Chapter - VI

6. Compliance Audit Observations on PSUs (other than Power Sector)

Important findings emerging from audit that highlight deficiencies in planning, investment and activities of the Management in the State Government Companies and Statutory Corporations (other than Power Sector) are included in this Chapter. These include observations on non-compliance to norm, rules and regulations.

Public Sector Undertakings

6.1. Implementation of Corporate Social Responsibility

During 2014-18, eighteen PSUs were required to spend ₹ 84.27 crore towards CSR activities, but they spent only an amount of ₹ 65.93 crore. Out of this, an amount of ₹ 14.28 crore was spent on ineligible activities. The monitoring mechanism for the implementation of CSR was also found to be inadequate.

Introduction

6.1.1. Corporate Social Responsibility (CSR) is a self-regulating business model that helps a Company be socially accountable to itself, its stakeholders, and the public. The inclusion (August 2013) of the CSR mandate under the Companies Act, 2013 (the Act) is an attempt to supplement the Government's efforts of equitably delivering the benefits of growth and to engage the corporate world with the country's development agenda. Section 135 of the Act enjoins the Board of Directors of every Company having net worth of ₹ 500 crore or more, or turnover of ₹ 1,000 crore or more or a net profit of ₹ 5 crore or more, during any financial year, to ensure that the Company spends at least 2 *per cent* of the average net profit made during the three immediate preceding financial years, for the purpose of its CSR. The Ministry of Corporate Affairs (MCA) has also issued (February 2014) the Companies (Corporate Social Responsibility Policy) Rules, 2014 stipulating further requirements on formation of CSR committee and policy formulation.

Audit Objective

6.1.2. The audit objective was to ascertain whether the Public Sector Undertakings (PSUs) adhered to the provisions of the Companies Act, 2013 on CSR and the Companies (Corporate Social Responsibility Policy) Rules, 2014.

Scope of audit and criteria

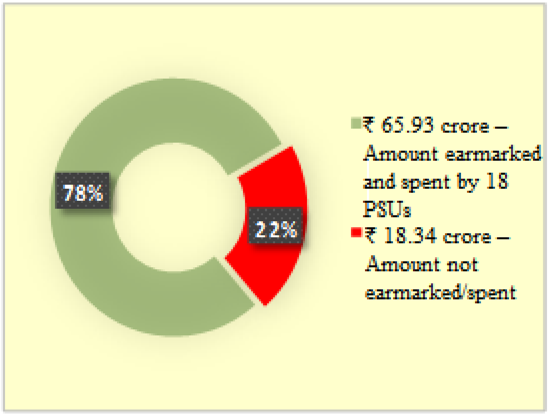
6.1.3. Audit examined the records of 18 PSUs[152], which met the criteria of Section 135 of the Companies Act, 2013, covering the period 2014-15 to 2017-18. The criteria adopted to assess the audit objective were the provisions of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules 2014.

Audit findings

The audit findings are discussed in the subsequent paragraphs.

Shortfall in expenditure under CSR

Chart No. 6.1.1: Amount spent and shortfall under CSR



6.1.4. As per Section 135 of the Act, the eligible PSUs were to spend at least 2 *per cent* of the average net profit made during the three immediate preceding financial years, for the purpose of its CSR. The selected 18 PSUs were required to earmark/spend ₹ 84.27 crore during 2014-18 towards CSR activities. However, of this, 14 PSUs had not spent an amount of ₹18.34 crore[153]. While there was deficit in spending with reference to mandated amount for these 14 PSUs, three PSUs (MEIL, KSIIDC and KSHDC) did not spend any amount in three years, three PSUs (KSSIDC, KSFIC and KEONICS) in two years, and three PSUs (KAVIKA, JLR and BESCOM) in

[152] There were 21 PSUs which came under the ambit of Section 135 of the Companies Act during 2014-15 to 2017-18, of which there were no significant deviations in three PSUs (KPCL, MESCOM and KSBCL) and hence these three were excluded from the analysis. The list of 18 PSUs considered in this audit are - Bangalore Electricity Supply Company Limited (BESCOM), Hutti Gold Mines Limited (HGML), Jungle Lodges and Resorts Limited (JLR), Karnataka Renewal Energy Development Limited (KREDL), Mysore Sales International Limited (MSIL), Karnataka Vidyuth Karkhane Limited (KAVIKA), Karnataka Electronics Development Corporation Limited (KEONICS), Karnataka Forest Development Corporation Limited (KFDCL), Karnataka Power Transmission Corporation Limited (KPTCL), Karnataka Soaps and Detergents Limited (KSDL), Karnataka State Handicrafts Development Corporation Limited (KSHDC), Karnataka State Minerals Corporation Limited (KSMCL), Karnataka State Forest Industries Corporation Limited (KSFIC), Karnataka Silk Industries Corporation (KSIC), Karnataka State Industrial & Infrastructure Development Corporation Limited (KSIIDC), Karnataka State Small Industries Development Corporation Limited (KSSIDC), Marketing Communication and Advertising Limited (MCA), Mysore Electrical Industries Limited (MEIL).

[153] BESCOM (₹ 87 lakh), HGML (₹ 51 lakh), JLR (₹ 10 lakh), KAVIKA (₹ 26 lakh), KEONICS (₹ 11 lakh), KFDCL (₹ 58 lakh), KSFIC (₹ 30 lakh), KSHDC (₹ 40 lakh), KSIC (₹1.97 crore), KSIIDC (₹ 2.48crore), KSMCL (₹ 9.48 crore), KSSIDC (₹ 74 lakh), MCA (₹ 10 lakh) and MEIL (₹ 44 lakh).

one year. Further, 11[154] of these 14 PSUs did not disclose specific reasons for shortfall in their Annual Reports, though such disclosure was required as per provisions of the Act.

KSMCL in its reply (October 2020) agreed to spend the shortfall amount in the ensuing years, KSIIDC stated (June 2020) that the shortfall has been made good during 2018-19 and 2019-20, MEIL stated (June 2020) that the shortfall to the extent of ₹ 25 lakh out of ₹ 44 lakh was spent in 2019-20, while KSSIDC replied (June 2020) that it has contributed more than the required minimum amount towards CSR. KSHDC replied (July 2020) that it has spent ₹ 35.18 lakh towards CSR during July 2020 and stated that remaining amount would be spent in the current year. BESCOM stated (May 2020) that the short fall of expenditure in 2017-18 was spent in 2018-19. KSHDC and BESCOM enclosed the documents in support of amount spent.

The reply of KSSIDC is not acceptable as the Company spent excess only during 2017-18 (spent ₹ 70 lakh against the requirement of ₹ 49 lakh) and spent lesser than the requirement in 2015-16 (₹ 30 lakh against the requirement of ₹ 39 lakh), while no amount was spent in 2014-15 and 2016-17 against the requirement of ₹ 42 lakh and ₹ 44 lakh respectively.

6.1.5. The developmental activities on which the PSUs had spent under CSR included construction of class rooms, residential buildings and libraries for students, supply of benches and desks and construction of toilet blocks to the schools and colleges, supply of free gas stoves, providing drinking water facilities, construction of community halls, construction of bus shelters, conducting health camps, supply of laboratory equipment to the Government hospitals, *etc*.

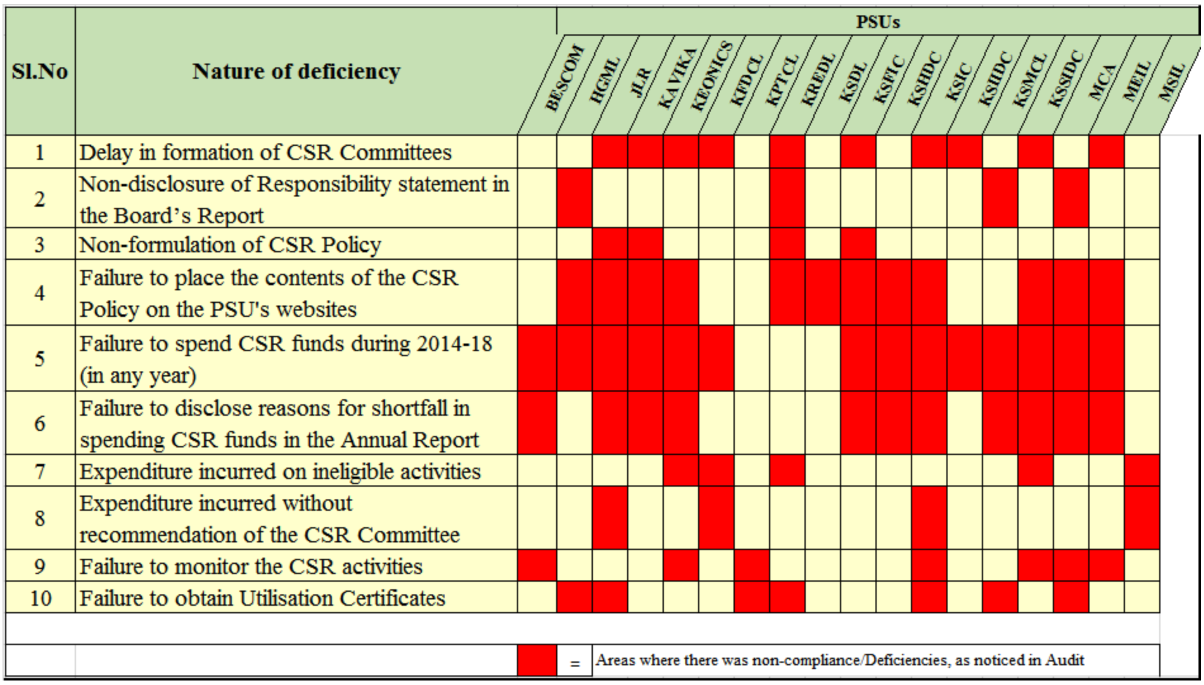
It was, however, observed that there were non-compliances/deficiencies in complying with the Act and Rules with regard to formation of CSR Committee and Policy formulation, shortfall in spending the mandatory amounts under CSR. Audit also noticed expenditure of ₹14.28 crore incurred on ineligible activities, expenditure of ₹ 14.63 crore incurred without recommendation of CSR Committee and lapses in monitoring the expenditure by the CSR Committee. These deficiencies are brought out in the succeeding paragraphs.

Deficiencies in complying with the Act and Rules

6.1.6. The following chart gives the details of deficiency/non-compliance to the various provisions of CSR.

[154] BESCOM, JLR, KAVIKA, KEONICS, KSFIC, KSHDC, KSIC, KSMCL, KSSIDC, MCA and MEIL.

Chart 6.1.2: Deficiency/Non-compliance to provisions of CSR by the PSUs



6.1.7. Lapses in constitution of CSR Committee and policy formulation

i. Section 135 of the Companies Act, 2013 stipulated constitution of a CSR Committee of the Board to formulate and recommend to the Board the activities to be undertaken by the company and the amount of expenditure to be incurred on the CSR activities. Audit observed that 10[155] out of the 18 PSUs formed CSR Committees after a delay ranging from two to twenty months. Consequently, eight of these 10 PSUs, did not spend mandated amount of ₹ 5.16 crore[156] under CSR during the period of absence of CSR Committee.

ii. All the 18 PSUs had disclosed the composition of the Committee in their Board's Annual Reports as required under Rule 8 of the CSR Rules, 2014. Four PSUs[157], however, did not disclose the Responsibility Statement of the CSR Committee in their Board's Report (2014-18), as required under the CSR Rules, 2014.

One PSU (MCA) stated (September 2019) that non-disclosure was by oversight, while another PSU (KSSIDC) stated (March 2020) that it would follow the Act/Rules scrupulously. KSMCL replied (October 2020) that it has noted the observation to comply in ensuing years.

iii. Four[158] of the 18 PSUs had not formulated a CSR Policy. Twelve PSUs[159], which had formulated a CSR Policy did not place the contents

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155 JLR, KAVIKA, KEONICS, KFDCL, KREDL, KSFIC, KSIC, KSIIDC, KSSIDC and MEIL.

156 JLR (2014-15: ₹ 11 lakh), KAVIKA (2014-15: ₹ 13 lakh), KEONICS (2014-16: ₹ 74 lakh), KREDL (2014-15: ₹51 lakh), KSFIC (2015-17: ₹ 14 lakh), KSIIDC (2014-17: ₹ 2.74 crore), KSSIDC (2014-15: ₹ 42 lakh) and MEIL (2014-17: ₹ 37 lakh).

157 HGML, KREDL, KSMCL and MCA.

158 KAVIKA, JLR, KSFIC and KREDL.

of the CSR Policy on their websites as required under CSR Rules 2014. KEONICS and JLR stated (February 2020/March 2020) that the CSR Policy had now been uploaded on the website, while KSSIDC stated (June 2020) that action is being taken to upload the Policy. Audit, however, observed that KSSIDC and JLR were yet to upload the CSR Policy in their websites (July 2020). The replies from other PSUs are awaited.

6.1.8. Expenditure on ineligible activities

i. Five PSUs spent ₹ 14.28 crore on activities, which were not specified/not in line/not in conformity with Schedule VII[160] of the Act, and Rule 6 of the CSR Rules 2014. Such ineligible activities included amounts spent on Temples/religious institutions (2017-18: ₹13 lakh by KREDL), issuing laptops to journalists (2016-17: ₹15 lakh by KEONICS) and contribution to Chief Minister's (CM) Relief Fund (₹ 14 crore by MSIL (2014-18), KFDCL (2014-15) and KSSIDC - 2014-15). As a result, developmental activities under CSR were short achieved to that extent.

   In their replies, KFDCL stated (May 2020) that the CSR Committee was not fully aware of CSR Regulations, KEONICS stated (Government forwarded the reply in June 2020) that CSR committee gave *post facto* approval for distribution of laptops as directed by the Government, while MSIL stated (June 2020) that it had treated contribution to the CM Relief Fund under 'Promoting Health Care' which is part of Schedule VII. The response of KFDCL validates the audit observation of expenditure on ineligible activities, while replies of KEONICS and MSIL are not acceptable as the activities do not form part of Schedule VII.

6.1.9. Expenditure without recommendation from CSR Committee

i. The Act and CSR Rules, 2014 prescribed that the CSR Committee was to recommend the projects/proposals to the Board for approval. Audit observed that four PSUs spent ₹ 14.63 crore[161] during 2014-18 without recommendation from the CSR Committee. This included (a) ₹ 12 crore contribution to the CM Relief Fund (not eligible under CSR) by MSIL though the CSR Committee had met thrice (August 2015, April 2016 and November 2017); (b) ₹ 19 lakh by KSIC (c) ₹ 2.19 crore (including ₹ 1 crore to CM Relief Fund not eligible under CSR) by KFDCL, though the CSR Committee met four times (August 2014,

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[159] HGML, JLR, KAVIKA, KEONICS, KREDL, KSDL, KSFIC, KSHDC, KSIC, KSSIDC, MCA and MEIL.

[160] Schedule VII of the Act specifies the areas or subjects to be undertaken by companies under CSR. This includes activities related to healthcare, education and skill development, social inequality, environment sustainability, national heritage, art and culture, armed forces, sports, funds set up by Central Government, technology incubators, rural development projects, slum area development, capacity building.

[161] JLR - ₹ 25 lakh (2016-17); KFDCL - ₹ 2.19 crore (2014-18); KSIC - ₹ 19 lakh (2014-17); MSIL - ₹ 12 crore (2014-18).

February 2016, December 2016 and August 2017); and (d) ₹ 25 lakh by JLR (CSR Committee did not meet during 2016-17 in which amount was spent).

While KFDCL replied (May 2020) that the CSR Committee had authorised Managing Director (MD) to take all necessary action, JLR replied (March 2020/June 2020) that members of the CSR Committee were part of the Board and that the Board had noted and ratified (March 2017) the action of the Company. The fact remained that the CSR committees had not recommended the expenditure incurred, which was thus in violation of the CSR Rules. The replies from MSIL and KSIC are awaited.

6.1.10. Formulation and Monitoring of CSR Policy

i. Section 135 of the Act requires formulation of CSR Policy, and Rules 5 and 6 of CSR Rules states that the CSR Policy of the company should include a list of CSR projects/programs which a company plans to undertake. These Rules also specify the modalities for execution and the monitoring process of such projects/programs including the setting up of a transparent monitoring mechanism by the CSR Committee.

Audit observed that four[162] PSUs did not formulate the CSR Policy at all, while one PSU (KSSIDC) did not mention the monitoring mechanism in its CSR Policy. Further, though six PSUs, had specified the monitoring mechanism in their Policies, the same was not adhered to as (a) the modalities of monitoring were not specified (BESCOM), (b) CSR Group/CSR Cell/Monitoring cell as required to be formed in the Policy (in addition to CSR Committee) to periodically monitor the projects (KEONICS, KSIC, MCA and MEIL) was not formed, and (c) Half-yearly monitoring was not done (KPTCL). In the absence of the monitoring mechanism, there was no assurance that the amount spent by these PSUs was utilised for the intended purposes.

In its reply KAVIKA stated (March 2020) that action will be taken to formulate CSR Policy, while KSSIDC stated (March 2020) that amounts were paid to Government undertakings/institutions, while KEONICS stated (June 2020) that the observation is noted for future compliance and action. The reply of KSSIDC is not acceptable, as it did not mention the monitoring mechanism in its CSR Policy and moreover, the Company should have a system in place to ensure that the contributions under CSR were spent for the intended purposes irrespective of the type of the institution (Government or Private). BESCOM stated (May 2020) that it is in the process of forming a CSR monitoring committee to identify and monitor CSR activities.

[162] KAVIKA, JLR, KSFIC and KREDL.

ii. One PSU (KSDL), contributed ₹ 4.68 crore to CSR Trust[163] during 2014-18 with delays ranging from 12 months to 24 months[164], but spent only ₹ 72.03 lakh (from the Trust) and the balance amount was kept in the Trust account without spending. KSDL while confirming the delay in releases stated (June 2020) that action has been taken to release the amount towards CSR activities in 2019-20. The fact remained that the amount, which was required to be spent each year, was kept with the Trust without spending.

iii. Audit observed that seven PSUs[165]failed to obtain Utilisation Certificates for ₹ 10.83 crore spent (2014-18) on various activities under CSR from the respective implementing agencies (District Commissioners/Trusts). In the absence of Utilisation Certificates, these PSUs had no means to ensure that the amount was spent for the intended purposes.

MCA replied (September 2019) that the observation was noted for future compliance. JLR stated (March 2020) that the amounts were spent through Government agencies and not through NGOs. The reply of JLR is not acceptable as the Company did not formulate the CSR Policy at all and moreover the Company should have a system in place to ensure that the contributions under CSR were spent for the intended purposes irrespective of the type of the institution to whom the contributions were made. Government replied (July 2020) in case of KPTCL that letters were addressed to the Deputy Commissioners concerned to provide UCs for the amount spent under CSR. KSMCL stated (October 2020) that it was pursuing continuously to obtain the UCs at the earliest. The replies from the other PSUs are awaited.

Conclusion

The CSR mandate under Companies Act, 2013 and CSR Rules, 2014 was not fully complied with by 18 PSUs during the period 2014-15 to 2017-18. The deficiencies included:

- Non-formulation of CSR Policy by four PSUs, spending ₹ 14.63 crore without recommendation of the CSR Committee in four PSUs and spending ₹ 14.28 crore on activities not specified under Schedule VII of the Act, in five PSUs;

- Fourteen of the 18 PSUs spending less than the prescribed amount for CSR activities, with the overall shortfall being ₹ 18.34 crore. Specific reasons for such shortfall were also not disclosed in the Annual Reports by 11 PSUs, as required under the Act and CSR Rules 2014;

163 As per Rule 4(2) of CSR Rules 2014, the Company may decide to undertake its CSR activities through a registered trust, a joint venture, *etc*. Accordingly, KSDL has formed such Trust and contributed the amount towards CSR activities.

164 2014-15 (contributed on 4.7.2016); 2015-16 (transferred on 31.3.2018); 2016-17 (transferred on 31.03.2018) and 2017-18 (transferred on 11.3.2019).

165 KREDL (₹ 3.81 crore), HGML (₹ 80 lakh), KSIC (₹ 70 lakh), JLR (₹ 20 lakh), KSMCL (₹ 2.03 crore), MCA (₹ 12 lakh), KPTCL (₹ 3.17 crore).

- Not devising a monitoring mechanism for the implementation of CSR activities in seven PSUs, as mandated in the Act/Rules/Policies. The PSUs either had no CSR Policy, or the formulated CSR Policies did not specify the modalities of monitoring, or the PSUs failed to adhere to the specified modalities. Further, seven PSUs did not obtain Utilisation Certificates for ₹ 10.83 crore. In the absence of a monitoring mechanism and system of obtaining Utilisation Certificates, there was no assurance that the expenditure incurred was for the intended purpose.

Recommendations

PSUs may ensure:

- **formulating a CSR Policy as per the requirement of the Companies Act;**

- **that expenditure under CSR is as per the recommendations by the CSR committee and that the activities are in conformity with Schedule-VII of the Companies Act;**

- **spending funds earmarked for CSR within the time frame prescribed under the Companies Act;**

- **devising appropriate monitoring mechanisms for effective implementation of CSR activities including timely collection of Utilisation Certificates.**

Public Sector Undertakings

6.2. Payment of interest on income tax by PSUs

PSUs failed in estimating their profits properly to assess the tax liability and payment of advance tax leading to payment of avoidable interest of ₹ 6.64 crore.

As per Section 208 of the Income Tax Act, 1961 (the Act), Advance tax was payable during a financial year in every case where the amount of such tax payable by the assessee during that year was ₹ 10,000 or more. *Section 211* of the IT Act further provided that the advance tax was payable in four instalments during each financial year, viz. 15th June (15 *per cent*), 15th September (45 *per cent*), 15th December (75 *per cent*) and 15th March (100 *per cent* of tax liability).

In case the assessee failed to pay advance tax or where the advance tax paid was less than 90 *per cent* of the assessed tax, simple interest (Section 234B) at the rate of one *per cent* was payable for every month or part of a month on short assessed tax. Further, if the quarterly Advance tax paid was less than the prescribed percentage, simple interest at the rate of one *per cent* per month was payable for a period of three months on the shortfall from the prescribed percentage (15/45/75/100 *per cent*) of tax due on the returned income.

It was, therefore, imperative that the Public Sector Undertakings (PSUs), which were liable for tax under the IT Act, had a mechanism in place for proper estimation of their income/profits and payment of advance tax within the due dates so as to avoid payment of interest.

Audit examined the compliance to the provisions of the IT Act with regard to assessing the profits and payment of advance income tax in five[166] PSUs during 2013-14 to 2017-18. The estimated and actual tax payable, actual tax paid and interest on tax paid by these PSUs during 2013-14 to 2017-18 are detailed in the ***Appendix 22***. Audit findings are summarised in the table below:

Table No.6.2.1: Deficiencies in assessment of profits and payment of advance tax

Sl. No.	Details of PSUs	Audit observations
1	**Mysore Electrical Industries Limited (MEI)**, involved in manufacturing of Switch Gear equipment used in the Power Transformers and other industrial applications, had registered profits continuously during 2013-14 to 2017-18. The Company paid interest of ₹ 1.40 crore under Section 234B and 234C of the IT Act during 2013-14 to 2017-18.	• The Company did not estimate the profits for the purpose of payment of advance tax in any of the quarters during 2013-14 to 2017-18, except in the third and fourth quarters of 2017-18. Moreover, the profit of ₹ 4 crore, which was estimated in the third and fourth quarters of 2017-18, was much less (22 *per cent of* actual profit) than the actual profit of ₹ 18.10 crore recorded during that year and ₹ 6.03 crore recorded during the previous year, indicating flaw in the system of estimation of profits. The basis for estimating ₹ 4 crore was not kept on record; • Further, the Company registered profits during 2013-14 to 2017-18. However, it did not pay advance tax in the first three quarters during 2013-14 to 2015-16, while no advance tax was paid in any of the quarters for 2016-17. During 2017-18, advance tax was paid only in the third and fourth quarters. Even the advance tax paid in the fourth quarter during 2013-14 to 2015-16 and third and fourth quarters of 2017-18 was very nominal, which ranged from 8 to 34 *per cent* of the actual liability. Thus, the Company had not only violated the provisions of the IT Act by not-paying advance tax, but also incurred avoidable interest expense of ₹ 1.40 crore during 2013-14 to 2017-18. The Government stated (August 2020) that the discrepancies noticed in the earlier years (2013-14 to 2017-18) have been identified and proper mechanism is put in place. Audit noticed that the Company had taken corrective action in assessing tax liability and payment of advance tax during 2018-19.
2	**Karnataka Vidyuth Karkhane Limited (KAVIKA)** involved in manufacture of	• The Company had not estimated its profits in first and second quarters of 2015-16 and 2016-17, while the profits estimated during 2013-14, 2014-15 and last two quarters of 2015-16 and 2016-17 ranged between ₹ 3.82 crore and ₹ 6 crore, which were much less than the actuals. The actual profit ranged between ₹ 7.19 crore and ₹ 10.09 crore. The basis and justification for

[166] Mysore Electrical Industries Limited, Karnataka Vidyuth Karkhane Limited, Karnataka Soaps and Detergents Limited, Marketing Communication and Advertising Limited, Karnataka State Beverages Corporation Limited.

Sl. No.	Details of PSUs	Audit observations
	power distribution transformers, had registered profits during 2013-14 to 2016-17. The Company paid penal interest amounting to ₹ 73.31 lakh under Section 234B and 234C during 2013-14 to 2016-17[167].	estimating the lower profits was not kept on record. It was observed that the Company did not keep the previous year's trend into consideration while estimating its profits. For instance, the Company recorded the profit of ₹ 6.80 crore in 2012-13, but profit estimated in the subsequent year (2013-14) was ₹ 4 crore. Similarly, the actual profit in 2013-14 was ₹ 8.73 crore, while the Company estimated only ₹ 3.82 crore in 2014-15; • Consequent to underestimation of profits, the advance tax paid by the Company for 2013-14 and 2014-15 was much less than the actual liability. The actual advance tax paid was 55 *per cent* against the requirement of 90 *per cent* under Section 234B. Further, the Company did not pay advance tax during first two quarters of 2015-16 and 2016-17 and the advance tax paid in third and fourth quarters was only to the extent of 32 *per cent* and 19 *per cent* of the actual liability respectively in those two years; Audit observed that the annual budget estimates, which could have given a reasonable basis for estimation of income and expenses and profits, were not prepared by the Company during 2013-14 to 2016-17. Even though the Company in its monthly meetings reviewed the quantitative details of production and sales, it did not assess the quarterly profitability with reference to the projected production and sales. This resulted in payment of interest of ₹ 73.31 lakh on income tax. The Company replied (March 2020) that it would take adequate measures for estimation of profit in advance by preparing annual budget plan in ensuing years and to review profits quarterly based on past trends of turnover and other relevant factors.
3	**Karnataka Soaps and Detergents Limited (KSDL)** is engaged in manufacturing and selling of soaps, detergents and sandalwood oil and toiletries of all kinds. The Company has been making profits consistently since 2013-14. The Company paid interest of ₹ 3.38 crore under section 234B and 234C during 2013-14 to	• The Company has the system in place for preparing monthly budgets depicting estimated sales, revenue and expenses. Based on the initial estimates, the Company assessed the profits and tax liability every quarter. Audit, however, observed that the profits were not estimated realistically, which was evident from the fact that the estimated profits in the first three quarters of 2013-14 to 2015-16 and 2017-18 were much less than the actuals, the variation ranging between 32 *per cent* and 78 *per cent* of the actual profits. Audit observed that though the budgets were prepared on a monthly basis, the Company did not revise the quarterly profits based on the past trends available nor did it review the adequacy of tax payment. Further, the Company paid tax only to the extent of 64 *per cent* and 74 *per cent* of the actual liability respectively during 2013-14 and 2014-15, thereby attracting interest under Section 234B. Also, the quarterly tax paid during 2013-14 to 2017-18 fell short of the prescribed percentage (15/45/75/100 *per cent*) and thus attracted interest under Section 234C.

[167] The Company made loss in 2017-18.

Sl. No.	Details of PSUs	Audit observations
	2015-16 and 2017-18.	The Government, while accepting the fact that care will be taken to remit the advance tax without any shortfall, stated (August 2020) that it was not able to ascertain the actual interest on fixed deposits as the details were received from respective banks only at the end of the financial year and also the actual sales were estimated based on tentative figures received from different departments and branches of the Company. Further, it was stated that the valuation of inventory was done only at the time of finalisation of accounts and hence could not be ascertained at each quarter of the financial year. Similarly, marketing expenditure on promotional activities was accounted in branches and final expenditure would be known after finalisation of accounts. The reply is not acceptable, as the interest income from fixed deposits is certain and known to the Company and the Company does not need to depend on banks for intimation. Also, the Company has the system of preparing monthly budgets and should be in a position to ascertain actual sales reasonably well. Further, in the financial interest of the Company, valuation of inventory and estimation of marketing expenditure should be done quarterly instead of doing at the time of finalisation of accounts considering the past trends and other relevant factors.
4	**Marketing Communication & Advertising Limited (MCA)** is involved in providing service in consultancy, business, advertising, contract, *etc*. The Company has continuously recorded profits during 2013-14 to 2017-18. The Company paid interest of ₹ 71.46 lakh under Section 234B and 234C during 2016-17 and 2017-18.	• The Company erred in estimating the profits during 2016-17 and 2017-18. The estimated profits in the second and third quarters with reference to actuals works out to 53 *per cent* and 64 *per cent* in 2016-17 and 57 *per cent* and 64 *per cent* in 2017-18. Audit observed that the Company, while estimating the profits for the purpose of payment of advance tax, deducted the unallocated expenses (representing employee benefits and other administrative expenditure), which ranged between ₹ 5.52 crore in 2013-14 and ₹ 11.24 crore in 2017-18, from the estimated profits although these expenses were taken into account while arriving at the profits. As a result of deduction of these expenses, the profits had been reduced. The rationale behind such deduction was not kept on record. This resulted in payment of lesser advance tax. • Further, the Company, paid an amount lesser than the amount that was assessed to be paid, citing 'conservative basis', 'rounding off', *etc*. The difference between the estimated tax and the actual remittance ranged upto ₹ 8.93 lakh in 2017-18, ₹ 55.65 lakh in 2016-17, ₹ 42.78 lakh in 2015-16, ₹ 25.83 lakh in 2014-15 and ₹ 18.13 lakh in 2013-14. This was one of the reasons, apart from incorrect estimation of profits, that contributed to payment of lesser tax. The Government, in reply (August 2020), admitted Company's mistake on reduction of unallocated expenses and assured that it would be rectified henceforth. The reply is silent on reasons for paying lesser amount than that estimated by the Company.
5	**Karnataka State Beverages Corporation**	• The Company prepared the annual budget estimates every year projecting revenue and expenditure. The tax liability has also been assessed considering these estimates. However, due to

Sl. No.	Details of PSUs	Audit observations
	Limited (KSBCL) is engaged in the business of channelizing and distribution of duty paid liquor in the State. It has posted profits during 2013-14 to 2017-18. The Company paid interest of ₹ 40.98 lakh under section 234B and 234C during 2014-15 to 2015-16 and 2017-18.	accounting of certain incomes during the last quarters of the financial years (2013-14 to 2015-16 and 2017-18), such as unadjusted credit balances (pending claims from liquor suppliers), revenue from redemption of investment, the Company has ended up paying interest under section 234 B and 234C for falling short of the prescribed percentage of quarterly advance tax payment. The Government forwarded (February 2020) the reply of the Company. The reply states that interest u/s 234B and 234C was paid mainly on account of unadjusted credit balance (pending claim from the liquor suppliers) taken as income based on the Board's decision. The Company also stated that, a committee has been formed for reviewing the budget estimates at each quarter with respect to actuals to ensure a realistic approach in payment of tax in line with the changes in growth trends. Audit, however, observed that as per the decision of the Board in June 2014, the unadjusted credit balances were to be treated as income if there were no claims after completing three years. Hence, it was possible for the Company to consider these unclaimed balances while estimating the income if there was a system of periodical review of these balances.

Thus, the PSUs failed to evolve an adequate system for estimation of their profits for assessing the tax liability and payment of advance tax which has led to payment of avoidable interest of ₹ 6.64 crore[168].

Recommendations

The PSUs may, therefore, establish a robust mechanism for realistic estimation of their profits based on available information such as past trends in sales, revenue and expenses and the corresponding profits, and make payment of advance tax on due dates to avoid interest under section 234B and 234C of the IT Act.

Karnataka State Road Transport Corporation

6.3. Passenger amenities at Bus stations

Introduction

6.3.1. Karnataka State Road Transport Corporation (the Corporation) was established (August 1961) under the Road Transport Corporations Act, 1950 to provide an efficient, safe and comfortable passenger transport service in the State of Karnataka. The Corporation operated 8,695 buses and handled an average of 30 lakh passengers per day during 2018-19. As of March 2019, the

[168] MEI - ₹ 1.40 crore; KAVIKA - ₹ 73.31 lakh; KSDL - ₹ 3.38 crore; MCA - ₹ 71.46 lakh and KSBCL - ₹ 40.98 lakh.

Corporation had 153 bus stations (District bus stations – 28 nos; Taluk bus stations – 76 nos; and Hobli[169] bus stations – 49 nos).

The volume of the passengers handled by the Corporation makes the provision of essential passenger amenities an important aspect of the performance of the Corporation. It is imperative for the Corporation, being in the service sector, to prioritize customer care, as the passengers expect value for money and best possible amenities. The basic amenities that are expected to be provided at bus stations include proper access to the bus station, seating arrangements in the bus stand, waiting rooms, proper shelter from the weather, information systems about vehicle arrival, security systems, canteen facilities, clean toilets, safe drinking water, *etc*. Also, specially-abled passengers need to be provided with other facilities such as ramps, railings, and special toilets.

Audit Objective

6.3.2. The Audit Objective was to assess whether the passenger amenities provided at the bus stations were adequate as per the norms issued by the Corporation.

Audit Scope, Methodology and Criteria

6.3.3. Audit selected 40 of the 153 bus stations operated by the Corporation using random sampling[170] by ensuring that minimum 25 *per cent* of total bus stations in each of the three categories (District, Taluk and Hobli) were selected. The audit sample consisted of seven District bus stations[171], 21 Taluk bus stations[172] and 12 Hobli bus stations[173]. The Audit was conducted between April 2019 and June 2019. Audit conducted joint inspection of the sampled bus stations along with the Officers of the Corporation.

The norms for operation of Bus stations as issued by the Corporation (May 2015) was adopted as the Audit Criteria.

Audit observations are based on the joint inspection conducted by audit with the management in the test checked 40 bus stands and most of them are of a nature that may reflect similar deficiencies in other bus stations of the Corporation, but not covered in audit. The Corporation may, therefore, like to internally review all such other bus stations, with a view to ensure availability of passenger amenities as per the norms.

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[169] Hobli is a cluster of adjoining villages administered together for the purpose of collection of taxes and maintenance of land records by the Revenue Department.

[170] Random sampling using *IDEA* Software.

[171] Basaveshwara bus station (Peenya), Chamarajanagar, Chitradurga, Madikeri, Mandya, Mangalore and R.S.Naidunagar (Mysore).

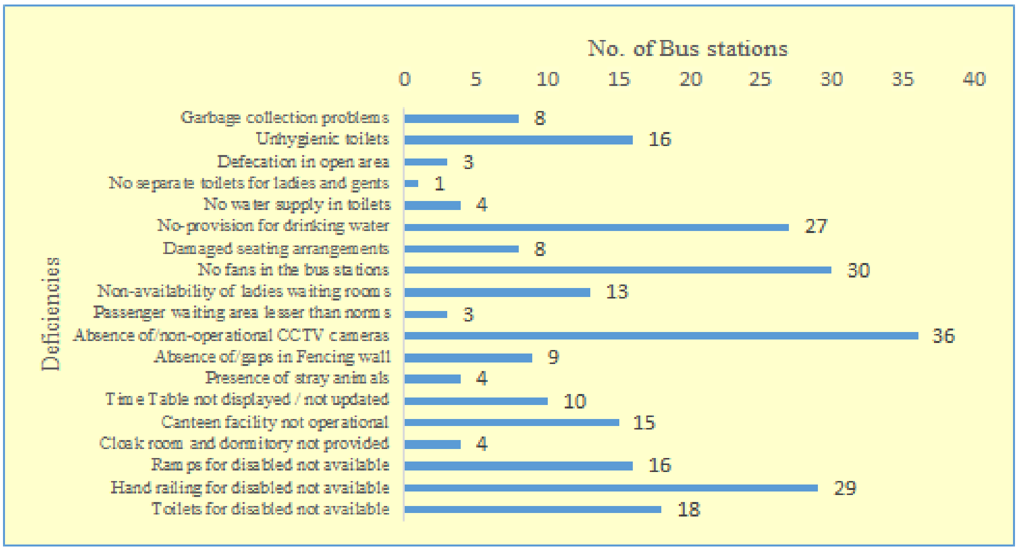
[172] Bangarpet, B.C.Road, Chennapatna, Channarayapatna, Chikkanayakanahalli, Dharmasthala, Gowribidanur, Harihara, Honnali, K.R.Nagar, Malavalli, Nagamangala, Puttur, Sira, Shidlaghatta, Srirangapatna, Srinivasapura-1, Srinivasapura-2,Virajpete, Tiptur and Turuvekere.

[173] Arehalli, Belakavadi, Birur, Gandasi, Harohalli, Hirisave, Ilawala, Melukote, Nuggehalli, Ramanathapura, Salagame and Sirigere.

Audit Findings

6.3.4. Audit findings on adequacy of passenger amenities provided at bus stations with reference to norms prescribed by the Corporation are summarized below:

Chart No. 6.3.1: **Deficiencies noticed in test checked 40 Bus Stations**



The audit findings are discussed in detail in the following paragraphs.

Formulation of norms

6.3.4.1. Audit observed that the Corporation had not formulated any norms or guidelines on passenger amenities until 2014-15. It was only during May 2015 that the Corporation issued certain norms (revised in June 2015 and June 2016) on minimum facilities required for passengers at bus stations, *i.e.* after lapse of over five decades (54 years) of commencement of its operations (1961-62 to 2014-15). The norms stipulated provision for toilets for men and women, exclusive waiting room for women passengers, facilities for passengers with disabilities and installation of CCTV cameras, canteen facilities, *etc*.

Audit also observed that the norms for passenger amenities laid down by the Corporation were inadequate as they did not cover some of the essential amenities such as hygiene, waste management, cleanliness and drinking water facility at the bus stations.

Waste Management and cleanliness

6.3.4.2. To protect environment/public health, maintenance of hygiene in the bus stations is critical and is an essential and primary requirement in view of the influx of passengers every day. The hygiene in public places assumed even more significance after the launch (October 2014) of Swachh Bharat Abhiyan, a cleanliness campaign by the Government of India focusing on sanitation and maintaining a hygienic environment. Hygiene at bus stations includes effective waste management, maintenance of cleanliness in the circulating area outside the building, on the platform, waiting rooms and toilets.

Audit observed that:

i. The Corporation did not have a system in place to ensure segregation of waste into Biodegradables, Dry and Domestic Hazardous waste at source in spite of the fact that large quantities of mixed waste consisting of plastic bottles, packaging waste, food waste, *etc* were generated at the bus stations every day.

Picture No. 6.3.1: Gauribidanur bus station – dilapidated dustbin with unsegregated waste (July 2019).

Picture No. 6.3.2: Madikeri bus station – unsegregated waste (May 2019).

ii. The dustbins, which are the primary collection points of garbage, were not provided at three hobli bus stations[174]. Further, five bus stations[175] were unclean with garbage strewn around in the parking areas and open areas of bus stations, water logging, serving as mosquito breeding grounds. Open defecation was also observed at three bus stations[176]. These may lead to pollution and health problems to the passengers and public at large.

Picture No. 6.3.3: Sidlaghatta bus station – waste bin with unsegregated waste filled with water (July 2019).

Picture No. 6.3.4: Chitradurga bus station – Garbage strewn around in open area (June 2019).

[174] ***Hobli:*** Nuggehalli, Ramanathpura and Salagame.
[175] ***District:*** Chitradurga, ***Taluk:*** Harihara and Sira, ***Hobli:*** Arehalli and Salagame.
[176] ***District:*** Chitradurga, ***Taluk:*** Sira, ***Hobli:*** Salagame.

Picture No. 6.3.5: Open defecation at Sira bus station (July 2019).

Picture No. 6.3.6: Water logging at Harihara bus station (June 2019).

iii. The toilets at 16 bus stations[177] (40 *per cent* of audit sample) were extremely poor and unhygienic with stagnation of waste and suffocating odour. Separate ladies and gents' toilets were not available at one bus station (Salagame) and even the existing three urinals were in an open area and were filthy. There was no water supply in toilets at four bus stations[178].

Picture No. 6.3.7: Srinivasapura old bus station - Damaged toilet (April 2019).

Picture No. 6.3.8: Sidlaghatta bus station – damaged toilet (July 2019).

The Government forwarded (June 2020) the reply of the Corporation wherein it was stated that the cleaning of bus stand premises was outsourced to the cleaning contractors selected through tender. The cleanliness of premises and toilets was evaluated on an hourly basis by the stand in-charge concerned and penalty was levied on the contractor for the lapse of cleanliness. It was also stated that strict instructions were issued to the contractors for segregating the waste and separate dustbins were provided for biodegradable and dry hazardous wastes. Surprise visit by the senior officers of the Corporation is being done to check the cleanliness. It was further stated that the action will be taken to provide adequate toilet blocks immediately and the water supply in

[177] ***District:*** Chamarajnagar, Chitradurga and Mandya, ***Taluk:*** Channapatna, Channarayapatna, Gauribidnur, Harihara, Honnali, KR Nagar, Sira, Srinivasapur (old), Tiptur and Turvekere, ***Hobli:*** Birur, Gandasi and Ramanathpura.

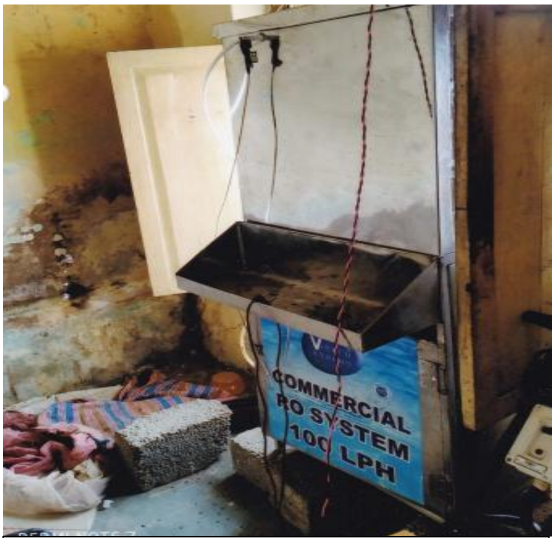
[178] ***Taluk***: Channarayapatna; ***Hobli:*** Birur, Sirigere and Gandasi.

bus stations has been restored and the defective and damaged toilets were replaced.

The fact remained that the cleanliness of bus stand premises was poor despite the terms of contracts provided for hourly evaluation of cleanliness and imposition of penalty for non-performance of contract. This indicated that the contractual provisions were not strictly enforced and monitored by the Corporation. Further, the fact that it did not even make any norms for these amenities shows its apathy towards maintenance of cleanliness.

Absence of drinking water facility

6.3.4.3. Providing potable water to the passengers is a basic and essential amenity which the Corporation should ensure at all the bus stations. However, no specific norms were in place in the Corporation. Audit observed that drinking water facility was not available in as many as 25 bus stations[179] (63 *per cent* of audit sample), while drinking water was unclean, salty as observed during joint inspection due to non-functional RO systems in five bus stations[180]. Audit observed that the Corporation had no maintenance contracts for up keep of RO systems.



Picture No. 6.3.9: Non-functioning RO water plant at Sira bus station (July 2019).

The Government forwarded (June 2020) the reply of the Corporation wherein it was stated that action was being taken to drill new bore wells wherever there was no or insufficient water supply and the RO plants for drinking water supply had been provided in 11 bus stations and similar facilities would be provided in the remaining bus stations at the earliest. It was further stated that RO systems are repaired on need based as there was no annual maintenance contracts and the RO system at five bus stations, where water was salty and unclean, were repaired now and drinking water is provided to the public.

Facilities for specially-abled passengers

6.3.4.4. The norms laid down by the Corporation prescribed provisions for ramp, hand railings, special toilets at all bus stations to make bus stations more friendly to specially-abled passengers.

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[179] ***District:*** Chamarajnagar, Mandya, Madikeri and RS Naidunagar, ***Taluk*:** Bangarpet, Channapatna, Channarayapatna, KR Nagar, Malavalli, Nagamangala, Srirangapatna, Tiptur and Virajpet, ***Hobli:*** Arehalli, Belakavadi, Birur, Gandasi, Harohalli, Hirisave, Ilvala, Melukote, Nuggehalli, Ramanathpura, Salagame and Sirigere,

[180] ***Taluk:*** Malavalli, Nagamangala, Sira, Srinivasapura new and Srirangapatna.

Audit observed that the infrastructure was not adequately built for the specially-abled passengers as ramps were not available at 16 bus stations[181] (40 *per cent* of audit sample) and hand railings were not available at 29 bus stations[182] (72 *per cent* of audit sample). Further, special toilet facilities for use and convenience of specially-abled passengers were not provided at 18 bus stations[183] (45 *per cent* of audit sample).

The Government forwarded (June 2020) the reply of the Corporation wherein it was stated that ramps were provided in five out of 16 bus stations, hand railings were provided in 10 out of 29 bus stations and toilets for specially-abled passengers were provided in three out of 18 bus stations pointed by audit. It was further stated that the action is being taken to provide ramps, hand railings and special toilets at the remaining bus stations.

Passengers' waiting area

6.3.4.5. Waiting area is an important link to ensure proper arrival and departure of the passengers at bus stations. The norms of the Corporation prescribe provision of waiting area for the passengers, privacy and enhanced security to ladies. They prescribe exclusive waiting rooms for women passengers at all bus stations.

Audit observed that

i. The seating arrangements at eight bus stations[184] were in a damaged condition, there was no provision for fans in 30 of 40 sampled bus stations (75 *per cent*) depriving the passengers of proper seating facilities at the waiting areas and also there was no lighting facility in one bus station (Gandasi), posing threat to security to the passengers during the night. This is extremely inconvenient for passengers, especially those who have to wait for longer hours at the bus stations. The norms of the Corporation do not specify the standards to be maintained at the waiting area in terms of seating, lighting and ventilation.

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[181] ***Taluk:*** Channapatna, Channarayapatna, Chikkanayakanahalli, Malavalli, Sira, Tiptur and Turuvekere; ***Hobli***: Arehalli, Belakawadi, Birur, Gandasi, Harohalli, Nuggehalli, Ramanathapura, Salagame and Sirigere.

[182] ***District:*** Chamarajanagar, Chitradurga and Mandya; ***Taluk:*** Bangarpet, Channapatna, Chikkanayakanahalli, Channarayapatna, Harihara, Honnali, KR Nagar, Malavalli, Nagamangala, Srinivasapura (Old and New bus stations), Sira, Srirangapatna, Tiptur and Turuvekere; ***Hobli:*** Arehalli, Belakavadi, Birur, Gandasi, Harohalli, Hirisave, Melukote, Nuggehalli, Ramanathapura, Salagame and Sirigere.

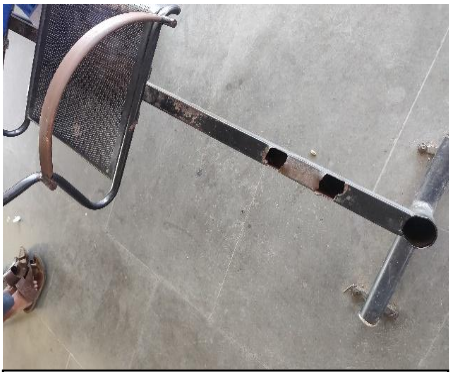
[183] ***Taluk:*** Bangarpet, Harihara, Honnali, KR Nagar, Sira, Srinivasapura Old bus station and Tiptur; ***Hobli***: Arehalli, Belakavadi, Birur, Gandasi, Harohalli, Hirisave, Melukote, Nuggehalli, Ramanathapura, Salagame and Sirigere.

[184] ***District*****:** Madikeri and Mandya; ***Taluk:*** Channarayapatna, Dharmasthala, Malavalli, Nagamangala, Sidlaghatta and Srirangapatna.

Picture No. 6.3.10: Sidlaghatta bu station – Missing bench for sitting (July 2019).

Picture No. 6.3.11: Malavalli bus station- Missing chair (May 2019).

Picture No. 6.3.12: Damaged seats at Dharmasthala bus station (May 2019).



Picture No. 6.3.13: Nagamangala bus station – Missing chair (May 2019).

The Government forwarded (June 2020) the reply of the Corporation wherein it was stated that the seating arrangements have been restored in all the eight bus stations and action will be taken to provide fans at all the bus stations. It was further stated that the action has been taken to provide adequate lighting facility at Gandasi bus station.

ii. Exclusive waiting rooms for ladies were not provided for in 13 bus stations[185] (32 *per cent* of the audit sample). Out of the rest 27 bus stations, in three bus stations (Channarayapatna, Mandya and Malavalli), ladies waiting rooms were utilized as a pass issuing counter/booking office, whereas at Srirangapatna, it was kept locked.

The Government forwarded (June 2020) the reply of the Corporation wherein it was stated that the action has been taken to provide ladies waiting room in one bus station and the remaining 12 bus stations will be provided with one during upgradation. The reply is silent on ladies waiting rooms being used as pass issuing counters in three bus stations.

[185] ***Taluk:*** Channapatna, Chikkanayakanahalli, Nagamangala, Sira, Tiptur and Turuvekere; ***Hobli:*** Belakawadi, Hirisave, Ilawala, Melukote, Nuggehalli, Ramanathapura and Salagame.

iii. The area of the passenger waiting area was less than the prescribed norm[186] in three bus stations[187]. Further, the condition of Madikeri *(District)* and Sira *(Taluk)* bus stations was extremely poor because of water seepage during rains;

Picture No. 6.3.14: Water seepage at Madikeri bus station (May 2019).

The Government forwarded (June 2020) the reply of the Corporation wherein it was stated that the passenger waiting area will be extended during upgradation of those bus stations. It was further stated that the upgradation of Madikeri bus station and extension of Sira bus station has been taken up to improve the facilities and seepage of water has been stopped at Madikeri.

Safety of passengers

6.3.4.6. The norms of the Corporation provided for construction of compound wall/fencing on all sides of bus stations, and installation of Close Circuit Television (CCTV) cameras with storage facilities, at all bus stations.

Audit observed that in nine bus stations[188], the security wall/fencing was not built to cover all sides and there were gaps in walls, and as a result there was garbage dumping, movement of vehicles and public through these gaps. Audit further noticed the presence of stray animals (cattle/pigs/dogs) in four bus stations[189] which not only hindered the cleanliness operations but also posed risks of accidents.

Audit also observed that 35 bus stations[190] (87 *per cent* of audit sample) were not monitored by CCTV cameras. Further, in one bus station (Puttur), CCTV cameras were installed at entry and exit points only and did not cover passenger seating areas, bus bay, *etc*. In another bus station (Channarayapatna) CCTV cameras were not in working condition. Thus, by not ensuring the

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[186] 3,400 sq. ft. (including 1,000 sq. ft. building) in district bus stations, 1,000 sq. ft. in taluk bus stations and 720 sq. ft. in hobli bus stations.

[187] ***Hobli*****:** Belakawadi (500 sq.ft), Ramanathapura (687 sq.ft) and Sirigere (576 sq.ft).

[188] ***District:*** Mandya; ***Taluk:*** Bangarpet, Dharmasthala, Malavalli, Tiptur and Virajpet; ***Hobli:*** Arehalli, Ilwala and Salagame.

[189] ***District:*** Chitradurga ***Taluk:*** Gowribidanur and Harihara ***Hobli:*** Arehalli.

[190] ***District*****:** Basaveshwara Bus station (Peenya), Chamarajanagar, Madikeri and R.S Naidu Nagar; ***Taluk*****:** Bangarpet, B.C Road, Channapatna, Chikkanayakanahalli, Dharmasthala, Gauribidanur, Harihara, Honnali, KR Nagar, Malavalli, Nagamangala, Sidlaghatta, Sira, Srinivasapura (Old and new bus stations), Srirangapatna, Virajpet, Tiptur and Turuvekere; ***Hobli*****:** Arehalli, Belakavadi, Birur, Gandasi, Harohalli, Hirisave, Ilawala, Melukote, Nuggehalli, Ramanathapura, Salagame and Sirigere.

installation of CCTV cameras and proper compound walls in the bus stations, the Corporation compromised the safety and security of passengers.

The Government forwarded (June 2020) the reply of the Corporation wherein it was stated that the compound wall/fencing has been provided to all the bus stations, except for few, due to litigations and action will be taken to resolve the issues at the earliest. It was further replied that proposal for installation of CCTV cameras at all major bus stations is under process.

Non-display of Time table

6.3.4.7. Display of Time Table at bus stations facilitates passengers by providing the complete information about the arrival and departure of buses to different destinations. The norms of the Corporation prescribed that all the bus stations shall have a system of display of the Time Table for arrival and departure of buses. Audit, however, observed that the Time Table was not displayed in nine bus stations[191] causing inconvenience to the passengers on arrival and departure of buses. Further, the Time Table was not updated to reflect the actual schedule of buses operated at Nuggehalli bus station.

Picture No. 6.3.15: Srirangapatna bus station – Non-functional display of bus arrival/ departure timings (April 2019).

The Government forwarded (June 2020) the reply of the Corporation wherein it was stated that the Corporation has instructed the Divisional Controllers concerned to take suitable action to display the updated timetables in all the bus stations and the updation is under progress.

Canteen facilities

6.3.4.8. The norms prescribed for providing canteen facility at bus stations and to display price list of various food items. Audit observed that Canteen was not operational at 14 bus stations[192] (37 *per cent* of audit sample) though these bus stations had a provision for running canteen facility, while one bus station (Sirigere) had no provision for operating canteen, which caused inconvenience to passengers if they required refreshments. Also, the price list for various food items was not displayed at the canteen in two bus stations (Mandya and Srirangapatna), which could leave scope for overcharging the passengers.

The Government forwarded (June 2020) the reply of the Corporation wherein it was stated that the instructions have been issued to all the concerned to

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[191] ***Hobli:*** Belakavadi, Hirisave, Ramanathapura, Salagame and Sirigere; ***Taluk*:** B.C Road, Channapatna, Nagamangala and Turuvekere.

[192] ***District:*** Basaveshwara Bus station (Peenya) and RS Naidu Nagar; ***Taluk*:** B.C Road, Harihara, Nagamangala, Sidlaghatta, Sira and Srinivasapura (Old and New bus stations); ***Hobli:*** Belakavadi, Harohalli, Hirisave, Nuggehalli, Ramanathapura.

display the price list compulsorily in all the bus stations. With regard to bus stations where canteen facilities were not operational, it was stated that there were no takers to run the canteens, however, efforts would be made to select the licensees to run the canteens.

Cloak room and dormitory

6.3.4.9. The norms prescribed provision of facilities such as dormitory and cloak room at District bus stations. Audit observed that cloak room facility was not available in two bus stations (Mandya and Chamarajanagar) and dormitory was not available in four of seven test checked bus stations (Chitradurga, Mandya, R.S Naidu Nagar and Chamarajanagar).

The Corporation stated (February 2020) that the facilities will be provided if there is any specific demand. The reply is not acceptable as non-provision of cloak room and dormitory facilities at district bus stations was violation of its own norms.

Conclusion

The Corporation failed to establish any norms for passenger-amenities until 2014-15. The norms brought out by the Corporation in May 2015 / June 2016 were inadequate as they did not include/set reasonable standards for some of the essential amenities on hygiene and waste management and providing drinking water facilities at bus stations. The cleanliness and waste management at bus stations was poor as the facilities for segregation of waste, drinking water and clean toilets were found to be inadequate in 25 of 40 bus stations (63 *per cent*). Further, seats for passengers in bus stands were broken, there were no exclusive waiting rooms for ladies in 33 *per cent* of the selected bus stations and security of passengers was not ensured by providing the mandated CCTV cameras in 35 of 40 bus stations (87 *per cent*). The infrastructure for specially-abled passengers was also inadequate with no special toilet facilities (in 45 *per cent*), ramps (in 40 *per cent*) and railings (in 72 *per cent*).

The Government/Corporation, while acknowledging the shortcomings pointed out by audit, stated that action has been initiated to rectify and resolve them at the earliest and upgradation of all these bus stations with the best passenger amenities is being taken up in a phased manner.

Recommendations

The Corporation may ensure:

1. **that norms for maintaining hygiene and essential amenities at bus stations such as drinking water, waste management, proper seating arrangements, *etc* are framed;**

2. **that basic facilities of ventilation, seating and lighting in waiting areas are maintained for the comfort of passengers;**

3. **that special requirements of travelers are met by providing exclusive waiting rooms for ladies, special toilets, ramps and railings for specially-abled passengers.**

4. **that highest priority is accorded to security of passengers by providing CCTV cameras with periodical review at all the bus stations.**