

## CHAPTER-IV GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

### 4.1 Overview of State Public Sector Undertakings

#### Introduction

**4.1.1** The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Chhattisgarh, the State PSUs occupy an important place in the state economy. The State PSUs registered a turnover of Rs 4,773.05 crore for 2008-09 as per their latest finalised accounts as of September 2009. This turnover was equal to 5.91 *per cent* of State Gross Domestic Product (GDP) for 2008-09. Major activities of Chhattisgarh State PSUs are concentrated in the power sector. The State PSUs earned a profit of Rs 177.16 crore in the aggregate for 2008-09 as per their latest finalised accounts. They had employed 18,769<sup>1</sup> employees as of 31 March 2009. The State does not have any Departmental Undertakings (DUs).

**4.1.2** As on 31 March 2009, there were 16 PSUs as per the details given below. Of these, no company was listed on the stock exchange.

Type of PSUs	Working PSUs	Non-working PSUs <sup>2</sup>	Total
Government Companies	14	-	14
Statutory Corporations	2 <sup>3</sup>	-	2
<b>Total</b>	<b>16<sup>4</sup></b>	<b>-</b>	<b>16</b>

**4.1.3** During the year 2008-09, three PSUs<sup>5</sup> were established. The Chhattisgarh State Electricity Board (CSEB) was unbundled into five companies in compliance with the Electricity Act, 2003 vide Government order dated 30 December 2008. Of the five companies, the status of three companies viz. Chhattisgarh State Power Generation Company Limited (CSPGCL), Chhattisgarh State Power Transmission Company Limited (CSPTCL) and Chhattisgarh State Power Distribution Company Limited (CSPDCL), which were earlier functioning as deemed companies under section 619-B of Companies Act, 1956, was changed as Government companies under section 619 of Companies Act, 1956 from 1 January 2009. Two other companies viz. Chhattisgarh State Power Holding Company Limited (CSPHCL) and Chhattisgarh State Power Trading Company Limited

<sup>1</sup> As per the details provided by 16 PSUs.

<sup>2</sup> Non-working PSUs are those which have ceased to carry on their operations.

<sup>3</sup> Chhattisgarh State Warehousing Corporation and Chhattisgarh State Electricity Board (From 1 January 2009, CSEB was unbundled into five companies under the Companies Act, 1956 as per the State Government Gazette Notification dated 19 December 2008).

<sup>4</sup> The status of Chhattisgarh Sondiha Coal Company Limited, a newly formed Government Company, as on 31 March 2009 has not been received, hence not included in these PSUs.

<sup>5</sup> Chhattisgarh State Power Holding Company Limited, Chhattisgarh State Power Trading Company Limited and CMDC ICPL Coal Limited.

(CSPTTr.CL) were newly formed under section 619 of the Companies Act, 1956 on 30 December 2008.

### Audit Mandate

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

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

**4.1.6** Audit of statutory corporations is governed by their respective legislations. Out of two statutory corporations, CAG was the sole auditor for Chhattisgarh State Electricity Board. In respect of Chhattisgarh State Warehousing Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

### Investment in State PSUs

**4.1.7** As on 31 March 2009, the investment (capital and long-term loans) in 16 PSUs was Rs 2,963.05 crore as per details given below.

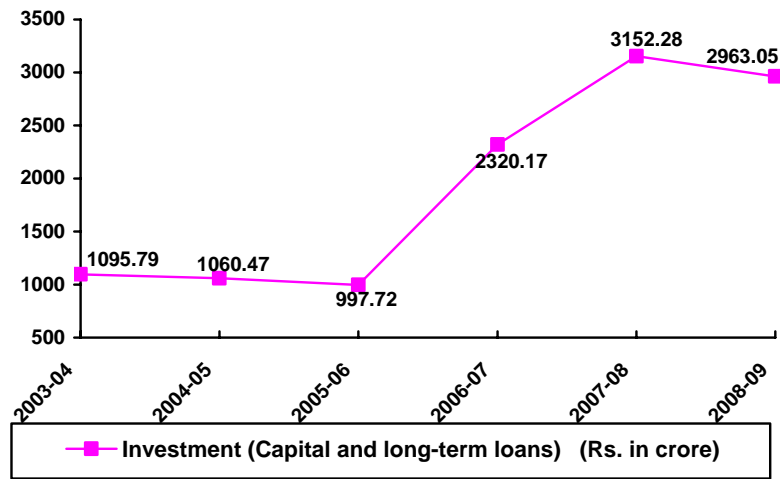
(Amount: Rupees in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	77.25	373.67	450.92	24.12	2,488.01	2,512.13	2,963.05 <sup>6</sup>

A summarised position of Government investment in State PSUs is detailed in **Appendix-4.1.1**.

**4.1.8** As on 31 March 2009, the total investment consisted of 3.42 *per cent* towards capital and 96.58 *per cent* in long-term loans. The investment has grown by 170.40 *per cent* from Rs 1,095.79 crore in 2003-04 to Rs 2,963.05 crore in 2008-09 as shown in the graph below:

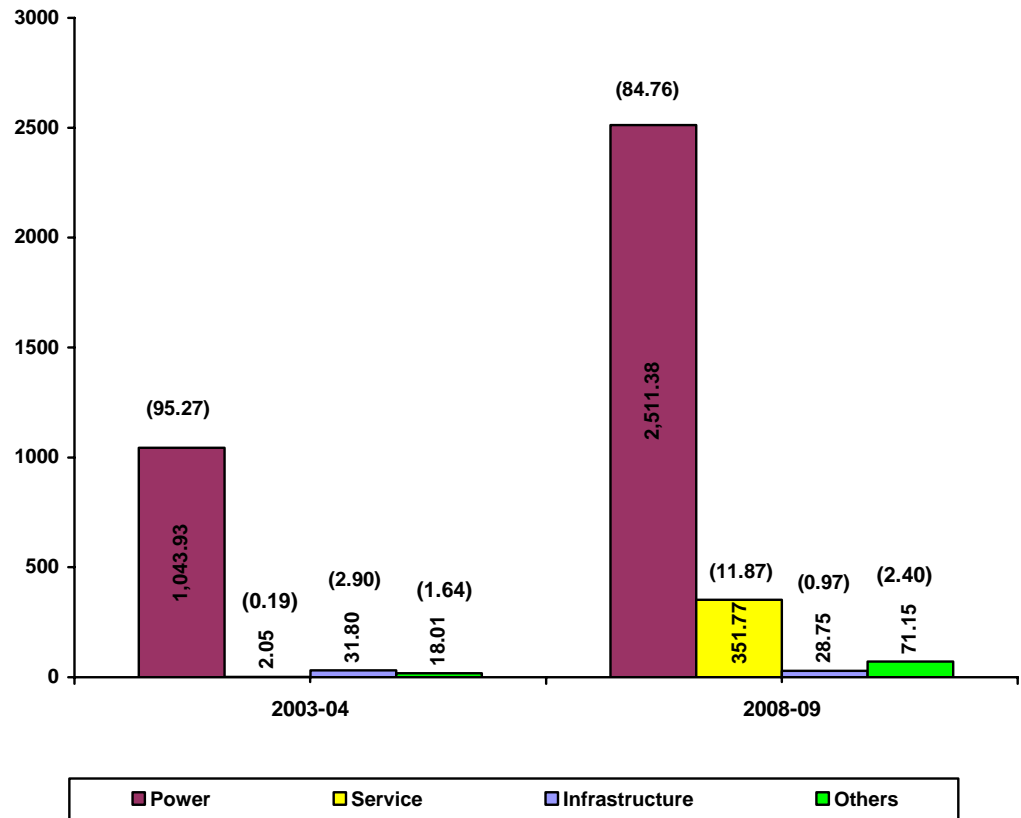
<sup>6</sup> State Government's investment in working PSUs was Rs 826.69 crore (Share capital, Share application money and loans).



The decrease in investment in 2008-09 is due to repayment of loan of Rs 246.60 crore.

**4.1.9** The investment in various important sectors and percentage thereof at the end of 31 March 2004 and 31 March 2009 are indicated below in the bar chart.

(Amount: Rupees in crore)



(Figures in brackets show the percentage of total investment)

As may be seen from the above chart the major investment of the State Government in PSUs was in power sector which increased from Rs 1,043.93 crore during 2003-04 to Rs 2,511.38 crore during 2008-09.

**Budgetary outgo, grants/subsidies, guarantees and loans**

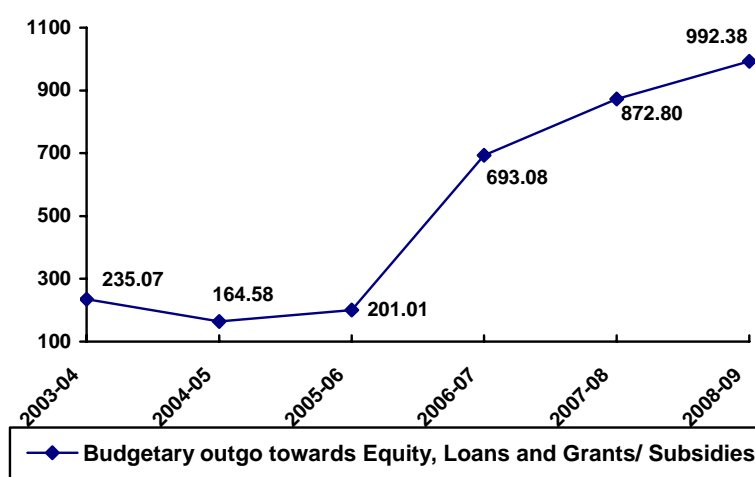
**4.1.10** The details regarding budgetary outgo by the State Government towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Appendix-4.1.3**. The summarized details are given below for three years ended 2008-09.

(Amount: Rupees in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	1	1.00	1	1.00	-	-
2.	Loans given from budget	1	5.00	2	8.13	1	1.95
3.	Grants/Subsidy received	6	687.08	7	863.67	6	990.43
4.	Total Outgo (1+2+3)	6 <sup>7</sup>	693.08	7 <sup>7</sup>	872.80	7 <sup>7</sup>	992.38
5.	Loans converted into equity	-	-	-	-	1	20.11
6.	Loans written off	-	-	-	-	-	-
7.	Interest/Penal interest written off	-	-	-	-	-	-
8.	Total Waiver (6+7)	-	-	-	-	-	-
9.	Guarantees issued	2	326.48	2	252.53	2	108.11
10.	Guarantee Commitment	2	224.70	2	132.36	1	22.98

**4.1.11** The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past five years are given in the graph below:

(Amount: Rupees in crore)



The budgetary outgo towards Equity, Loans and Grants/Subsidies increased from Rs 235.07 crore (2003-04) to Rs 992.38 crore (2008-09).

<sup>7</sup> These are the actual number of companies/ corporations which have received budgetary support in the form of equity, loans, grants and subsidy from the State Government during the year.

**4.1.12** Chhattisgarh State Electricity Board was provided with guarantees by the State Government for which guarantee fee at the rate of 0.50 *per cent* was charged. The guarantees outstanding decreased from Rs 429.30 crore in 2003-04 to Rs 22.98 crore in 2008-09. None of the PSU has paid any guarantee fee/commission to the State Government during 2008-09.

### Reconciliation with Finance Accounts

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

(Amount: Rupees in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	49.64	62.95	13.31
Loans	210.90	763.74	552.84
Guarantees	- <sup>8</sup>	22.98	- <sup>8</sup>

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

### Performance of PSUs

**4.1.15** The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in **Appendix-4.1.2, 4.1.5, 4.1.6** respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSUs turnover and State GDP for the period 2003-04 to 2008-09.

(Amount : Rupees in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Turnover <sup>9</sup>	31.95	354.88	3,015.23	3,709.55	4,493.73	4,773.05
State GDP <sup>10</sup>	38,610.00	45,999.00	51,921.00	57,782.00	67,455.00	80,698.41
Percentage of Turnover to State GDP	0.08	0.77	5.81	6.42	6.66	5.91

There is steady increase in aggregate turnover of State PSUs primarily due to increase in business activities in power sector which is in line with the steady growth of State GDP.

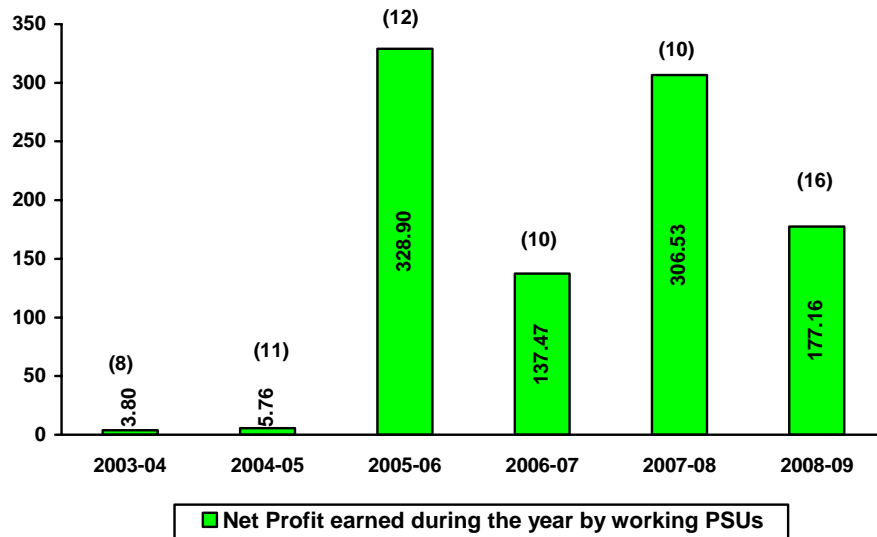
**4.1.16** Profit earned and losses incurred by State working PSUs during 2003-04 to 2008-09 are given below in a bar chart.

<sup>8</sup> Finance Accounts do not have company/corporation-wise details for guarantees outstanding.

<sup>9</sup> Turnover as per the latest finalised accounts as of 30 September 2009.

<sup>10</sup> The State GDP in respect of 2007-08 and 2008-09 are Advanced estimates.

(Amount: Rupees in crore)



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

During the year 2008-09, out of 16 working PSUs, six PSUs earned profit of Rs 184.36 crore and three PSUs incurred loss of Rs 7.20 crore. Six working PSUs prepared their accounts on a 'no profit no loss' basis as no commercial activity was started by these companies. One company namely Chhattisgarh *Rajya Beej Evam Krishi Vikas Nigam Limited* has not prepared even first annual account since its inception in October 2004. The major contributors to profit were Chhattisgarh State Electricity Board (Rs 136.94 crore), Chhattisgarh State Civil Supplies Corporation Limited (Rs 29.46 crore), Chhattisgarh *Rajya Van Vikas Nigam Limited* (Rs 11.72 crore) and Chhattisgarh State Warehousing Corporation (Rs 5.60 crore). The losses were incurred by Chhattisgarh State Industrial Development Corporation Limited (Rs 6.11 crore), Chhattisgarh Mineral Development Corporation Limited (Rs 0.81 crore) and Chhattisgarh Infrastructure Development Corporation Limited (Rs 0.28 crore).

**4.1.17** The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of Rs 284.59 crore and infructuous investments of Rs 0.14 crore which were controllable with better management. Year wise details from Audit Reports are stated below:

(Amount : Rupees in crore)

Particulars	2006-07	2007-08	2008-09	Total
Net Profit (+)/ loss (-) of working PSUs	137.47	306.53	177.16	<b>621.16</b>
Controllable losses as per CAG's Audit Report	57.49	216.82	10.28	<b>284.59</b>
Infructuous expenditure	-	-	0.14	<b>0.14</b>

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

**4.1.19** Some other key parameters pertaining to State PSUs are given below:

(Amount : Rupees in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Return on Capital Employed (Per cent)	7.49	5.03	20.56	14.35	22.76	14.38
Debt	1,058.28	1,021.81	958.71	2,277.16	3,108.27	2,861.68
Turnover <sup>11</sup>	31.95 <sup>12</sup>	354.88	3,015.24	3,709.55	4,493.73	4,773.05
Debt/ Turnover Ratio	33.12:1	2.88:1	0.32:1	0.61:1	0.69:1	0.60:1
Interest Payments	-	11.94	119.09	193.93	216.20	180.99
Accumulated Profits (losses)	4.48	10.77	319.28	451.76	728.52	836.89

**4.1.20** The Debt turnover Ratio decreased from 2.88:1 (2004-05) to 0.60:1 (2008-09). Accumulated profit-Debt ratio increased from 0.42 per cent (2003-04) to 29.24 per cent (2008-09). It shows that the performance of State PSUs is good enough to absorb the debt burden.

**4.1.21** The State Government had not formulated any dividend policy for payment of minimum return on the paid-up share capital contributed by the State Government. As per their latest finalised accounts, six PSUs earned an aggregate profit of Rs 184.36 crore of which only one PSU declared a dividend of Rs 0.12 crore as per the provisions of the relevant Act.

#### **Performance of major PSUs**

**4.1.22** The investment in working PSUs and their turnover together aggregated to Rs 7,736.10 crore during 2008-09. Out of 16 working PSUs, the following two PSUs accounted for individual investment *plus* turnover of more than five per cent of aggregate investment *plus* turnover. These two PSUs together accounted for 94.67 per cent of aggregate investment *plus* turnover.

(Amount : Rupees in crore)

PSU Name	Investment	Turnover	Total (2) + (3)	Percentage to Aggregate Investment plus Turnover
(1)	(2)	(3)	(4)	(5)
1.Chhattisgarh State Civil Supplies Corporation Limited	351.62	1,579.92	1,931.54	24.97
2.Chhattisgarh State Electricity Board	2,511.13	2,881.13	5,392.26	69.70
<b>Total</b>	<b>2,862.75</b>	<b>4,461.05</b>	<b>7,323.80</b>	<b>94.67</b>

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

#### **Chhattisgarh State Electricity Board**

**4.1.23** The profit has decreased from Rs 351.27 crore in 2002-03 to Rs 136.94 crore in 2004-05. The turnover has risen from Rs 2,041.03 crore in 2002-03 to Rs 2,881.13 crore in 2004-05. The return on capital employed has,

<sup>11</sup> Turnover of working PSUs as per the latest finalised accounts as of 30 September except for 2008-09 for which turnover is as per latest finalised account as on 11 September 2009.

<sup>12</sup> The turnover for 2003-04 does not include turnover of Chhattisgarh State Electricity Board as it had not finalised its account since bifurcation upto 30 September 2004.

however, declined from 29.87 *per cent* to 11.62 *per cent* during the period. The accounts of the Board were in arrears since 2005-06 as of September 2009.

#### **4.1.24 Deficiencies in implementation**

- There was delay in construction of 108 sub stations of 33/11 KV capacity as the work was undertaken on semi turnkey basis. Moreover, there was a delay in processing tender for construction of another 76 stations. The delay resulted in extra commitment of Rs 53.42 crore to the Board. (Para No. 6.2.19 of Audit Report 2006-07).
- The Board had not taken timely action to file the cases against the defaulting consumers for recovery of arrears which rendered the claims of Rs 1.78 crore time barred. (Para No. 6.2.3 of Audit Report 2004-05).

#### **4.1.25 Deficiencies in planning**

- The Board incurred additional financial commitment of Rs 57.77 lakh on construction of staff quarters due to improper assessment of requirement followed by delay in finalisation of orders. (Para No. 6.3.2 of Audit Report 2006-07).

#### **4.1.26 Deficiencies in Financial management**

- The Board kept huge surplus fund in term deposits with Banks on which the Board earned maximum interest at the rate of 8.34 *per cent*. On the contrary, the Board paid higher rate of interest on the borrowed fund which resulted in avoidable interest payment of Rs 2.23 crore. (Para No. 6.2.10 of Audit Report 2006-07).

#### **Chhattisgarh State Civil Supplies Corporation Limited**

**4.1.27** The loss of Rs 40.29 crore during 2003-04 turned into profit of Rs 29.46 crore during 2005-06. The turnover has risen from Rs 1,148.16 crore in 2003-04 to Rs 1,579.92 crore in 2005-06. The accounts of the Company were in arrears since 2006-07 as of September 2009.

#### **4.1.28 Deficiencies in implementation**

- The revised sale price of sugar was not implemented by the corporation in Chhattisgarh State till 31 December 2002 resulting in loss of Rs 57.52 lakh. (Para No. 6.2.4 of Audit Report 2003-04).

#### **4.1.29 Deficiencies in planning**

- The corporation procured levy sugar in excess which resulted in locking up of funds and consequent loss of interest and avoidable storage charges of Rs 64.29 lakh. (Para No. 6.2.3 of Audit Report 2003-04).

#### **Conclusion**

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



### Arrears in finalisation of accounts

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

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Number of Working PSUs	11	12	10	10	16
2.	Number of accounts finalised during the year	3	5	5	10	9
3.	Number of accounts in arrears	19	26	31	31	35
4.	Average arrears per PSU (3/1)	1.73	2.17	3.10	3.10	2.18
5.	Number of Working PSUs with arrears in accounts	8	12	10	10	13
6.	Extent of arrears	1 to 4 years	1 to 4 years	1 to 5 years	1 to 5 years	1 to 5 years

**4.1.32** From the above table it would be seen that the companies have not been finalising even one account in a year. Thus there was increase in arrears of accounts. Concrete steps to clear the accounts need to be taken. The main reason as stated by the companies for delay in finalisation of accounts was the books of accounts not closed/reconciled. It was observed that many organisations were formed after bifurcating from the erstwhile organisations in Madhya Pradesh and importance for timely preparation and finalisation of annual accounts was not given by the management.

**4.1.33** The State Government had invested Rs 2,777.43 crore (Equity: Rs 1.50 crore, loans: Rs 22.95 crore, grants: Rs 489.09 crore and others (subsidy): Rs 2,263.89 crore) in 7 PSUs during the years for which accounts have not been finalised as detailed in *Appendix-4.1.4*. In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

**4.1.34** The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed this year by the Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up (December 2008) with the Principal Secretary/Secretary to expedite the backlog of arrears in accounts in a time bound manner and also discussed in a meeting with Principal Secretary on 6 July 2009.

**4.1.35 In view of above state of arrears, it is recommended that:**

- The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.
- The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.

**Accounts Comments and Internal Audit**

**4.1.36** Five working companies forwarded their audited (five) accounts to Accountant General during the year 2008-09. All the accounts of five companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts can be improved. The details of aggregate money value of comments of statutory auditors and CAG are given below:

(Amount: Rupees in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Increase in profit	1	5.13	1	6.45	2	0.98
2.	Decrease in profit	1	0.04	-	-	3	1.04
3.	Increase in loss	-	-	1	0.92	-	-
4.	Decrease in loss	-	-	-	-	-	-
5.	Non-disclosure of material facts	1	0.20	1	7.57		
<b>Total</b>			<b>5.37</b>		<b>14.94</b>		<b>2.02</b>

Number of accounts on which comments were made increased from three (2006-07) to five (2008-09). However, money value of the comments decreased from Rs 5.37 crore (2006-07) to Rs 2.02 crore (2008-09).

**4.1.37** During the year, the statutory auditors had given qualified certificates for four accounts. The compliance of companies with the Accounting Standards (AS) was satisfactory as there was only one instance of non-compliance with AS-15 during the year.

**4.1.38** Some of the important comments in respect of accounts of companies are stated below:

***Chhattisgarh State Industrial Development Corporation Limited (2003-04)***

- The liability of Rs 15.98 lakh shown towards interest on bonds (Rs 10.37 lakh payable to LIC of India and Rs 5.61 lakh to SBI) should have been written off through proper procedure as there was no demand from LIC and SBI.
- The interest does not include Rs 93.40 lakh towards interest accrued but not due on SLR Bonds and other borrowings. This resulted in understatement of Loss for the year and Current Liabilities to that extent.

**Chhattisgarh State Beverages Corporation Limited (2006-07)**

- The purchases were overstated by Rs 15.26 lakh as the material received in previous year were recorded in current year, thereby understating profit of the Current year.
- No provision of gratuity was made by the corporation in the financial statements of the year as per Accounting Standards (AS)-15, resulting in not compliance with the AS-15.

**Chhattisgarh Rajya Van Vikas Nigam Limited (2006-07)**

- The company has paid only Rs 26.66 lakh against a claim of Rs 8.70 crore from LIC towards the Group Gratuity Policy liability upto 2006-07 and of Rs 1.14 crore towards the annual premium of group gratuity for the year 2007-08. The company has neither provided for the balance amount in its accounts nor disclosed the same as “claims not acknowledged as debts” in the notes forming part of the accounts.

**4.1.39** Similarly, two working statutory corporations forwarded their four accounts to Accountant General during the year 2008-09. Of these four accounts, accounts of Chhattisgarh State Electricity Board (statutory corporation) pertained to sole audit by CAG which was completed. Of the remaining three accounts of Chhattisgarh State Warehousing Corporation, all the accounts were selected for supplementary audit. The details of aggregate money value of comments of statutory auditors and CAG are given below:

(Amount: Rupees in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	-	-	1	1.74	3	3.71

**4.1.40** During the year, out of four accounts, three accounts received qualified certificates.

**4.1.41** Some of the important comments in respect of accounts of Statutory corporations are stated below:

**Chhattisgarh State Warehousing Corporation (2004-05)**

- The corporation has not made provision for leave encashment on the basis of actuarial valuation as prescribed in the AS-15.

**Chhattisgarh State Warehousing Corporation (2006-07)**

- The corporation has not paid, provided by/ recovered service tax on handling and transportation (H&T) services rendered to Food Corporation of India. The quantum of unpaid service tax for financial year 2005-06 and 2006-07 was Rs 99.35 lakh and interest liability up to 31 March 2007 was Rs 11.43 lakh.

**Recoveries at the instance of audit**

**4.1.42** During the course of audit in 2008-09, recoveries of Rs 1.08 crore were pointed out to the Management of various PSUs, of which, recoveries of

Rs 0.23 crore were admitted by PSUs. An amount of Rs 0.02 crore was recovered during the year 2008-09.

### Status of placement of Separate Audit Reports

**4.1.43** The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations, in the State Legislature.

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Chhattisgarh State Electricity Board	-	2001-02	8.12.2006	-
		-	2002-03	25.4.2008	-
		-	2003-04	1.4.2009	-
2.	Chhattisgarh State Warehousing Corporation	2003-04	2004-05	29.6.2009	-

The Board stated that Electricity Act, 2003 does not contain any provision for placing the SAR of the erstwhile Board in the Legislature. Non-placement of SARs weakens the legislative control over Statutory corporations and dilutes the latter's financial accountability. The Government should ensure prompt placement of SARs in the Legislature.

### Disinvestment, Privatisation and Restructuring of PSUs

**4.1.44** The process of unbundling of Chhattisgarh State Electricity Board was completed as per the Electricity Act, 2003. The Board was unbundled on 30 December 2008 into five companies (CSPDCL, CSPHCL, CSPGCL, CSPTCL, CSPTCL) with effect from 1 January 2009. Allocation of assets and liabilities is under process.

### Reforms in Power Sector

**4.1.45** The State has formed Chhattisgarh State Electricity Regulatory Commission (Commission) in October 2001 under Section 17 of the erstwhile Electricity Regulatory Commission Act, 1998 with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licences. During 2008-09, Commission issued 29 orders (None on annual revenue requirements and 29 on others).

**4.1.46** Memorandum of Understanding (MoU) was signed in May 2000 between the Union Ministry of Power and the State Government (MP) as a joint commitment for implementation of reforms programme in power sector with identified milestones. However, no MoU was signed between the Union Ministry of Power and State of Chhattisgarh after formation of Chhattisgarh State in November 2000 bifurcating erstwhile Madhya Pradesh under Madhya Pradesh reorganisation Act. Hence the implementation of reforms programme and achievement of identified milestones could not be assessed.

### Discussion of Audit Reports by COPU

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

Period of Audit Report	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
2001-02	-	2	-	1
2002-03	-	7	-	2
2003-04	-	8	-	8
2004-05	-	3	-	3
2005-06	1	5	-	1
2006-07	1	5	-	-
2007-08	1	5	-	-
<b>Total</b>	<b>3</b>	<b>35</b>	<b>-</b>	<b>15</b>

**4.1.48** The matter relating to clearance of backlog of reviews/ paragraphs was taken up with the Secretary, Chhattisgarh Vidhan Sabha in March 2009 and discussed with Chairman, COPU in July 2009.

## **4.2 Performance review relating to Government Company**

### **Chhattisgarh Rajya Van Vikas Nigam Limited**

#### **4.2.1 Introduction**

The Chhattisgarh *Rajya Van Vikas Nigam Limited* (Company) was incorporated (May 2001) as a fully owned Government Company with paid up capital of Rs 6.54 crore<sup>1</sup> on bifurcation from Madhya Pradesh *Rajya Van Vikas Nigam Limited*. The main objectives of the Company are to accelerate and increase forestry production by developing land, raising plantations, felling of trees, marketing of forest products and to promote the participation of companies and firms in the development of forest based industries.

The main activities of the company are acquisition of forest land; establishment of nurseries; raising of plantation and exploitation; protection and scientific management of forest areas transferred to it; intensive plantation of teak and bamboo for improving the quality and productivity of the forests; rehabilitation of mined areas by intensive plantation of miscellaneous species and grasses and marketing of forest produce obtained from forestry operation.

Management of the company is vested in a Board of Directors (BOD) consisting of 11 Directors including a Managing Director who is the Chief Executive. He is assisted by one Executive Director in the corporate office, two Regional General Managers in two<sup>2</sup> regional offices and seven Divisional Managers. The company has six<sup>3</sup> project divisions and an Industrial Plantation Division (IPD) at Korba, which undertakes plantation work of other organisations against advance deposited.

#### **4.2.2 Scope of Audit**

The present review conducted during April-June 2009 covers the overall performance of the company during 2004-09. Four<sup>4</sup> out of seven divisions, both the regional offices and the corporate office were selected for audit scrutiny, on the basis of volume of plantation and exploitation activities carried out. Out of 22,023 ha plantation done by the company during the period of review the selected divisions covered 9,917 ha (45.03 *per cent*). Similarly out of 1.33 lakh cubic metre (CMT) timber exploited by the company during the period of review, the selected divisions contributed 0.46 lakh CMT (34.59 *per cent*).

#### **4.2.3 Audit objectives**

The performance review was conducted to assess whether:

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<sup>1</sup> Chhattisgarh Government Rs 5.62 crore and Central Government Rs 0.92 crore

<sup>2</sup> Raipur and Bilaspur.

<sup>3</sup> Barnawapara (Raipur), Panabaras (Rajnandgaon), Antagarh (Bhanupratappur), Kawardha (Kawardha), Kota (Bilaspur) and Sarguja (Ambikapur).

<sup>4</sup> Project division at Barnawapara, Panabaras, Sarguja and Industrial Plantation Division at Korba.

- the land was selected as per prescribed procedure and optimally utilised for plantation;
- the activity of raising plantations of fast growing, higher economic value and diversified use was planned properly;
- funds were available for plantation activities and utilised judiciously;
- all the plantation activities *i.e.* raising of root-shoots in nursery, plantation, thinning and felling operations are carried out as prescribed in the working plan; and
- the internal control mechanism was adequate.

#### 4.2.4 Audit criteria

The audit criteria were derived from the:

- Memorandum and Articles of Association of the company;
- National/State Forest Policy, National Working Plan Code, decisions/directions/guidelines of the BOD and the State Government;
- Forest (Conservation) Act, 1980, Forest (Conservation) Rules, 1981 and Forest (Conservation) Amendment Act, 1988; and
- Targets/provisions made in working /annual plan of operations;

#### 4.2.5 Audit Methodology

Audit followed the following methodologies:

- analysis of working plans, targets, proposal of land acquisition and survey reports;
- scrutiny of plantation Journal, Nursery Journal and technical guidelines;
- analysis of agenda and minutes of board of Directors;
- analysis of agreement for deposit work and document of sale of forest produces; and
- Interaction/ discussion with the personnel of the company.

#### 4.2.6 Financial position and working results

The financial position and working results of the Company for last four years up to 31 March 2008 are given in *Appendix-4.2.1*. The summary position is stated below:

(Rupees in crore)

Particulars	2004-05	2005-06	2006-07	2007-08
Capital plus Reserves & Surplus	17.44	19.82	28.57	40.37
Liabilities	49.48	51.10	62.47	64.36
Assets	66.92	70.92	91.04	104.73
Income	27.45	24.31	28.67	22.15
Expenditure	16.61	20.13	24.12	8.66
Profit	10.84	4.18	4.55	13.49

The revenue of the company was Rs 102.58 crore during 2004-08 against which it incurred expenditure of Rs 69.52 crore resulting in aggregate net

profit of Rs 33.06 crore. The major revenue was from Nationalised species<sup>5</sup> (Rs 55.29 crore) and non-nationalised species (Rs 28.03 crore) whereas the major expenditure was on plantation, exploitation, conversion and transportation work (Rs 65.52 crore).

### **Audit findings**

The Audit findings were reported to the Management/Government in August 2009. The Management/Government have furnished their replies (September 2009). The exit conference was held on 7 October 2009 with the Secretary (Forest Department), Government of Chhattisgarh and the Managing Director of the Company. The audit findings are discussed in the succeeding paragraphs.

#### **4.2.7 Acquisition and utilisation of land**

Chhattisgarh State has 59.77 lakh hectare (ha) of forest land. The company has total lease holding of 1.98 lakh ha consisting of 1.46 lakh ha that was available as on the date of formation and 0.64 lakh ha acquired during May 2001 to June 2008. It had returned (June 2007) 0.12 lakh ha land to Forest Department. The details regarding acquisition and utilisation of land are given in *Appendix-4.2.2*.

##### **4.2.7.1 Absence of clear policies and procedures for acquisition of land**

The company has not signed any Memorandum of Understanding (MoU) with the State Government laying down clear policy and detailed procedure specifying the criteria for selection of land, time frame for transfer of land by the State Government, registration of lease deed, rate of lease rent payable and due date for lease rent payment. The Chhattisgarh State Forest Policy (2001) has not prescribed the percentage of the area of forest land to be transferred to the company.

It was observed that:

- The land so far acquired by the company represents only 3.30 *per cent* of the total forest land of the State.
- The company submitted (2004 and 2006) two proposals for transfer of 17,300 ha land in Kendra Range of Bilaspur District (9,900 ha) and Balod and Dalli Rajhara of Durg District (7,400 ha). However, the proposals were not accepted by the Government on the grounds that the density of trees in some areas was more than the prescribed limit of 40 *per cent*, some areas were included in the Amarkantak Sanctuary and in some areas the work was already being carried out by the Forest Department. Audit noticed that out of 17,300 ha land for which proposals were submitted 16,493 ha land did not fulfill the criteria/grounds mentioned by the Government. However, the remaining 807 ha of land was also not transferred.
- Out of 11,643.35 ha of land transferred to the company in 2003-04 for Kawardha Project, 1,351.56 ha land was returned (August and October 2008) on the request of Forest Department due to administrative

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<sup>5</sup> This includes teak, bija, tinsa and sisem and the rest are non-nationalised species.



reasons. The company had incurred an expenditure of Rs 13.72 lakh towards plantation of teak on the land. The company has not taken up the matter with the Forest Department for recovery of Rs 13.72 lakh. The specific administrative grounds on which the said land was returned were also not on record.

The Management stated that the land was returned to Forest Department for better protection of forest area. However, the expenditure of Rs 13.72 lakh is yet to be recovered.

It is evident from the above that there was no clear framework/norms for the land transfers. Management stated (June 2009) that the proposals for transfer of land are decided by the State Government on certain criteria like degraded forest (less than 0.5 density), proximity to existing divisions, suitability for plantation activities etc. However, such criteria were not documented in any policy/agreement. Consequently the process of land acquisition was not governed by an agreed framework and the transactions were getting finalised based on subjective decisions taken in each individual case.

Government replied (September 2009) that pursuant to the observation of audit, the company has submitted a request for framing clear guidelines and procedures for transfer of forest land, which would be issued by the Government in near future.

#### **4.2.7.2 Utilisation of land**

Out of 1.98 lakh ha of the forest land available with the company as of June 2008, 1.49 lakh ha was due for treatment/utilisation as per working plan up to June 2008. The actual utilisation was 1.23 lakh ha (2007-08) giving a shortfall of 0.26 lakh ha (17.73 *per cent*). Out of 0.26 lakh ha land pending for treatment, 0.05 lakh ha land in respect of Sarguja and Kawardha divisions was available for treatment since September 2003 and the remaining 0.21 lakh since the inception of the company.

**Low  
utilisation of  
land to the  
extent of  
67.35 *per*  
*cent***

The Government transferred 20,191.44 ha land to Sarguja project division on its formation (12 September 2003). The working plan (2004-05 to 2013-14) provided that the division should have utilised/treated an area of 6849.02 ha up to 2007-08 whereas it had utilised/treated 2235.97 ha (32.65 *per cent*). Audit observed that the company has not formed Joint Forest Management Committees (JFM) involving local people in any of its divisions as envisaged in the State Forest Policy 2001.

The Government replied (September 2009) that the low utilisation was due to non-cooperation and agitation of the local people and agreed that they need to be involved in the working of company through JFM and a proposal for introduction of JFM in forest areas under *Nigam*, by involving people and sharing of profit, is under active consideration of the State Government.

It is evident from above that there was ample scope to streamline the operations and also involve the locals through JFM.

## 4.2.8 Planning

### 4.2.8.1 Delay in preparation and submission of working plan

As per Forest (Conservation) Act, 1980, Forest (Conservation) Rules, 1981 and Forest (Conservation) Amendment Act, 1988, prior approval of Government of India is mandatory for all proposals involving clearing/working in forest areas including reforestation, for which working plan/managerial plans are to be submitted to Government of India, Ministry of Environment and Forests for permission to carry out the regeneration, plantation, demarcation and fire protection works.

Audit scrutiny revealed that the working plan for the years 2008-09 to 2018-19 was not prepared (June 2009) in Panabaras Project division. The Government replied (September 2009) that delay in the preparation of the plan was because of severe naxalite activities in the project division area. In future steps will be taken to prepare the Working Plan in time. The reply is not convincing as the land utilization in Panabaras division was 97 per cent which indicated that it should have been possible to prepare plans.

### 4.2.8.2 Man power management

The company, at the time of formation (May 2001), had 705 sanctioned posts which were subsequently revised (September 2008) to 723. The actual working strength of company as on 31 March 2009 was 605.

Audit scrutiny revealed the following deficiencies in man power management:

- Though the company, as a whole, was suffering from a shortage of staff, as on 31 March 2009 some divisions/offices were having excess staff in six out of 30 cadres, while some other divisions/offices were facing shortages in the same cadres as detailed below:

Sl. No.	Name of office	Deputy Manager	Assistant Manager (Accounts)	Project Range Officer	Accountant	Driver	Messenger
		E(+)/S(-)	E(+)/S(-)	E(+)/S(-)	E(+)/S(-)	E(+)/S(-)	E(+)/S(-)
1.	Head office	-2	1	0	0	-2	0
2.	Regional office Raipur	1	0	-1	1	-1	0
3.	Regional office Bilaspur	0	0	-1	0	0	0
4.	Barnawapara	0	-1	-3	0	2	2
5.	Panabaras	-1	0	-4	0	1	3
6.	Kota	-1	0	-2	-2	2	-2
7.	Antagarh	0	0	-4	1	0	0
8.	Kawardha	-1	0	0	0	-1	-1
9.	Sarguja	0	-1	1	-2	0	-1
10.	Industrial Plantation Division, Korba	-1	0	2	-1	-1	-1

Audit observed that one Deputy Manager was working in Regional office at Raipur without sanction. In Sarguja division one post of Assistant Manager Accounts (AM) was vacant since January 2008 whereas in HO one post of AM was in excess since January 2008. Similarly in IPD Korba five Project Range Officers (PRO) were working against the sanctioned strength of three whereas in Antagarh and Panabaras four PRO posts each were vacant, in Barnawapara, three PRO posts were vacant and in Kota two PRO posts were vacant. The excess staff should have been deployed in deficit divisions.

- Large number of employees *i.e.* 230 out of 605 employees (38 per cent) belong to the age group of 55 years and above of which 185 are having the experience in the field of plantation etc. and will be retiring in the next five years. Retirement of most of the experienced staff may have an impact on working of the company as successful plantation requires practical field experience.

Management stated (October 2009) that a new Service Manual is being prepared which will have provisions for all administrative and technical matters. It was further stated that any anomalies in posting will be removed during the transfer season and timely action will be taken to fill up the vacant posts through recruitment/promotion/deputation.

## 4.2.9 Financial management

### 4.2.9.1 Sources and utilisation of funds

The activities of the company are managed from its own revenues which are generated primarily from sale of forest produce. It had profits during the period of audit and did not borrow any funds. The sources and utilisation of funds for the four years ending 31 March 2008 are given below:

(Rupees in crore)

Particulars	2004-05	2005-06	2006-07	2007-08
<b>Sources</b>				
Income from Timber, logs poles plants etc.	25.53	19.84	23.03	16.32
Other income				
Agency commission	0.38	0.32	0.58	0.20
Interest	1.13	3.83	4.56	5.32
Others income	0.42	0.32	0.50	0.31
Increase/decrease in stock	5.18	1.86	(-) 4.97	1.63
<b>Total</b>	<b>32.64</b>	<b>26.17</b>	<b>23.70</b>	<b>23.78</b>
<b>Utilisation</b>				
Exploitation, conversion, and transportation etc.	20.95	21.25	18.08	8.93
Employees remuneration	0.59	0.51	0.87	1.00
Others	0.26	0.23	0.20	0.36
<b>Total</b>	<b>21.80</b>	<b>21.99</b>	<b>19.15</b>	<b>10.29</b>
<b>Profit</b>	<b>10.84</b>	<b>4.18</b>	<b>4.55</b>	<b>13.49</b>

The expenditure on plantation, maintenance and nursery (Regeneration expenditure) incurred during 2004-05 –Rs 7.98 crore, 2005-06 –Rs 1.46 crore,

**Parking of funds to the extent of Rs 65.21 crore in banks instead of utilising in plantation activities**

2006-07 –Rs 1.98 crore and 2007-08 –Rs 9.86 crore had been capitalised as per the accounting policy of the company. The total expenditure on plantation, maintenance, nursery, exploitation, conversion and transportation had substantially reduced from Rs 28.93 crore in 2004-05 to Rs 18.79 crore in 2007-08 whereas the income from interest on term deposits and savings accounts increased from Rs 1.13 crore in 2004-05 to Rs 5.32 crore in 2007-08. The term deposits held in bank as on 31 March 2008 were Rs 65.21 crore. It was also noticed that the reduction of income during the year 2007-08 was mainly on account of non-exploitation due to naxal activities in Antagarh division and due to fixation of low target of exploitation in Kota division, where substantial exploitation had been done in the previous year.

Since the main objective of company was raising and upkeep of plantations, the reduction of expenditure on plantation, maintenance etc. indicated lower level of activity which was not in consonance with the objectives. Moreover, the retention of large amounts in term deposits fetching interest at 9 to 10 *per cent per annum* instead of utilising the same in plantation activities where the average rate of return (excluding interest income) was 15.85 *per cent*<sup>6</sup> was not financially prudent.

Government replied (September 2009) that the company has always strived to achieve the plantation targets and the same is subject to constraints like naxal problems and no plantation activity had been curtailed on the grounds of non-availability of funds.

#### 4.2.9.2 Lack of budgetary control

The company prepares annual budget detailing therein sales and head wise expenditure in respect of operational, trading and other activities considering the estimates prepared by the divisions based on working plan/ annual plan and physical and financial targets.

Audit scrutiny revealed that:

- The budget is being revised every year based on actual performance from April to December and expected performance from January to March. However, the actual income and expenditure is not being assessed by the company and therefore not being compared against the budget. There was large variation between budgeted surplus and actual profit as depicted below:

(Rupees in crore)

Year	Income			Expenditure			Surplus		
	Budget	Actual	Excess/shortfall	Budget	Actual	Excess/shortfall	Budget	Actual	Excess/shortfall
2004-05	47.68	32.64	(-) 15.04	30.25	21.80	(-) 8.45	17.43	10.84	(-) 6.59
2005-06	46.80	26.17	(-) 20.63	46.20	21.99	(-) 24.21	0.60	4.18	(+) 3.58
2006-07	65.03	23.70	(-) 41.33	48.02	19.15	(-) 28.87	17.01	4.55	(+) 12.46
2007-08	40.38	23.78	(-) 16.60	38.48	10.29	(-) 28.19	1.90	13.49	(+) 11.59

<sup>6</sup> Source: Appendix-6.2 of Audit Report (Civil & Commercial) for the year 2007-08 of Government of Chhattisgarh.

**Huge variation between budgeted surplus and actual surplus.**

On being pointed out, the Government replied (September 2009) that the budgetary estimates prepared and submitted to the Board of the Directors of the *Nigam* have been indicated that the 'Surplus' worked out in the estimates is subject to the Surplus of revenue over expenditure of Crop-I (referred to as lease rent) payable to the Forest Department of the State Government. Thus, the company should prepare budget in such a way that it can be compared with the actuals and used for preparation of subsequent budgets on realistic basis.

- It was also observed that there was delay ranging from 42 to 83 days in conveying the approved annual budget to divisions. The Government replied (September 2009) that the targets for forestry operations are reviewed at various levels from time to time and are revised as per the conditions in the forests and the same are executed as per the approved job rates only and hence any delay in communication of budgets to the divisions does not hamper the progress of works of the divisions. Such delays tend to dilute budgetary discipline and control and should be avoided.

#### **4.2.9.3 Delay in remittance of dues to Forest Department**

As per existing arrangement, the company remits the sale proceeds of Crop- I<sup>7</sup> after adjusting expenses to the Forest Department. It was observed that there was no agreed time schedule for remittance of these dues and company remitted Rs 10 crore in March 2009 against the dues of Rs 19.50 crore for the year 2006-07 although funds were available.

On being pointed out by audit, the Management has remitted (August and September 2009) the dues to Forest Department amounting to Rs 9.50 crore pertaining to the year 2006-07. There is a need to establish a system for expeditious remittance of dues to the Government.

### **4.2.10 Plantation activities**

The company undertakes the plantation of teak, bamboo and miscellaneous species. It also undertakes *Jetropha* plantation on behalf of State Government under National Rural Employment Guarantee Scheme (NREGS). Teak/bamboo plantation is done using root-shoots/ rhizomes which are grown in the nurseries maintained by each division. Root-shoots are categorised as standard, medium and under size. Standard size is used for plantation as well as replacement of dead root-shoots planted in previous year, medium size are retained in bed till next year for growth up to standard size and under size are destroyed or sold.

#### **4.2.10.1 Performance of Nurseries**

During 2004-08 the company has been operating seven nurseries wherein the company had produced 5.99 crore root-shoots using 0.95 lakh beds (excluding Manendragarh division). The average production was 631 root-shoots per bed. On the basis of targets fixed for plantation of teak each year, Company decides the quantity of root-shoots to be prepared in the nurseries of each division. Root-shoots are prepared out of teak plants germinated from seeds. For raising plants of good quality, seeds are purchased from *Van Suraksha* Samiti as well

<sup>7</sup> Standing natural forest which belongs to the Forest Department of State Government

as from the open market and, after treatment, the seeds are sown for germination in April/May each year in beds of 10 x 1 meter size. Plants grow in these beds by June/July of the next year. The selected divisions of the company had four nurseries which had produced 3.42 crore root-shoots against the target of 4.49 crore root-shoots during the period from 2004-05 to 2008-09.

Audit scrutiny of performance of nurseries under various divisions of the company revealed the following deficiencies.

***Less production of standard root- shoots***

Short  
production  
of  
standard  
size root-  
shoots  
compared  
to the  
norm

As per the norms fixed by the company a minimum of 700 standard size root-shoots were to be produced from each bed. It was observed that during 2004-08 the actual average production of standard size root-shoots was 381 per bed. The resultant shortfall in production was 2.93 crore root-shoots (details in ***Appendix-4.2.3***). Analysis of the low production in Sarguja Project division revealed that as per soil test reports, enrichment was essential but the nursery went ahead with production of root-shoots without enrichment of soil in 2007 and 2008. This resulted in less production of 31.80 lakh standard size root-shoots during the period.

The Management stated (October 2009) that revised guidelines would be issued regarding production of root-shoots in the nursery.

***Non-accounting of root-shoots***

Inter  
division  
transfer of  
root-shoots  
were not  
reconciled

In the divisions where the required number of standard sized root-shoots are not available due to shortfall in production, they are transferred from other divisions having surplus. The company does not have any system of accounting and reconciling the inter divisional transfers. According to the information furnished to audit, during the period 2004-08, four divisions<sup>8</sup> had transferred 47.74 lakh root-shoots to other divisions. However, only two divisions<sup>9</sup> had indicated the receipt of 15.62 lakh root-shoots. There was an unreconciled difference of 32.12 lakh root-shoots which would have to be reconciled with the records of all divisions. Since a substantial portion of root-shoots are being transferred and keeping in view the large difference, it is essential to establish a system of proper accounting and reconciliation of inter divisional transfers.

On being pointed out by Audit, the company has prescribed a new format for accounting and reconciliation of root-shoots. It also did the reconciliation of production and disposal of root-shoots by various project divisions for the period 2004 to 2008.

***Use of medium and undersized root-shoots***

The Company's Technical Guidelines (2001) prescribe that only standard size root-shoots should be used for plantation. Audit scrutiny revealed that Sarguja division had utilised 5.58 lakh medium and undersize root-shoots during 2006-08 and the Barnawapara division had utilised 1.17 lakh and 1.37 lakh medium size root-shoots for plantation in the year 2004-05 and 2007-08

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<sup>8</sup> Barnawapara , Kota, Antagarh and Panabaras

<sup>9</sup> Sarguja and Panabaras

respectively in contravention of the norms of the company. It was also observed that the casualty rate was 34 *per cent* in Sarguja and 27 *per cent* in Barnawapara division in the year 2005-06 as against the prescribed norms of 20 *per cent*. The use of medium and under sized root-shoots may have contributed to the high casualty.

The Management stated (October 2009) that revised guidelines regarding use of root-shoots in the plantation would be issued separately. It was also stated that the Sarguja Project Division has utilized undersized root-shoots for raising pre-sprout plants in poly-bags for casualty replacement in 2008, which is not direct plantation and is not prohibited. However, the details of utilisation of under size root-shoots for pre-sprout plants in poly-bags were not on record.

#### **4.2.10.2 Performance of plantations**

##### ***Inadequate re-plantation in the areas of failed bamboo and teak plantations***

**Replantation was not carried out in 41.94 per cent of failed areas**

Out of 13,429 ha of available bamboo plantations in three<sup>10</sup> divisions, 10,710 ha (79.75 *per cent*) had been classified as unsuccessful by the respective division and out of 8,238 ha of available teak plantations in Kota division, 2,646 ha (32.12 *per cent*) had been classified as unsuccessful as the existing forest cover had fallen below 40 *per cent*. It was observed that against the available failed area of 13,356 ha, teak replantation was done in 7,755 ha (58.06 *per cent*) at a cost of Rs 6.38 crore. Therefore, replantation was not carried out in as much as 41.94 *per cent* of the failed plantation areas. The reason for not carrying out the plantation in the remaining failed plantation areas was not on record. Since the company had surplus funds and the expenditure on plantations and other operational activities had shown a steep decrease (para 4.2.9.1), it was evident that there was ample scope to increase the operations.

The Government replied (September 2009) that the plantation targets depend only on availability of suitable area as per working plan prescriptions. The reply indicted that there was a need to review and include the areas of failed plantations in the working plans, so that the surplus funds with the company could be utilised for plantations.

#### **4.2.10.3 Jetropha plantation**

Jetropha has emerged as a major biofuel because of its high oil content. Looking at future trends towards increased use of biofuels instead of hydrocarbons, Chhattisgarh State had planned to go in for mass scale Jetropha plantations on barren/open common lands. The plantations are being done under the National Rural Employment Guarantee Scheme (NREGS). The company is one of the implementing agencies for doing Jetropha plantation and receives funds from Chhattisgarh Biofuel Development Authority, Chhattisgarh Government (CBDA) and Zilla Panchayats (NREGS funds). The CBDA, the Nodal Agency for implementation of Jetropha project, had fixed a target of five crore plantations for the company during 2005-07 against which the achievement was 4.55 crore plants.

<sup>10</sup> Baranawapara , Panabaras and Kota.

The shortcomings relating to Jetropha plantations are discussed in succeeding paragraphs:

***Inordinate delay in preferring claim***

The CBDA had fixed a target of three crore Jetropha plantation for the year 2007-08. The company had prepared 2.94 crore seedlings of Jetropha plants and utilised 2.80 crore seedlings and remaining 14 lakh were kept in stock. CBDA had asked (November and December 2007) the company to submit proposal for maintenance expenditure on unutilised seedlings. The company submitted the proposal for Rs 15.46 lakh in May 2008 and the same was rejected by CBDA due to delay. This resulted in non-recovery of Rs 15.46 lakh.

The Government replied (September 2009) that as the expenditure on maintenance of the unutilised seedlings was done from the allotments received for preparation and plantation of these plants under various schemes, there is no question of recovery from CBDA. The reply is not convincing as the very fact that the company had submitted a proposal showed that it had expected to recover the amount from CBDA.

***Execution of work without approval***

The Chief Executive Officer (CEO) of Sarguja Zilla Panchayat (ZP), Ambikapur enhanced (June 2007) the Jetropha plantation target of Sarguja Project division for the year 2007-08 and instructed it to submit a proposal for administrative approval of the enhanced portion. Accordingly, the division submitted (5 July 2007) a proposal for Rs 23.38 lakh and carried additional above work amounting to Rs 19.25 lakh in September 2007. The ZP has neither given the sanction nor made the payment (June 2009).

The Government replied (September 2009) that the plantation has been carried out from the funds received under NREGS for other Jatropa plantations. However, the case is required to be pursued with the ZP to get the administrative approval and reimbursement.

***4.2.10.4 Deposit work***

IPD, Korba undertakes plantation activities of other organisations such as South Eastern Coalfields Limited (SECL), NTPC Limited, Chhattisgarh State Electricity Board (CSEB), Bhilai Steel Plant (BSP) etc. as deposit work. It does not carry out its own plantations and deploys all its staff for executing deposit works. The Division collects supervision charges in addition to the actual expenditure incurred on plantations. Out of total deposits works of Rs 29.06 crore undertaken by the company during the period of review IPD, Korba contributed Rs 21.96 crore (75.57 per cent). Audit scrutiny revealed the following shortcomings in its operation.

***Excessive casualty of plants***

During the period from 2003 to 2006 the IPD, Korba had taken up plantation activities at Hirri mines of Bhilai Steel Plant (BSP) at a cost of Rs 65.66 lakh. Audit scrutiny revealed the survival of plants ranged between zero and 60 per cent as against the agreed survival rate of 80 per cent. As a result, BSP withheld an amount of Rs 25.73 lakh towards excess casualty.



The Government replied (September 2009) that action is being initiated against officers responsible. It was also stated that the expenditure on plantation is less than the receipt and the company has not incurred any expenditure from its funds. However, the company would have received additional payment of Rs 25.73 lakh if the survival had been over 80 *per cent*.

#### ***Pending payments for plantation works***

It was ascertained that against the aggregate expenditure of Rs 7.31 crore on plantation work carried out during 2004 to 2007, the company had received an amount of Rs 6.33 crore leaving unpaid balance of Rs 98.15 lakh. While the division furnished a statement of such pending payments, the related files and records were not furnished. Consequently, audit could not examine whether the division had a suitable control mechanism to monitor the payments. It was observed that the Board of Directors had decided (September 2001) to levy interest at 18 *per cent* per annum for delays in receiving funds and incorporate a suitable clause in subsequent agreements. However, the requisite clause has not been included.

Had such a clause been incorporated, as directed by the Board of Directors, the pending payment of Rs 98.15 lakh would have earned an interest of Rs 24.09 lakh as on 31 March 2009.

On being pointed out by audit, unpaid amount of Rs 72.34 lakh was recovered. However, the fact remains that the company has not incorporated suitable clause in agreements to levy interest @ 18 *per cent* per annum for delays in receiving funds.

#### ***Uneconomic operation***

A review of the income and expenditure revealed that the IPD is running at a loss since 2004. During the period from 2004-05 to 2007-08, as against the expenditure of Rs 3.07 crore on salary and establishment, the income from supervision charges was Rs 2.43 crore resulting in loss of Rs 64 lakh. Since, the execution of plantation works on behalf of other organisations is not one of the main objectives of the company and is generating persistent losses, the company is required to examine the alternatives to make the division economically viable or explore the possibilities of discontinuing deposit works.

The Government replied (September 2009) that the company would examine alternatives to make the Industrial Plantation Division economically viable.

### **4.2.11 Exploitation**

Exploitation denotes thinning and felling of teak and bamboo. Teak plantations are maintained every year up to three years, cleaning is done in the fifth year and thinning<sup>11</sup> is done in the 11, 21, 31, 41 and 45 and final harvesting (felling) in 60<sup>th</sup> year. In an area of one ha of land, 2,500 teak plants are planted. In the thinning process a fixed number of trees per ha are retained and the balance removed. The removal of trees ensures proper growth and development of retained trees till next thinning. In case of bamboo, felling is

<sup>11</sup> *Thinning involves cutting branches and trees to reduce the number of stems/plants per unit area, to ensure improved growth, better hygiene and higher production.*

done in the 8<sup>th</sup> year and every 4<sup>th</sup> year thereafter up to the 40<sup>th</sup> year. The thinned/felled trees are graded as logs, poles and stacks and sold by auction. The total exploitation of teak done by the company was 1.33 lakh CMT of timber against the target of 1.18 lakh CMT.

### ***Postponement of thinning***

Revenue foregone due to unsuitability of plantations for thinning Rs 1.50 crore

In Barnawapara division, thinning of 11<sup>th</sup> year and 21<sup>st</sup> year was to be carried out in 7,968 ha teak plantation but this was not done in 1,598 ha (20.06 per cent). This resulted in foregoing of revenue to the extent of Rs 1.50<sup>12</sup> crore (net of expenditure) as projected in the working plan and the area was transferred to plantation improvement circle for plantation.

The Government replied (September 2009) that in some plantations where growth of trees is less than the expected growth as per the yield tables, thinnings are not required. Of the 13 plantation journals for the compartments where thinning was not done, only four were furnished in incomplete form for scrutiny. Therefore, the reasons for cancelling the thinning could not be examined in totality by audit.

### ***Non-insurance of stock at depot on yearly basis***

The company followed the practice of taking insurance cover on forest produce, against fire, during January to July each year when there was risk of fire. However, after the naxalities had burnt (October 2005) fuel stacks valuing Rs 12.75 lakh kept in a depot of Panabaras division, the company decided to take insurance cover for all naxal affected areas for the whole year. It was observed that the period of cover of insurance had been extended in respect of the depots of the two<sup>13</sup> naxal affected divisions. However, the insurance coverage had gaps of one to eight months and was not continuous. This was required to be streamlined to ensure continuous cover as envisaged by the company. The Government replied (September 2009) that at present continuous insurance cover for all depots and coupes of naxal affected divisions is being ensured.

## **4.2.12 Achievement of objectives**

### ***Targets and achievements***

The company prepares the Annual Plans in compliance with the approved working plans of divisions and works are taken up for execution after approval of the same by Ministry of Environment and Forest (MOEF). The targets and achievements of activities proposed in the Annual Plans for 2004-08 are summarised below and detailed in ***Appendix-4.2.4***.

<sup>12</sup> 11 Year thinning: Poles (1250 ha X 500 pole per ha X Rs 12 per pole) Rs 75 lakh + Fuel stock (1250 ha X 2 Fuel stock X Rs 270 per fuel stock) Rs 6.75 lakh = Rs 81.75 lakh and 21 year thinning: Logs (347.50 ha X 0.1 cum per ha X Rs 5300 per cum) Rs 1.84 lakh + poles (347.50 ha X 600 pole per ha X Rs 31 per pole) Rs 64.64 lakh + Fuel Stock (347.50 ha X 2 fuel stock per ha X Rs 270 per fuel stock) Rs 1.88 lakh = Rs 68.36 lakh. Therefore, total = Rs 81.75 lakh + Rs 68.36 lakh (1.50 crore).

<sup>13</sup> Antagarh and Panabaras

Sl. No.	Work	Target	Achievement	Shortfall in per cent
1.	Plantation Improvement Working circle (ha)	17686	7185	59
2.	Plantation Management Working circle (ha)	43022	30773	28
3.	Improvement Working circle (ha)	45366	19489	57
4.	Boundary pillars (Nos)	16479	8821	46
5.	Demarcation line (Km)	5123	2992	42
6.	Fire protection work (ha)	509497	538814	0

The main activities in the Plantation Improvement Circle (PIC) and Plantation Management Circle (PMC) are cleaning, thinning in growth areas, re-plantation in failure areas and plantation in suitable areas. It was observed that the average shortfall in PIC and PMC was 59 per cent and 28 per cent respectively during this period and ranged between 100 per cent and 13 per cent in different years. Inadequate replantations in the area of failed bamboo and teak plantations and the postponement of thinning discussed in paras 4.2.10.2 and 4.2.11 of this report contributed to these shortfalls.

In the improvement working circle, untreated land is treated to make it suitable for plantation. It was observed that in this circle, the average shortfall was 57 per cent and ranged between 74 per cent and 32 per cent. The shortfall in targets implied that plantation and land development was not being done at the level provided in the Annual Plans. This implied that the main objectives of raising and developing land were not being achieved to the extent envisaged in the Annual Plans.

The targets were mostly achieved in fire protection work. In respect of boundary pillars and demarcation works average shortfall during 2004-08 was 46 and 42 per cent respectively. The short fall was high in the years 2006-07 and 2007-08 due to naxal activities.

It was observed that the area to be planted was decided in periodical review meetings and targets for each division for plantation were fixed. The basis for fixing these targets was not available in the records produced to audit. Since the company had significant cash surplus, it should review norms/basis to ascertain whether there is scope to use the surplus to increase the plantation.

The Government replied (September 2009) that non-achievement of targets of treatment of forest area is primarily because of naxal activities in Panabaras and Antagarh project divisions and non-cooperation of local people in some areas.

However, as pointed out earlier, there were instances of shortfall in utilisation of land in the Kota and Kawardha divisions also which were not affected by naxal activities and the JFM involving local people, as envisaged in the State Forest Policy 2001, had also not been formed.

### ***Development of forest based industries***

The main objective of the company, inter-alia, include 'to promote and participate in companies, firms, establishments, concerns or undertaking for the purpose of development of forest based industries'. Audit scrutiny revealed that the company has not yet taken any initiatives towards setting up of forest based industries as envisaged in the Memorandum of Association of the company.

The Government replied (September 2009) that necessary action would be initiated in future.

### **4.2.13 Internal Control**

Internal Control System is an essential part of the management activity and helps the management to achieve its objectives. The following deficiencies were noticed in the internal control of the company:

#### ***Non-reconciliation of fixed assets and inventory***

- The reconciliation of balances of inventory in the form of logs, poles and stacks lying, pending sales, at depot/coupe with the figures in the accounts was not done. On being pointed out by Audit, the company has done the reconciliation of inventory of all divisions except Panabaras division.
- The reconciliation of fixed assets as per Physical Verification Report with book records was not done. On being pointed by the Audit the company has done the requisite reconciliation.

### **Conclusion**

A performance audit of the company showed that it has been a successful commercial entity which has made profits during the period of four years upto 2007-08 covered by audit. However, the following areas of concern were identified:

- there was no agreed and documented framework for transfer of land from the State Government.
- there were some shortcomings in the production, accounting and use of root-shoots of teak plants.
- the Industrial Plantation Division, Korba was doing the exclusive work of undertaking plantation on behalf of other organisations but running at a loss for four years.
- the company had surplus funds which remained in term deposits while the targets of operational activities were not achieved and the activities of the company were affected to a significant extent by naxal activities in two divisions.

## **Recommendations**

It is recommended that the company may:

- develop an agreed framework with the State Government for transfer of land;
- streamline the production, accounting and use of root-shoots;
- examine the financial viability of the Industrial Plantation Division, Korba; and
- examine the scope of application of the surplus funds to step-up the operational activities by acquiring more forest land.

### **4.3 Transaction audit observations**

#### **CHHATTISGARH STATE ELECTRICITY BOARD**

##### **4.3.1 Extra Expenditure**

###### **Chhattisgarh State Electricity Board incurred extra expenditure of Rs 24.42 lakh due to not placing the extension order as per provisions of the tenders**

Chhattisgarh State Electricity Board (Board) invited (January 2006) tenders for purchase of Hi-Chrome Grinding Media Balls for Coal Mills of power plants in Korba Thermal Power Station (KTPS). In response, four firms submitted their offers and in view of the large quantity, the Board placed orders (April 2006) with the L1 and L2 firms for supply of 195 MT and 127 MT in the ratio of 60:40 respectively at L1 rate of Rs 42,099.69 per MT.

Clause 16 of the terms and conditions of the tender provided that the Board could place an extension order for any additional quantity within six months from the date of order. An indent for 492 MT of the same material was received on 7 July 2006 from KTPS. The Board invited (August 2006) fresh tender, opened Part I & II of the tender on 28 September 2006 and Part III (price bid) on 26 November 2006 and placed orders (December 2006) for 492 MT at a higher rate of Rs 47,062.38 per MT, on the same two firms as they were again L1 and L2. Audit observed that on receiving the requisition in July 2006, the Board could have placed extension orders for any additional quantity at the same terms and conditions of the original order up to October 2006. However, it did not utilise the extension order provisions and thus incurred extra expenditure of Rs 24.42 lakh.

The Chief Engineer stated (November 2007) that the prevailing policy of the Board was to avoid extension orders except for urgent requirements. Since the requirement conveyed in July 2006 pertained to the year 2006-07, fresh tenders were called. It was further stated that the responsibility of purchase of annual requirement on extension order would be explored in future.

The reply indicated that instead of availing the valid provision of extension order, the management acted mechanically, resulting in avoidable extra expenditure. The Company may thus lay down clear cut policy for extension of purchase order.

The matter was reported to the Government (May 2009). Their reply had not been received (August 2009).

##### **4.3.2 Purchase without tendering**

###### **Chhattisgarh State Electricity Board purchased economiser elements worth Rs 1.53 crore without tendering**

Chhattisgarh State Electricity Board (Board) placed an order (March 2005) on a supplier for supply of 126 Economiser Elements /Coils (elements) for ABL

boilers of Hasdeo Thermal Power Station (HTPS) at cost of Rs 1.71 crore. The terms of the supply order provided for placing of extension order for six months from the date of letter of indent i.e. upto September 2005.

During audit scrutiny, it was observed that requisition was again received (November 2005) from HTPS for procurement of additional 114 elements. CSEB did not invite tenders for procurement and after four months, obtained confirmation (March 2006) from the same supplier that additional requirement would be supplied on the same terms and conditions of the original order. Meanwhile the Member (Generation) instructed (22 March 2006) on the extension order proposal, to first utilise the 126 elements ordered earlier and to repair the elements taken out in the previous overhauling. The extension order proposal was resubmitted (September 2006) stating that it was not feasible to utilise the elements taken out and that the previously supplied elements had been utilised. The proposal was approved in December 2006 and extension order was placed in the same month on the supplier for supply of 114 elements at a cost of Rs 1.53 crore and they were supplied during July-September 2007.

Since the requisition was received after the expiry of the contracted period of extension, the procurement should have been done through tendering. The procurement through extension order was irregular and the Board was deprived of competitive rates in the purchase of Rs 1.53 crore.

The Management stated (November 2007) that in response to the instructions of Member (Generation), it was confirmed in September, 2006 that the old elements had been utilised and the repaired ones could not be used. If the tenders had been invited at that stage, there was a risk that the elements would not be received by the scheduled annual overhaul (AOH) in July-September 2007.

The reply did not indicate why the Board did not start the tendering process on receipt of requisition in November 2005 when there was enough time for tendering and instead preferred to approach the supplier, after four months, for purchase through extension order. This was also at variance with the stand taken by the Management in another purchase of Grinding Media Balls for power plants in Korba where it was intimated that the prevailing policy of the Board was to avoid extension orders except in cases of urgent requirement. In that purchase, the Management resorted to tendering while it could have placed an extension order whereas in this case, it did not do tendering and went for extension order although the period for extension had expired. This showed lack of uniformity of approach in purchase procedures.

The Board needs to follow the correct practice consistently. It should resort to extension order within the validity period and after taking into account market rates at the time of extension. Whenever the validity has expired, it should go in for fresh tendering.

The matter was reported to the Government (May 2009). Their reply had not been received (August 2009).

## Chhattisgarh State Industrial Development Corporation Limited

### 4.3.3 Non-realisation of loan

#### **The company issued misleading instructions to MPSIDC which led to non-securitisation of loan documents from a private firm resulting in non-realisation of Rs 30.08 crore**

Chhattisgarh State Industrial Development Corporation Limited (company) had an Inter-Corporate Deposit (ICD) with Madhya Pradesh State Industrial Development Corporation Limited (MPSIDC) at 13 *per cent* interest per annum. As part of the bifurcation of assets and liabilities consequent to separation of state, MPSIDC proposed (July 2001) that the company could set off the above ICD, which was accumulating to Rs 7.76 crore as on 31 July 2001, by taking over a loan given (March 2001) by them to Radius Water Limited (RWL) at 17 *per cent* interest per annum which had accumulated to Rs 7.76 crore as on 31 July 2001. The company agreed to this proposal and a tripartite agreement was drafted involving the company, MPSIDC and RWL. As per the draft agreement, RWL signed and furnished (March 2002) a set of financing documents to the company relating to the loan provided by MPSIDC. The company got the documents scrutinised by a chartered accountant who stated (April 2002) that a complete appraisal, as for a new loan, was necessary. Consequently, the company did not sign the draft tripartite agreement and there was a series of correspondence with RWL and MPSIDC. The matter was resolved in a meeting held on 9 November 2002 where all parties were present. It was decided that the loan would be securitised by way of fresh documents and some amendments in the terms and conditions were agreed to. Consequently, the financing documents provided earlier by RWL were returned to them by the company (December 2002). The General Manager (Accounts and Finance), CSIDC, while forwarding the signed tripartite agreement to MPSIDC on 14 January 2003, stated in the forwarding letter that "Necessary action and accounting entries pursuant to its clauses A.2 and C.1 may be now carried at your end". It was observed that clauses A.2 and C.1 prescribed the accounting adjustments to be carried out by the company and MPSIDC after the financing documents are executed with RWL.

Subsequently, the manner of the securitisation/ re-payment of the loan could not be agreed to despite protracted correspondence and RWL did not furnish a fresh set of financing documents. The company asked MPSIDC (April 2008) to repay the original ICD as RWL had not executed financing documents. MPSIDC informed that based on the letter of CSIDC of January 2003, it had carried out necessary action for adjustment of accounting entries, issued (January 2003) no dues certificate to RWL and returned the original security documents and no amount was payable to the company.

Since the clauses of the tripartite agreement provided for all accounting adjustments AFTER executing the financing documents, the instruction to carry out accounting entries in the letter of January 2003 was misleading and unnecessary as the financial documents had not been executed. Due to this instruction, the MPSIDC released the original documents to RWL. Thereafter,



the company has failed to execute the financing documents with RWL for more than seven years and the un-realised amount of the loan has become Rs 30.08 crore<sup>1</sup> upto March 2009.

Management stated (September 2009) that they have constantly corresponded with RWL for executing financing documents and have also sought legal advice on the issue in March 2009 and there is another dispute with RWL regarding viability which is under arbitration. It was also stated that it was incorrect on the part of MPSIDC to release the original documents to RWL. The reply does not explain why the company had issued the misleading instruction regarding accounting adjustments in January 2003 which led to the release of original security documents. It also does not explain why it sought legal advice on this matter as late as 2009 although it had failed to recover the amount for over seven years. In view of the on going disputes with RWL, it should have initiated legal action much earlier. The company should investigate and fix responsibility for issue of misleading instructions to MPSIDC and take all measures to speed up the legal action which has been initiated very late.

The matter was reported to the Government (July 2009). Reply had not been received (August 2009).

## General

### 4.3.4 Opportunity to recover money ignored

#### **Four PSUs did not either seize the opportunity to recover their money or pursue the matters to their logical end. As a result, recovery of money amounting to Rs 508.93 crore remains doubtful**

A review of unsettled paras from Inspection Reports (IRs) pertaining to periods upto 2003-04 showed that there were 68 paras in respect of four PSUs involving a recovery of Rs 508.93 crore. As per Para 197 of Chapter 14 of Regulations on Audit and Accounts, 2007, the PSUs are required to take remedial action on IRs and intimate the same to audit within four weeks of receipt of IRs. However, no effective action has been taken to take the matters to their logical end, i.e. to recover money from the concerned parties. As a result, these PSUs have failed to utilise the opportunity to recover their money which could have augmented their finances.

<sup>1</sup> Including interest of Rs 22.32 crore.

PSU wise details of paras and recovery amount are given below. The list of individual paras is given in **Appendix-4.3.1**.

Sl. No.	PSU name	No. of paras	Amount for Recovery (Rupees in crore)
1.	Chhattisgarh State Electricity Board	56	479.23
2.	Chhattisgarh State Civil Supplies Corporation Ltd.	10	27.52
3.	Chhattisgarh State Industrial Development Corporation	1	2.13
4.	Chhattisgarh Mineral Development Corporation	1	0.05
	<b>Total</b>	<b>68</b>	<b>508.93</b>

The paras mainly pertains to non-recovery on account of energy theft detected by Vigilance, short collection of additional security deposit, surcharges and short recovery of warehousing charges from customers.

Above cases point out the failure of respective PSU authorities to safeguard their financial interests. Audit observations and their repeated follow up, including bringing the pendency to the notice of the Administrative/Finance Department and PSU Management periodically, have not yielded the desired results in these cases.

The PSUs should initiate immediate steps to recover the money and complete the exercise in a time bound manner.

#### **4.3.5 Lack of remedial action on audit observations**

##### **Five PSUs did not either take remedial action or pursue the matters to their logical end in respect of 136 IR paras, thereby foregoing the opportunity to improve their functioning**

A review of unsettled paras from Inspection Reports (IRs) pertaining to periods upto 2003-04 showed that there were 136 paras in respect of five PSUs, which pointed out deficiencies in the functioning of these PSUs. As per Para 197 of Chapter 14 of Regulations on Audit and Accounts, 2007, the PSUs are required to take remedial action on IRs and intimate the same to audit within four weeks of receipt of IRs. However, no effective action has been taken to take the matters to their logical end, i.e., to take remedial action to address these deficiencies. As a result, these PSUs have lost the opportunity to improve their functioning in this regard.

PSU wise details of paras are given below. The list of individual paras is given in **Appendix-4.3.2**.

Sl.No.	PSU name	No. of paras
1.	Chhattisgarh State Electricity Board	110
2.	Chhattisgarh State Civil Supplies Corporation Limited	23
3.	Chhattisgarh State Industrial Development Corporation	1
4.	Chhattisgarh Mineral Development Corporation	1
5.	Chhattisgarh State Beverage Corporation Limited	1
	<b>Total</b>	<b>136</b>

The paras mainly pertain to extra expenditure incurred/ loss due to non-observance of contractual provisions, time over run and other irregularities.

Above cases point out the failure of respective PSU authorities to address the specific deficiencies and ensure accountability of their staff. Audit observations and their repeated follow up, including bringing the pendency to the notice of the Administrative/Finance Department and PSU management periodically, have not yielded the desired results in these cases.

The PSUs should initiate immediate steps to take remedial action on these paras and complete the exercise in a time bound manner.

**Raipur**

**(PRAVEEN KUMAR SINGH)**

**The**

**Accountant General (Audit), Chhattisgarh**

*Countersigned*

**New Delhi**

**(VINOD RAI)**

**The**

**Comptroller and Auditor General of India**