



Chapter-III

***Compliance Audit
Observations on Public
Sector Undertakings***

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Compliance Audit Observations on Public Sector Undertakings

The State Public Sector Undertakings (PSUs) in Karnataka consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and to occupy an important place in the State's economy. As on 31 March 2022, there were 125 PSUs in Karnataka including six Statutory Corporations and 13 non-working Government companies under the audit jurisdiction of the Comptroller and Auditor General of India. Of these, one PSU⁷¹ was listed on the stock exchange. One PSUs⁷² newly incorporated/entrusted for audit as on 31 March 2022, have been added. The list of 125 PSUs is given in *Appendix-32*.

This chapter deals with three Compliance Audit Observations on Public Sector Undertakings (PSUs). Important findings emerging from audit that highlight deficiencies in planning and contract management in the PSUs.

Karnataka Renewable Energy Development Limited

3.1 Loss incurred during the Implementation of Solar Water Pump Programme

The State could commission only 43 per cent Solar Water Pumps (SWP) envisaged. The Company suffered a loss of ₹2.64 crore in the project due to short claim/receipt of Service charges, penalty charged by MNRE for delay and non-receipt of contribution due from the State Government.

3.1.1 The Karnataka Renewable Energy Development Limited (Company) which is the State Nodal Agency for development of renewable energy, was entrusted (September 2014) with implementation of Solar Pumping⁷³ programme for Irrigation and Drinking Water



Picture No. 3.1: Solar Water Pump.

⁷¹ The Mysore Paper Mills Limited.

⁷² Bangalore Solid Waste Management Limited (BSWML).

⁷³ A solar pumping system consists of photovoltaic panels mounted connected to an Alternating Current or a Direct Current motor, suction and delivery pipes and electrical switchgears.

promoted by Ministry of New and Renewable Energy (MNRE), Government of India (GoI). The programme intended to benefit the farmers with off-grid Solar power available during the daytime most of the year, for irrigating the crops and reduce dependency on grid supply. The Company's responsibility was to coordinate with all the departments involved, *i.e.* agriculture, horticulture, irrigation, *etc.* The programme would draw funds from existing schemes of the MNRE and Ministry of Agriculture, State Government and banks. The projected period of implementation was from 2014-19.

The MNRE guidelines stipulated (September 2014) funding of the programme by way of Central Finance Assistance (CFA) to the extent of 30 *per cent* of benchmark cost⁷⁴ of Solar pump, beneficiaries' contribution (at ₹ one lakh per installation for general category and nil for Scheduled Caste and Scheduled Tribe) and balance contribution by way of State Government funding. The CFA was reduced to 20 *per cent* with effect from 24 July 2017. The CFA would be paid by MNRE in advance/milestone basis and would be settled on the completion of the project. The Company was eligible for service charges at the rate of three *per cent* of the share of MNRE for implementing the programme.

The MNRE guidelines stipulated that installation of SWPs should be completed within 12 months from the date of sanction. The same could be extended by four months with valid reasons, without penalty. Any delay beyond four months, would attract penalty at the rate of one *per cent* for the first four months and two *per cent* for the next four months. Thus, each sanction would become invalid after twenty four months from the date of sanction. Further, the sanction also mentioned that the penalty would be deducted from the service charges of State Nodal Agency and not from the CFA.

3.1.2 The project of providing Solar Water Pumping for irrigation was implemented in the State by three agencies. The agency-wise number of SWPs implemented is given below:

Table No: 3.1.1: Details of SWPs implemented in the State

Sl. No.	MNRE Sanction dated	Sanctioned	Implementing Agency			Total
			KREDL	BESCOM	Agriculture Dept	
1	29.12.2014	5,225	1,009	310	198	1,517
2	29.09.2016	3,000	2,429	-	-	2,429
3	10.11.2017	1,500	272	-	-	272
Total		9,725	3,710	310	198	4,218
Percentage of implementation to sanction			38.14	3.19	2.04	43.37

During the project period (2014-19), only 4,218 SWPs (43.37 *per cent*) out of 9,725 SWPs sanctioned by MNRE were successfully established in the State.

⁷⁴ The benchmark cost of a 5 HP SWP was ascertained and intimated by MNRE from time to time. The benchmark cost was fixed by MNRE, mainly based on the price determined through tenders done by State Nodal Agencies (SNA), Solar Energy Corporation of India (SECI) and other Govt Departments. Subsidy of MNRE is fixed in Rupees per horsepower (hp) of pump capacity.

The Company failed to install 5,507 solar pumps that could have been used by potential beneficiaries for irrigation.

3.1.3 As against 9,725 SWPs sanctioned by MNRE, the Company invited tenders for 4,453 SWPs only, based on the funds made available by GoK. As against work orders issued for 4,065 SWPs, only 3,710 SWPs were installed.

Audit observed that there were delays in finalisation of tenders (for supply of the SWPs) and identification of beneficiaries. The Company had taken considerable time (i.e., 10 months⁷⁵ on an average) to finalise the tenders in each of the four phases. The Company approached ESCOMs to identify the beneficiaries only after entering into an agreement with the Suppliers, except in phase I. The delay in approaching the ESCOMs ranged from 51 days (Phase-II) to 422 days (Phase-IV) (*Appendix-33*).

3.1.4 The following table summarizes the revenue and expenditure of the Company in implementing the Scheme for a period of five years for 3,710 beneficiaries.

Table No. 3.1.2: Statement of receipts and payments in implementation of the scheme

Sl. No.	Particulars	Amount (₹ crore)	Percentage to total Expenditure
1	Central Financial Assistance received	52.29	34.82
2	State Financial Assistance received	66.80	44.48
3	Beneficiary contribution received	30.08	20.02
4	Total Receipts	149.17	99.32
5	Expenditure incurred	150.19	-
6	Net Surplus/(Deficit)	(1.02)	(0.68)

The Company claimed CFA of ₹ 53.90 crore from MNRE against which service charges of ₹ 1.62 crore was receivable. However, the Company received only ₹ 52.29 crore in final settlement of dues from MNRE. Further, MNRE levied a penalty of ₹ 0.92 crore for delay in installation of the SWPs resulting in deficit of ₹ 1.02 crore.

Audit observed that MNRE had revised the benchmark cost of the SWPs with effect from June 2018, to ₹ 77,000 per HP for DC motors and ₹ 65,000 per HP for AC motors. However, the Company continued to claim CFA at pre-revised rates resulting in excess claim of CFA of ₹ 2.05 crore for 1075 SWPs (fourth phase) as detailed below:

⁷⁵ Phase-I: 279 days; Phase-II: 322 days; Phase-III: 300 days and Phase-IV: 289 days.

Table No. 3.1.3: Excess claim of CFA

Pump Capacity	Numbers installed	Revised Benchmark cost ₹	CFA Allowed @ 20% ₹	CFA Claimed ₹	Excess CFA Claimed ₹
5HP AC	593	3,25,000	65,000	85,000	1,18,60,000
5HP DC	482	3,85,000	77,000	95,000	86,76,000
Total	1075				2,05,36,000

As per the terms of the Scheme, the balance amount (net deficit amount) is required to be met by the State Government. Further, an amount of ₹ 2.20 crore payable to the suppliers of SWPs remained unsettled (February 2023).

Thus, the Company suffered a net loss of ₹ 2.64 crore (being the difference between the expected surplus of Service charges of ₹ 1.62 crore and the net deficit of ₹1.02 crore as pointed out above) in the implementation of the programme due to excess claim of CFA, under-recovery of service charges and penalty towards delay in implementation.

Thus, delayed and incomplete implementation of the programme resulted in fewer beneficiaries reaping the benefits of SWPs and the scheme's objectives could not be achieved in entirety. The Company also suffered a loss of ₹ 2.64 crore in the project due to short claim/receipt of Service charges, penalty charged by MNRE for delay and non-receipt of contribution due from the State Government.

The Company replied (June 2023) that the implementation of the scheme depended upon the funds received from GoK, taluk wise allocation of beneficiaries and number of applications received from beneficiaries. No explanation for inordinate delay in finalisation of tenders and delay in initiation of beneficiary identification process was provided by the Company.

The matter was reported to the Government (11th April 2023); their reply has not been received so far (June 2023) even after repeated reminders.

Recommendation 27:

Audit recommends that Government may devise a robust system to ensure utilisation of Central Financial Assistance for reaching maximum number of beneficiaries and to ensure project monitoring for implementation within prescribed time.

Karnataka State Handicrafts Development Corporation Limited

3.2 Avoidable expenditure

Abnormal delay in construction of building resulted in avoidable payment of rent of ₹ 12.78 crore.

The Cauvery Showroom of Karnataka State Handicrafts Development Corporation Limited (Company) was operating from a rented building and the Corporate Office of the Company was situated in its own building built in 1989, both at M.G. Road Bengaluru. The Board of Directors (BoD) had decided

(December 2011) to convert the Corporate Office building to a commercial complex to house Corporate Office, Emporium and central stores and to vacate the rented premises at MG Road, Bengaluru. It was decided (December 2012) to avail the services of M/S. CnT Architects (consultant) at a fee at four *per cent* of the total project cost. A Memorandum of Understanding (August 2014) was entered into with the consultant, as per which, the consultant was required to prepare the detailed estimates, bid documents and to ensure that the work was executed in accordance with working drawings and specifications, certification of contractors bills, *etc.* till completion of the project.

The consultant submitted (November 2014) a preliminary cost estimate of ₹ 5.94 crore for renovation of the existing building including construction of additional floor space which would increase the built-up area from existing 15,708 Square feet to 21,196 square feet, which was approved (December 2014) by the BoD.

The Company addressed (October 2016) a letter to the Secretary, Commerce & Industries (C&I) Department, Government of Karnataka (GoK) stating that the approval of the plan by BBMP was in final stages and once the plan was approved, tenders would be floated for renovation of the building and requested administrative approval for the proposal to convert the Corporate Office building into a Commercial Complex at an estimated cost of ₹ 6.50 crore which would be met out of own resources. Secretary, C&I Department, directed (December 2016) the Company to form a Technical Committee and submit the estimates and designs after obtaining administrative and technical approval. After several correspondences, the Secretary, C&I stated (January 2018) that the Company could take action to construct the building according to its Articles of Association.

The Company in the meanwhile, asked (6 January 2017) Karnataka Rural Infrastructure Development Limited (KRIDL), a GoK undertaking, to prepare an estimate based on PWD SR 2016. The KRIDL prepared estimates in two packages, breaking up the work (₹ 1.99 crore for ground floor, first floor and second floor as first package and for ₹ 0.71 crore for third floor and terrace work as second package)⁷⁶. The Board decided (January 2017) to shift the Corporate Office to United Mansion Building, M.G. Road on rental basis and also approved an estimate of ₹ 1.99 crore prepared by KRIDL (first package) for the renovation works and decided to entrust the work to either KRIDL or Nirmithi Kendra. An MoU was signed with KRIDL (August 2017) to carry out the renovation work (first package). The work was required to be completed within six months from the date of handing over of the building. The building was handed over to KRIDL on 1 February 2018 and hence scheduled date of completion was 31 July 2018. A Second MoU was signed (June 2020) between the Company and KRIDL for the third floor and terrace (Second package) at an estimated cost of ₹ 0.71 crore. The time schedule for completion of work was

⁷⁶ Cost pertaining to Interiors was not included in these two packages.

six months and accordingly, the work should have been completed by 16 December 2020. The work pertaining to I package and II package were yet to be completed (March 2022).

The Superintending Engineer (SE), KRIDL, after completion of work valuing ₹ 1.45 crore out of ₹ 1.99 crore, informed (November 2020) that the estimates (prepared by KRIDL) did not contain required items for flooring, false ceiling, wall cladding, electrification and water supply, lift, firefighting, generator, additional lift, telephone, LAN connection, public address system, *etc.* The Company (December 2021) requested Bangalore Metropolitan Transport Corporation (BMTC) to prepare an estimate for the balance work of the building and accordingly, BMTC submitted their estimated cost of ₹ 3.91 crore for the balance civil works. The Board decided (May 2022) to hand over the pending works to BMTC. BMTC has awarded (March 2023) the remaining work to a contractor at a tendered amount of ₹ 2.66 crore, excluding GST, which was 14.70 *per cent* below SR 2021-22.

In this connection, Audit observed the following:

- i. Delay in obtaining administrative approval:** The process of obtaining administrative approval consumed 16 months (from October 2016 to January 2018), thereby delaying the start of the work.
- ii. Splitting of work:** Govt. of Karnataka had granted exemption under 4(g) of Karnataka Transparency in Public Procurement (KTPP) Act which permitted Public Sector Undertakings, Companies, Departments, *etc.* to directly entrust works up to Rupees two crore to KRIDL without calling tender. However, there was a stipulation that no work should be split. The work was entrusted to KRIDL by splitting into two packages of less than Rupees two crore each, in direct contravention of the GoK's stipulation. As against the estimated cost of ₹ 6.50 crore, the work entrusted to KRIDL was only to an extent of ₹ 2.71 crore.
- iii. Payment terms in MoU stacked in favor of KRIDL:** As per para 8 of MoU, 50 *per cent* of the amount was to be paid as interest free advance on signing the MoU, 25 *per cent* after completion of 40 *per cent* of the work and another 20 *per cent* on completion of 60 *per cent* of the work and balance 5 *per cent* on completion of work and after third-party quality inspection. As against the total cost of ₹ 1.99 crore for the first package, KRIDL has reported to have completed work only to the extent of ₹ 1.45 crore *i.e.* 72.86 *per cent* of the work. Against this, the Company had paid ₹ 1.90 crore⁷⁷. Further, the Company paid (July 2020) ₹ 35.60 lakh on signing the second MoU. However, KRIDL had completed work only to the extent of ₹ 27.00 lakh as on March 2022. Thus, the Company

⁷⁷ 1st stage payment of 50 *per cent* amounting to ₹ 99.80 lakh was paid in September 2017, 2nd stage payment of 25 *per cent* amounting to ₹ 49.90 lakh in July 2019 and 3rd stage payment of 20 *per cent* amounting to ₹ 39.92 lakh was paid in March 2020.

ended up paying ₹ 2.25 crore against the completed work worth ₹ 1.72 crore.

- iv. **Avoidable payment of rent of ₹ 12.78 crore due to delay in completion of work:** In order to facilitate the renovation, the Corporate Office was shifted to a rented premises and the Cauvery Showroom was already paying rent for its premises. As per the schedule, the first package work should have been completed by July 2018, the second package in January 2019 (next six months). Further, it could have taken another three months for work relating to plumbing, electric and interiors to make the building occupation-ready, i.e., till April 2019. However, both the packages could not be completed on time and the rent paid from May 2019 to March 2023 amounted to ₹ 12.78 crore (as detailed in *Appendix-34*).

Thus, the construction of Building scheduled to be completed by April 2019 was not yet completed (May 2023). Delay at various stages of the renovation of the building resulted in avoidable expenditure of ₹ 12.78 crore on rent besides time and cost over run in the construction of the building.

The Government forwarded (May 2023) the reply of the Company, wherein the Company accepted the delay in obtaining administrative approval from Government. Further, the reply stated that the Board of the Company had taken decision to split the work into packages below ₹ 2.00 crore. The Company has written to Government to initiate action on the then Board of Directors who were responsible for violation of KTPP Act. Though the Company accepted their faults, the fact remains that due to delay at various stages of the building renovation, the Company had incurred an avoidable expenditure of ₹ 12.78 crore on rent besides time and cost over run in the renovation of the building.

Recommendation 28:

Audit recommends that the Company should take proactive measures to expedite the completion of the renovation work and occupy the building at the earliest.

Karnataka Soaps and Detergents Limited

3.3 Avoidable expenditure

The BoD of the Company decided (December 2020) to discontinue the use of Vetivert oil in production of MSS perfume. However, 1,893 kgs of Vetivert oil was procured in February 2021 resulting in avoidable expenditure of ₹ 4.87 crore.

Karnataka Soaps and Detergents Limited (Company) is involved *inter-alia* in manufacturing soaps under the brand name of “*Mysore Sandal Soap (MSS)*”. Vetivert oil was one of the items in the Mysore Sandal Soap Perfume which was introduced during 2017-18 to boost the woody and earthy note in the fragrance of Mysore Sandal Soap.

The Company floated (January 2020) an e-tender for procurement of 6,643 Kgs of Vetivert oil with a stipulation to deliver from March 2020 to March 2021 as per the production schedule of the Company. M/s. Bannari Constructions, Mysore (Supplier) had emerged (June 2020) as the lowest bidder and accordingly a Purchase Order was issued (29 July 2020)⁷⁸ at price of ₹ 25,700 per kg plus GST at 18 *per cent*. As per the delivery schedule, 1,250 kgs were to be delivered by August 2020 and the balance quantity delivery would be intimated later as per production programme.

In order to minimize the cost of production of Mysore Sandal Soap Perfume, the Company, in its Board Meeting, decided (December 2020) to launch the production of Mysore Sandal Soap perfume oil without the use of Vetivert oil since there was not much difference in fragrance with or without Vetivert oil in Mysore Sandal Soap products. The Company's Research team had also given (December 2020) a favourable opinion on the subject matter. After due discussion, Board approved to launch production of Mysore Sandal Soap perfume without the use of Vetivert oil from 2021-22.

By the time the Board decided (*i.e.* December 2020) to launch production of Mysore Sandal Soap perfume without Vetivert oil, the Company had already procured 4,750 kgs (out of tendered quantity of 6,643 kgs) at a total cost of ₹ 12.21 crore excluding GST from the Supplier. Further, the Company had accumulated stock of 1,737.52 kgs of Vetivert oil at the end of December 2020. However, the Company issued (5 February 2021) instructions to the supplier to deliver the entire balance tendered quantity (*i.e.* 1,893 kgs) of Vetivert oil, which was supplied on the same day.

Thus, the entire quantity of 6,643 kgs of Vetivert oil was supplied from July 2020 to February 2021, against which an amount of ₹ 20.16 crore was paid (September 2020 to March 2021) to the Supplier. The Stock of Vetivert oil was used in production of the Mysore Sandal Soap Perfume up to June 2021.

Audit observed that, as per Para 17 of Section-III-General Conditions of Contract (GCC), the purchaser at any time by written order given to the supplier can make changes within the general scope of the contract including quantity to be supplied. However, despite having sufficient stock, the Company issued instructions to supply the entire balance quantity even after the Board's decision to discontinue the use of Vetivert oil. Thus, failure of the management to invoke applicable condition of contract to reduce the quantity to be procured has resulted in avoidable expenditure of ₹ 4.87 crore.

The Government stated (January 2023) that the remaining quantity of 1,893 kgs of Vetivert oil was purchased as a contractual obligation. Since, change of composition would need time and that immediate change in composition would

⁷⁸ From March 2020 to July 2020, Vetivert oil was procured from M/s. Karnataka Aromas (the previous supplier) at ₹ 26,000 per kg plus GST at 18%.

have resulted in huge losses, the procurement could be substantiated. The reply is not acceptable as the Company had the option to terminate the contract as per the above-mentioned clause. The Company had sufficient stock as on December 2020. Further, the Company's decision to discontinue the use of Vetivert oil was taken in December 2020 and was to be implemented from 2021-22, which meant that the Company had sufficient time to plan the changeover.

Thus, unnecessary procurement of Vetivert oil resulted in avoidable expenditure of ₹4.87 crore.

Recommendation 29:

The Company must ensure a mechanism to enforce contractual provisions to safeguard its financial interests and procurements has to be made based on production plan and stock on hand.

Submission of accounts by PSUs

3.4 Need for timely finalisation and submission

According to Section 394 and 395 of the Companies Act 2013, an Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the House or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the C&AG. Similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the State.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statements for the financial year are to be placed in the said AGM. Section 129 (7) of the Companies Act, 2013 provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013. The financial statements of the Companies for every financial year are required to be finalised within six months from the end of the relevant financial year, *i.e.* by end of September⁷⁹.

Status of Accounts for PSUs under the Audit jurisdiction of Office of the Principal Accountant General (Audit-II)

3.4.1 As on 31 March 2022, there were 125 PSUs in Karnataka (refer **Appendix-32**), including six Statutory Corporations and 13 non-working Government companies under the audit jurisdiction of the C&AG. Of these, 79 PSUs are falling under the jurisdiction of Office of the Principal Accountant General

⁷⁹ Due date of holding AGM of Companies for the financial year 2021-22 is 30 September 2022 as per The Companies Act, 2013.

(Audit-II). Of these, 68 PSUs including four Statutory Corporations were working and 11 Companies were non-working as on 31st March 2022.

The following table provides the details of progress made by working PSUs under the Audit jurisdiction of Office of the Principal Accountant General (Audit-II) in finalisation of accounts by 30 September 2022⁸⁰:

Table No. 3.4.1: Position relating to finalisation of accounts of working PSUs under the Audit jurisdiction of Office of the Principal Accountant General (Audit-II)

Sl. No.	Particulars	2019-20	2020-21	2021-22
1	Number of working PSUs	66	67	68
2	Total number of accounts finalised during the year	78	40	56
3	Number of accounts finalised relating to current year	51	29	22
4	Number of accounts finalised relating to previous years	27	11	34
5	Number of accounts in arrears	31	57	68
6	Number of working PSUs with arrears in accounts	15	37	45
7	Extent of arrears (number in years)	1 to 6 years	1 to 7 years	1 to 7 years

During the year, 56 accounts pertaining to 51 PSUs were finalised, which included two accounts of four Statutory Corporations. The number of accounts in arrears increased from 31 (2019-20) to 68 (2021-2022). Of the 68 arrears of accounts, 62 accounts pertained to the working Government Companies, which were in arrears ranging between one and seven years and six accounts pertaining to four Statutory Corporations, which were in arrears ranging between one and two years.

The Administrative Departments have the responsibility to oversee the activities of these PSUs and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. The PAG had periodically taken up the matter with the State Government/Administrative Departments concerned for liquidating the arrears of accounts.

3.4.2 As on 31 March 2022, 11 PSUs having an investment of ₹ 480.59 crore were non-working for the last 19 years. This was a critical area as the investments in non-working PSUs do not contribute to the economic growth of the State.

There were arrears in finalisation of accounts by non-working PSUs. Out of 11 non-working PSUs, four⁸¹ were in the process of liquidation whose accounts were in arrears for seventeen to nineteen years. Of the remaining seven non-working PSUs, five PSUs (KPL, VSL, MLW, MCT and MMCL) had arrears of one year, one PSU (NGEF) had arrears of two years and one PSU had arrears of eight years (BSRCL).

⁸⁰ The progress for the financial years 2017-18 to 2018-19 was as on 30th September of the respective years, for financial year 2019-20 it was as on 31.12.2020 and for financial year 2020-21 it was as on 30.11.2021.

⁸¹ KSVL, MCL, KTL and MACCL.

The position relating to arrears in finalization of accounts of non-working PSUs is given in the following table:

Table No. 3.4.2: Position relating to arrears in finalisation of accounts of non-working PSUs falling under audit jurisdiction of Office of the Principal Accountant General (Audit-II)

Sl. No.	No. of non-working Companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears
1	5	2021-22	01
2	1	2020-21 to 2021-22	02
3	1	2014-15 to 2021-22	08
4	1	2005-06 to 2021-22	17
5	2	2004-05 to 2021-22	18
6	1	2003-04 to 2021-22	19

Recommendation 30:

The Government may take suitable action to ensure that the Annual Financial Statements of the Government Companies are prepared in time.

Follow up action on Audit Reports

Replies outstanding

3.5. The Reports of the C&AG represent the culmination in the process of audit scrutiny. It is therefore necessary that they elicit appropriate and timely response from the Executive. The Finance Department, Government of Karnataka, issued (January 1974) instructions to all Administrative Departments to submit replies to paragraphs and Performance Audits (PAs) included in the Audit Reports of the C&AG within a period of three months of their presentation to the Legislature, without waiting for any questionnaires from the Committee on Public Undertakings (COPU). The status of receipt of replies to the report of C&AG from the GoK is given in the following table:

Table No. 3.5.1: Replies not received as on 31st March 2023

Sl. No.	Year of the Audit Report (PSUs)	Date of placing the Audit Report in the State Legislature	Total PAs and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which replies were not received	
			PAs	Paragraphs	PAs	Paragraphs
1	2016-17	22.02.2018	2	12	-	-
2	2017-18	18.02.2020	2	13	-	-
3	2018-19	03.02.2021	2	5	-	-
4	2019-20	20.09.2022	1	7	-	-
5	2020-21	22.02.2023	0	8	-	8
Total			7	45	-	8

Discussion of Audit Reports by COPU

3.6. The status of Performance Audits (PAs) and paragraphs that appeared in Audit Reports on PSUs and discussed by COPU as on 31 March 2023 was as follows:

Table No. 3.6.1: Status of discussion of PAs and Paragraphs

Sl. No.	Period of Audit Report	Number of PAs/paragraphs			
		Appeared in Audit Report		Discussed	
		PAs	Paragraphs	PAs	Paragraphs
1	2010-11	2	11	1	11
2	2011-12	2	12	1	12
3	2012-13	2	12	2	12
4	2013-14	2	19	2	19
5	2014-15	2	17	2	17
6	2015-16	2	14	2	13
7	2016-17	2	12	2	12
8	2017-18	2	13	2	13
9	2018-19	2	5	1	5
10	2019-20	1	7	0	0
11	2020-21	-	8	0	0
Total		19	130	15	114

Compliance to Reports of COPU

3.7. Three reports of COPU (Report No. 127, 132 and 134) contained 43 recommendations in respect of paragraphs pertaining to one Department⁸², which appeared in the Reports of the C&AG of India between the period 2009-10 and 2017-18 and the five *suo-motu* reports (Report No. 125, 129, 131, 132 and 133) contained 52 recommendations. These reports were presented to the State Legislature between December 2011 and February 2023.

Action Taken Notes (ATN) from the Government of Karnataka pertaining to above three Reports of COPU and five *suo-motu* Reports of COPU were not received (March 2023).

Recommendation 31:

Government may ensure sending replies to Paragraphs/Performance Audits and ATNs on the recommendations of COPU as per the prescribed time schedule.

Response to Inspection Reports

3.8. Audit observations noticed during audit were communicated to the heads of the PSUs and the concerned Departments of the State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the

⁸² Energy Department.

Inspection Reports through the respective heads of Departments within a period of one month. However, as on 31 March 2022, there were 2,410 Paragraphs outstanding against 396 Inspection Reports issued to various Departments and PSUs. The details of Department-wise Inspection Reports and audit observations outstanding for PSUs (as on 31 March 2022) are in **Appendix-35**.

Recommendation 32:

Government may direct the Departments concerned to (a) initiate action against officials who fail to respond to Inspection Reports based on the reports of Audit Monitoring Cell constituted by the Government; and (b) recover losses/outstanding advances/overpayments within the prescribed time.

**Bengaluru
The**


**(Vimalendra A. Patwardhan)
Principal Accountant General (Audit-II)
Karnataka**

Countersigned

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The**


**(Girish Chandra Murmu)
Comptroller and Auditor General of India**