

**Report of the
Comptroller and Auditor General of India
on
Public Sector Undertakings**

for the year ended March 2016

Government of Karnataka

Report No.4 of the year 2017

Table of contents

Particulars	Paragraph No.	Page No.
Preface		v
Overview		vii-xix
Chapter I		
Functioning of State Public Sector Undertakings		
Introduction	1.1	1
Accountability framework	1.2-1.4	1-3
Stake of Government of Karnataka	1.5	3
Investment in State PSUs	1.6-1.7	3-5
Special support and returns during the year	1.8	5-6
Guarantees for loan and guarantee commission outstanding	1.9	6
Reconciliation with Finance Accounts	1.10	6-7
Arrears in finalisation of accounts	1.11-1.13	7-8
Placement of Separate Audit Reports	1.14	8
Impact of non-finalisation of accounts	1.15	9
Performance of PSUs as per their latest finalised accounts	1.16-1.19	9-11
Winding up of non-working PSUs	1.20-1.21	11-12
Comments on Accounts	1.22	12-13
Response of the Government to Audit	1.23	13-14
Follow up action on Audit Reports	1.24-1.26	14-15
Response to Inspection Reports	1.27	15
Coverage of this Report	1.28	15-16
Disinvestment, Restructuring and Privatisation of PSUs	1.29	16
Chapter II		
Performance Audits relating to Government Companies		
Karnataka Neeravari Nigam Limited		
<i>Performance Audit on 'Implementation of Lift Irrigation Schemes by Karnataka Neeravari Nigam Limited'</i>	2.1	17
Executive Summary		17-19
Introduction	2.1.1-2.1.5	20-22
Audit Objectives	2.1.6	23
Scope of Audit	2.1.7	23

Particulars	Paragraph No.	Page No.
Audit Methodology	2.1.8	23
Audit Criteria	2.1.9	23-24
Acknowledgement	2.1.10	24
Status of LISs	2.1.11	24-25
Audit Findings	2.1.12	25
Deficiency in planning	2.1.13-2.1.17	25-30
Poor implementation	2.1.18-2.1.32	31-43
Conclusions		43-44
Recommendations		44
Electricity Supply Companies		
<i>Performance Audit on ‘Implementation of Restructured Accelerated Power Development and Reforms Programme by the Electricity Supply Companies in Karnataka’</i>	2.2	45
Executive Summary		45-48
Introduction	2.2.1-2.2.4	49-52
Audit Objectives	2.2.5	52
Scope of Audit	2.2.6	52-53
Audit Methodology	2.2.7	53
Audit Criteria	2.2.8	53
Acknowledgement	2.2.9	53
Audit Findings	2.2.10	53
Planning and Implementation of Part-A	2.2.11-2.2.22	53-65
Implementation of Part-B	2.2.23	66
Deficient planning	2.2.24-2.2.28	66-68
Ineffective implementation	2.2.29-2.2.37	69-73
Fund management	2.2.38-2.2.41	74-76
Ineffective monitoring	2.2.42-2.2.44	76-78
Conclusions		78-79
Recommendations		79-80
Chapter III		
Compliance Audit Observations		
Government Companies		81
Karnataka Power Transmission Corporation Limited		
Violation of KERC Regulations resulting in undue favour to a private firm	3.1	81-83
Avoidable additional financial burden	3.2	84-85

Particulars		Paragraph No.	Page No.
Loss of ₹ 80.22 lakh on account of violation of Board's directive		3.3	86-87
Cauvery Neeravari Nigama Limited			
Unjustified waiver of dues receivable from a contractor		3.4	87-89
Avoidable extra expenditure		3.5	89-91
Undue favour to a contractor		3.6	91-93
Karnataka State Electronics Development Corporation Limited			
Undue favour to franchisees		3.7	93-95
Poor implementation of IBM Mainframe training project		3.8	95-97
Hubli Electricity Supply Company Limited			
Irregular award of contracts		3.9	97-99
Krishna Bhagya Jala Nigam Limited			
Unfruitful expenditure		3.10	100-101
Karnataka Silk Industries Corporation Limited			
Avoidable payment of interest		3.11	101-103
Karnataka Government Insurance Department			
Avoidable payment of interest on service tax		3.12	103-105
Karnataka State Handicrafts Development Corporation Limited			
Loss of revenue		3.13	105-106
Statutory Corporations			
Karnataka State Road Transport Corporation and Bangalore Metropolitan Transport Corporation			
Functioning of Workshops		3.14	106-117
No.	Appendices		
1	Statement showing investments made by the GoK in PSUs whose accounts are in arrears	1.12	119-122
2	Summarised financial position and working results of Government Companies and Statutory Corporations as per their latest finalised financial statements/accounts.	1.16, 1.29	123-129
3	Statement showing the department-wise outstanding Inspection Reports	1.27	130

Particulars		Paragraph No.	Page No.
4	Delay in materialising Lift Irrigation Schemes	2.1.11, 2.1.14	131-132
5	Projects selected for audit under Part-A and Part-B	2.2.6	133
6	Details of SRS compliances by ITIA	2.2.13	134
7	Status of User Acceptance Test of modules as of October 2016	2.2.13	135
8	Delay in award of works under Part-B of RAPDRP	2.2.24, 2.2.26	136
9	Delay in completion of works under Part-B of RAPDRP as of October 2016	2.2.29	137
	Glossary	2.1	138
	Glossary	2.2	139

Preface

This report deals with the results of audit of Government Companies, Statutory Corporations and Departmental Commercial Undertakings for the year ended March 2016.

The accounts of the Government Companies (including companies deemed to be government companies as per the provisions of the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act 1956 and Sections 139 and 143 of the Companies Act 2013. The accounts certified by the Statutory Auditors (Chartered Accountants) appointed by the CAG under the Companies Act are subject to supplementary audit by the officers of the CAG and the CAG gives his comments or supplements the reports of the Statutory Auditors. In addition, these companies are also subject to test audit by the CAG.

The Reports in relation to the accounts of a Government Company or Corporation are submitted to the Government by the CAG for laying before the State Legislature of Karnataka under the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

CAG also conducts the audit of accounts of the State Road Transport Corporations, State Warehousing Corporation and State Finance Corporation as per their respective Legislations.

The instances mentioned in this report are those, which came to notice in the course of test audit for the period 2015-16 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports. The matters relating to the period subsequent to 2015-16 have also been included wherever felt necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

