SL. No.	Year of IR	Para No.	Part	Subject in brief	Amount involved (Rs. in lakh)	Remarks
KNNL, MLBC Division-2, Naviluteertha						
75	Mar. 03	8	II A	Unjustified reinforcement provided to canal lining as a part of remodeling works to Km. 3, 4 and 5 resulted in unfruitful expenditure.	44.48	
KNNL, LMP Division-3, Sulipeth						
76	Sept. 98	2	II A	Blocking up of government funds due to non-utilization of materials over five years.	87.01	
77	Jan. 02	3(i)	II B	Store articles purchased without approval of purchase committee.	31.12	
KNNL, Division No. 1, Gulbarga						
78	Dec. 89	1	II A	Irregular payment of escalation charges due to erroneous calculation.	2.64	
79	July 92	1	II A	Construction of spillway upto crest canal.	-	
80	June 93	2	II B	Shortages of T & P articles against Mohammed Khasam, SDC.	-	
81	Aug. 94	1	II A	Un authorised introduction of Additional clause- Additional Payment.	151.26	
82	Aug. 95	1	II A	Avoidable extra financial liability due to improper planning in construction of Amarja Project.	102.00	
83	Aug. 95	2	II B	Stores and Stock.	1.93	
84	July 96	1	II A	Rehabilitation of project displaced families – idling of materials purchased.	-	
85	July 96	7	II B	Contractor Ledger.	-	
86	June 97	1	II B	Non regulation of rates under 13(a) excess payment	26.68	
87	Aug. 98	1	II A	Issuance of defective order - Excess payment.	66.47	
88	Aug. 98	2	II A	Short recovery of Sales Tax from Contractors bills.	6.00	
89	Aug. 98	3	II A	Construction of balance works of spill way – sub para a to f.		
90	Aug. 98	9	II B	Shortage of stores while handing over to contractor.		
91	Dec. 2000	5	II A	Wasteful expenditure on purchase of MS gates.	31.72	
92	Dec. 2000	7	II A	Unfruitful expenditure on excess consumption of cement due to non-revision of cement constant.	15.45	
93	Dec. 2000	10	II A	Non-rendering of MAS accounts.		
94	Dec. 2000	12	II B	Construction of Km. 53 of LBC - excess payment.	0.69	
95	Dec. 2000	15	II B	Non-renewal of Bank guarantee.		
96	June 02	1	II A	Shortage of stores and T&P materials held by Sri.Shivalingapa.	35.58	
97	June 02	2	II A	Loss of revenue to Govt. due to non-remittance of DDs and Pay orders.	10.23	
98	June 02	4	II B	Excess payment in supply bills.	7.53	
99	June 02	5	II B	Construction of canal from Km 39 to 40-unauthorized payment.	10.38	
100	June 02	6	II B	Construction of main canal from Km. 40 to 41 LBC.	0.03	
101	June 02	7	II B	General Cash book.		

SL. No.	Year of IR	Para No.	Part	Subject in brief	Amount involved (Rs. in lakh)	Remarks
102	June 02	13	II B	*Dam Division, Korhalli* a) drawal of self cheque b) non-accounting of MAS account by Sri. Ashok Kumar, (BLI Sub Division, Afzalpur)) and Annappa Kudri, AE (PWD Sub Division, Aland).	0.04 0.27	
Total		**52**			**8406.58**	
Karnataka Land Army Corporation Limited						
103	2001-04	7	II A	Execution of poor quality works resulting in additional expenditure.	19.82	
Total		**1**			**19.82**	
Dr.B.R.Ambedkar Development Corporation Limited						
104	1996-97	11	II B	Purchase of vehicles without following the procedure as laid down in Government order	13.71	
105	1997-02	28	II B	Purchase of vehicles without government approval.	81.66	
Total		**2**			**95.37**	
Karnataka State Construction Corporation Limited						
106	1997-02	8(b)	II B	Acceptance of departments claim without verification due to non-verification of defective works of the University.	5.45	
Total		**1**			**5.45**	
The Karnataka Minorities Development Corporation Limited						
107	1997-00	2	II A	Drawal of loan before finalisation leading to levy of penal interest.	5.45	
108	1997-00	1	II B	Infructuous expenditure due to unwarranted withdrawal of advances.	2.02	
Total		**2**			**7.47**	
Cauvery Neeravari Nigam Limited (CNNL)						
CNNL, KBC Division, Nanajanagud						
109	Mar. 95	1	II B	Injudicious purchase of MS frames - Unproductive outlay	3.95	
110	Aug. 99	4	II B	Providing gravel and cement concrete lining	0	
CNNL, MP Division, Ramanagaram						
111	Oct. 98	7	II B	Discrepancy in accounting of tyres and tubes.	0	
112	Jan. 00	9	II A	Local purchase of articles without calling for tenders.	54.00	
113	Jan. 00	10	II A	Shortages of T&P articles due to violation of codal provisions - reconciliation pending.	32.56	
114	Jan. 00	14	II A	Planning programme management & project execution - Lack of proper monitoring system led to delay.	0	
115	Jan. 00	9	II B	Minus Balances in NSC - No reply furnished.	0	
CNNL, Design and Investigation Division, Mandya						
116	2003-04	11	II B	Schedule of settlement with treasuries (i) Difference of representing remittances under Part-I relating to the period from 1975. (ii) Difference representing un-encashed cheques pending since 1975.	7.13	
CNNL, Manchanabele Project Division, Ramanagaram						
117	Sept. 90	3	II A	Balance work of Design, Manufacture supply at site, erection and commissioning of Left Bank irrigation sluice gate. Extra cost for the mud excavated by the second agency and excess payment to first agency.	1.22	

SL. No.	Year of IR	Para No.	Part	Subject in brief	Amount involved (Rs. in lakh)	Remarks
118	Feb. 01	1	II A	Local purchase of guage plates - violation of purchase procedure.	14.83	
119	Feb. 02	4	II B	Injudicious payment of Land crop and other compensation. The Company is yet to obtain refund of surplus compensation and auction the acquired buildings.	931.27	
120	Nov. 02	1	II A	Construction of Manchanabele Left Bank Canal in Km.24 - application of higher tender premium, the quantities in excess of 125 *per cent* of tender quantity - excess payment.	58.8	
CNNL, Hemavathy Canal Division, Yediyur						
121	Mar. 04	1	II A	Construction of aqueduct from Ch. 64615 Mts to Ch.65660 Mts and earth work excavation - Improper investigation leading to un realistic estimate in additional burden.	181.00	
CNNL, HLBC No.I, Chennaraypatna						
122	Jan. 03	1	II B	Providing Cement Concrete (CC) lining to the bed and sides from Ch. 84000 Mts to 85000 Mts of canal of HLBC - Avoidable expenditure.	25.77	
CNNL, SLAO, Hemavathy Canal Zone, Tumkur						
123	Dec. 99 to Aug. 03	1	II A	Vitiation of land acquisition proceedings - Avoidable extra expenditure.	14.51	
124	Dec. 99 to Aug. 03	2	II A	Inadequate provision of funds by Government leading to vitiation of land acquisition proceedings - Avoidable extra expenditure.	71.09	
Total		**16**			**1396.13**	
Krishna Bhagya Jala Nigam Limited (KBJNL)						
KBJNL, NRBC Division-5 Rodalbanda						
125	Nov. 98	12	II B	Items under CSSA and MPS - to clear the mis-credit of Rs. 88,200 to Government A/c (No.8782) WA-III section directed issue of alteration Memo to Gazetted Treasury Officer, Almatti.	0.88	
KBJNL, JBC Division-3, Chigarehalli						
126	Apr. 2000	1	II A	Theft of excavated hard rock valued Rs.30.00 lakh - Outcome of the Police case is awaited.	30.00	
KBJNL, EE, SBC (O&M) Division, Kahanapur						
127	Mar. 99	2	II B	Defective material management - The materials worth Rs. 27.65 lakh were idling from Mar 1997 - Action taken to sent it to needy divisions was called for.	27.65	
128	Mar. 99	6	II B	Deposits from 1995 to 1999 outstanding under suspense and Deposit Head. Action for transferring the long outstanding was called for.	14.34	
KBJNL, EE FIC Division-2, Chikkahonnakuni						
129	Sept. 01	1	II A	Avoidable expenditure of Rs. 14.96 lakh towards providing Murrum backing to Field irrigation channels.	14.96	Approval letter of Technical subcommittee not furnished by the company (July 2008)

SL. No.	Year of IR	Para No.	Part	Subject in brief	Amount involved (Rs. in lakh)	Remarks
KBJNL, EE IBC,O&M, Yankanchi						
130	Oct. 02	2	II B	Incorrect grant of time bound advancement by Managing Director.	0	Ratification order from the Government was called for.
KBJNL, Health Officer, Anti Malaria, Kembhavi						
131	Jan. 2000	3	II B	Safe Custody of Cash.	0	Action taken to embed the cash chest was called for.
KBJNL, CE O&M Zone, Narayanpura						
132	June 01	1	II B	(i) Abandonment of large number of camps under O&M Zone of UKP resulting in recurring loss of revenue on account of interest. (ii) Loss of mobilization of revenue - Directions of Secretary Water Resources Department, Government of Karnataka is awaited.	142.21 1022.00	
KBJNL EE TBC -2, BR-Gudi						
133	Aug. 98	8	II B	Incorrect grant of time bound advancement to NMR personnel absorbed as supernumery posts-Clarification of Government sought (March 2008).	0	
Total		**9**			**1252.04**	
Karnataka State Road Transport Corporation, Central Office, Bangalore						
134	2002-03	1	II A	Irregular payment of Ex-gratia to employees and officers without the approval of Government - *Post facto* approval for payment sought (Oct 2007).	967.00	
Total		**1**			**967.00**	
North Western Karnataka Road Transport Corporation						
NWKRTC, Belgaum Division						
135	2001-04	1	II B	Purchase of Stores and Spares - Due to non-negotiation of the lowest rates with Ananth Agro Industries Corporation, Kolhapur resulting in avoidable expenditure on purchase of pumps.	9.49	
136	2001-04	7(c)	II B	Delay in disposal of default cases (54 cases) pending since 1996-2002.	0	
137	2000-02	6	II B	Monthly progress reports - Non-admitting of final bills in respect of seven works for want of work slips / revised estimates to admit final bills after recovery of cost of steel and cement issued to work department.	0	
NWKRTC, RWS, Hubli						
138	2002-04	1	II A	Delay in dispatching new buses to operating divisions - Loss of revenue.	543.00	
139	2002-04	1	II B	Extra Expenditure due to excess consumption of materials & labour (i) consumption of excess materials Rs. 22.50 lakh (ii) Cost of excess man hours Rs. 24.10 lakh.	46.60	
Total		**5**			**599.09**	
Chamundeshwari Electricity Supply Corporation Limited (CESCO)						
CESCO, O&M Madikeri						
140	1999-04	4	II B	Un - operated materials Rs.2.23 lakh.	2.23	

SL. No.	Year of IR	Para No.	Part	Subject in brief	Amount involved (Rs. in lakh)	Remarks
CESCO, O&M Circle, Hassan						
141	2000-04	6	II B	Review of Vigilance Cases- pending cases.	0	
142	2000-04	7	II B	Review of appeal cases.	0	
Total		**3**			**2.23**	
Karnataka Power Corporation Limited						
143	1999-02	7	II B	Construction of roads at Shivanasamudram Powerhouse Project - abandonment of project.	871.08	
Total		**1**			**871.08**	
Gulbarga Electricity Supply Company Limited						
GESCOM O&M Division, Raichur						
144	2001-04	5	II B	Non-completion of works resulting in commercial loss of units.	22.08	
GESCOM ,CE, O&M Zone, Gulbarga						
145	1995-03	3	II B	Un-operated store materials at divisional stores - Bidar	56.87	
146	1995-03	1	II B	Procurement of distribution transformers in excess of contracted rates.	8.82	
147	1995-03	4	II B	Splitting up of purchase order	0	
148	1995-03	5	II B	Procurement of BHEL make electromechanical meters - short fall of targets.	0	
149	1995-03	1	II B	Non dismantling of PLC lines.	0	
Total		**6**			**87.77**	
Bangalore Electricity Supply Company Limited (BESCOM)						
BESCOM, O&M North Division.						
150	2003-04	6	II B	Loss / Damage to Capital assets.	11.14	
Total		**1**			**11.14**	
Karnataka Power Transmission Corporation Limited (KPTCL)						
KPTCL, EE, Major Works Division, Shimoga						
151	1991-94	1	II A	Construction of 220 KV DC EHT line between Shimoga and Davangere.	0	
152	1997-98	2	II A	Construction of 220 KV DC line from Varahi to Shimoga.	0	
153	1997-98	1	II A	Avoidable expenditure on construction of 110 KV Soraba- Shiralkoppa line.	35.95	
154	1998-00	1	II A	Upgradation of the exising 2x5 MVA- 33/11 KVSS for 2x10 MVA- 110/33/11 KV SS at Shikaripura.	0	
155	1998-00	3	II A	Establishment of 1x5 MVA-33/11 Tap off Station at Sringeri.	0	
156	2000-02	1	II A	Establishment of 1x10 MVA,110/11KV substation (SS) at Yegati and Shivani in Chickmagalur District- Extra expenditure of Rs. 20.60 lakh.	20.60	
157	2000-02	1	II B	Infructuous expenditure of Rs. 6.07 lakh.	6.07	
158	2002-04	4	II B	Obsolete materials at Major works Stores, Shimoga- Infructuous expenditure- Rs. 35.50 lakh.	35.50	
159	2002-04	2	II B	Discrepancies in execution of transmission lines and station works to evacuate power from Sharavathi tail race project.	0	
160	1999-00	6	II B	Unwanted purchase of 120 KV disc insulators – Blocking up of funds – Rs. 18.26 lakh.	18.26	

SL. No.	Year of IR	Para No.	Part	Subject in brief	Amount involved (Rs. in lakh)	Remarks
161	2002-04	1	II A	Construction of 220 KV DC line from MRS Shimoga to Varahi generating station- Delay in execution – Blocking up of funds Rs. 33.73 crore.	3373.00	
162	1995-06	1	II B	Establishment of 220KV Station at Hassan- Avoidable payment of price variation and increasing energy loss.	0	
163	2000-03	2	II A	Non-completion of 220 KV DC line from Malur to Kolar- Locking up of funds of Rs. 486 lakh and loss of interest of Rs. 129.60 lakh.	129.60	
164	2000-03	1	II A	Construction of 220 KV Dc line from Somanahalli to Malur – Infructuous expenditure of Rs. 647 lakh.	647.00	
165	1997-03	1	II A	Inordinate delay in construction of 4x10MVA sub-station at Baikampady – Failure of transformer due to improper storage – Loss of Rs. 35.99 lakh.	35.99	
166	2000-02	9	II B	Non registration of lands acquired for SS – Probable expenditure of Rs. 29.15 lakh.	29.15	
167	2000-02	2	II B	Establishment of second 20MVA transformer at K&C valley MUSS without assessing the requirement.	0	
168	2001-04	1	II B	Delay in finalisation of purchase orders resulting in avoidable extra expenditure of Rs. 45 lakh.	45.00	
169	2001-04	13	II B	Loss of revenue due to delay in completion of work of additional 1x6.3 MVA 66/11KV Power transformer at Begur, Gundlupet Taluq Rs. 76.31 lakh.	76.31	
170	2001-04	2	II B	Stock position of essential material/ equipment- Rs. 352.81 lakh.	352.81	
171	2001-04	5	II A	Replacing 2x 6.3 MVA, 66/11KV transformer by 2x 12.5 MVA, 66/11KV Power transformer at 66/11 KV SS Hunsur – Extra expenditure of Rs. 44.50 lakh.	44.50	
172	2001-04	4	II A	Extra expenditure of Rs. 19.07 lakh in awarding the work relating to establishment of 66/11 KV Station at HD Kote.	0	
173	2001-04	2	II A	Delay in establishing of 1x6.3 MVA, 66/11 KV SS at Bommalapura and construction of 66 KV DC line on DC tower resulting in loss of benefit amounting to Rs. 217.46 lakh.	217.46	
174	1998-99	3	II B	Supervisory control and data acquisition (SCADA) system.	0	
175	1999-01	3	II A	Non-utilisation of PLTC equipment of Rs. 139.76 lakh.	139.76	
176	1999-01	1	II A	Construction of 66 KV substation at Widia – idle investment of Rs.231.63 lakh.	231.63	
177	2001-02	1	II A	Major Works Stores (CSD) Peenya – loss of Rs. 74.87 lakh and holding surplus stores of Rs. 70.19 lakh.	70.19	
178	2001-02	2	II B	Implementation of project Major works – Abnormal delays in commencing and completing the work.	0	
179	1996-99	1	II A	In ordinate delay in finalization of tenders / supply of materials in respect of construction of 110 KV DC line Munirabad to 220 KV station Bellary.	0	

SL. No.	Year of IR	Para No.	Part	Subject in brief	Amount involved (Rs. in lakh)	Remarks
180	2002-03	1	II A	Recurring thefts of drake ACSR conductor during execution of 220 KV double circuit Somanahalli – Malur line resulting loss of materials worth Rs. 46 lakh.	46.00	
181	2002-03	2	II A	Holding of huge non-moving scrap store by the divisional store at Peenya - Rs. 242.35 lakh.	242.35	
182	2002-03	2	II B	Non-reconciliation of materials supplied to Superior Electrical labour contractor for 220 KV DC transmission between Somanahalli – Malur.	0	
183	2002-04	5	II B	Renewal of bank guarantees.	0	
184	2002-04	3	II B	Delay in commissioning of NGEF transformer – Blocking up of funds- Rs. 45.49 lakh.	45.49	
185	2002-04	1	II B	Failure to complete the construction of SS at Muthinakoppa- Non collection of liquidated damages from the contractor- Rs. 28.69 lakh.	28.69	
186	2000-01	1	II A	Construction of 400 KV DC transmission line from Sirsi and Davangere.	0	
KPTCL, EE, Major Works Division, Tumkur						
187	1992-02	7	II B	Theft of Rabbit ACSR Conductor at Lingsgur units.	0	
188	1997-00	5	II B	Avoidable purchase of 110 KV disc insulators – Blocking up of funds – Rs. 26.96 lakh.	26.96	
189	2000-03	4	II B	Construction of 110 KV S/C line on DC line towers – 110 KV Honnavalli D M Kurke – Locking up of funds – Loss of interest – Rs. 12.50 lakh.	12.50	
190	2000-03	3	II B	Installation of additional 10 MVA, 110/11 KV Apex make transformer and switchgear parts at K.B Cross.	0	
191	2000-03	2	II B	Abnormal delay in the execution of sub-station of Mallasandra and Hosakote.	0	
192	2000-03	1	II B	Establishment of 116x3 MVA sub-station at ID Hally – Loss of Rs. 251.02 lakh.	251.02	
193	1997-00	1	II A	Taking up of Bukkapatna - 66 KV line without getting forest clearance - delayed completion and consequent losses.	0	
KPTCL, SLDC, Bangalore						
194	1999-03	5	II A	Non availment of concessional tax benefit on purchase of Fuel.	0	
195	1999-03	3	II A	Undue benefit of Rs. 4.97 crore to Jindal Tractabel Power Company Limited.	497.90	
196	2003-04	11	II B	Non recovery of Energy Bills Rs. 119.43 lakh from MPSEB.	119.43	
197	2003-04	1	II A	Purchase of power from VVNL Hydel station – Non fixation of energy meters Rs. 104.18 lakh.	104.18	
KPTCL, EE, Major Works Division, Gulbarga						
198	2002-04	7	II B	Un-operated / Surplus stores.	0	
199	2002-04	6	II B	Materials stock a/c- Inventory of MWD, Stores, Gulbarga.	0	
200	2002-04	4	II B	Delay in commissioning of 110 KV double circuit transmission line from Humnabad Bidar DC line to proposed 110 KV sub-station at Mangalpeth in Bidar district.	0	

SL. No.	Year of IR	Para No.	Part	Subject in brief	Amount involved (Rs. in lakh)	Remarks
KPTCL, EE,TL&SS Division, Dodddaballapur						
201	2000-04	3	II B	Purchase of land – Rs. 40.48 lakh.	40.48	
KPTCL, CEE, Transmission Zone, Gulbarga						
202	2002-04	1	II B	Delay in finalisation of purchase resulting in avoidable expenditure of Rs. 45 lakh.	45.00	
KPTCL, EE, Major Works Division, Bellary						
203	1999-04	4	II B	Failure to commission equipments (valued at Rs. 121.13 lakh) after installation.	121.13	
204	1999-04	6	II B	Traveling Allowance pending recovery Rs. 1.89 lakh	1.89	
KPTCL, CEE, Transmission Zone, Mysore						
205	2002-04	3	II B	Non-imposition of penalty – Construction of 220 KV DC Khemar sub-station.	0	
206	2002-04	1	II B	Non-recovery of liquidated damages for delay in completion of work of substation at Muthinakoppa.	0	
207	2002-04	2	II A	Avoidable expenditure of Rs. 25.17 lakh due to delay in finalization of tender – 220/66 KV sub-station at Adhuvanahalli (Kollegal).	25.17	
KPTCL, EE, Major Works Division, Davanegere						
208	2001-04	2	II B	Un operated stores Rs. 270.50 lakh	270.50	
KPTCL SLDC, Bangalore						
209	2003-04	8	II B	Purchase of power from VVNL Non passing of benefits Rs. 230.11 lakh.	230.11	
210	2003-04	5	II B	Interest burden of Rs. 142.57 crore towards penal interest for belated payment of purchase dues.	14257.00	
KPTCL, EE,TL&SS Division, Gulbarga						
211	2000-04	2	II B	Non-moving and scrap materials lying at stores valued Rs. 11.25 lakh.	11.25	
Total		**61**			**21885.83**	

Annexure 16

Statement showing the department-wise outstanding Inspection Reports (IRs).

(Referred to in paragraph 4.22)

Sl. No.	Name of the Department	No. of PSUs	No. of outstanding I.Rs.	No. of outstanding paragraphs	Year from which outstanding
1	Agriculture and Horticulture	7	10	64	1999-2000
2	Animal Husbandry, Fisheries and Forest	5	9	53	1997-1998
3	Commerce and Industries	30	66	389	1996-1997
4	Co-operation	1	2	20	2006-2007
5	Energy	8	250	1165	1994-1995
6	Finance	5	11	92	1998-1999
7	Food and Civil Supplies	1	4	22	2000-2001
8	Home and Transport	5	81	349	1999-2000
9	Housing	1	3	21	2002-2003
10	Urban Development	1	2	16	2004-2005
11	Information, Tourism and Youth Services	4	9	34	1996-1997
12	Water Resources	3	451	1220	1984-1985
13	Public Works	2	6	23	2002-2003
14	Rural Development and Panchayat Raj	1	3	44	2001-2002
15	Social Welfare	4	11	55	1999-2000
16	Information and Technology	1	1	22	2007-2008
	Total	**79**	**919**	**3589**	

Annexure -17

Statement showing the department-wise draft paragraphs and reviews replies to which are awaited.

(Referred to in paragraph 4.22)

Sl. No.	Name of the Department	No of reviews	No. of Draft Paragraphs	Period of issue
1	Energy	-	7	April 2009 to June 2009
2	Commerce and Industries	1	4	March 2009 to June 2009
3	Water resources	1	2	July 2009 to August 2009
4	Woman and Child Welfare Department	-	1	June 2009
5	Transport	1		August 2009
6	Department of Public Enterprises	-	2	August 2009
	Total	**3**	**16**	