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 Jharkhand, the PSUs occupy a minor place in the state economy. The PSUs registered a turnover of Rs 1552.32 crore for 2008-09 as per their latest finalised accounts as of September 2009. This turnover was equal to 2.05[1] *per cent* of State Gross Domestic Product (GDP) for 2008-09**.** Major activities of State PSUs / Statutory Corporation are concentrated in power sector. The State PSUs incurred aggregate loss of Rs 122.03 crore as per their latest accounts finalised during 2008-09. They had employed 9,010 employees as of 31 March 2009. The State PSUs do not include 34 Departmental Undertakings (DUs), which carry out commercial operations but are a part of Government departments. Audit findings of these DUs are incorporated in Chapter 1 of the Audit Report.

4.1.2 As on 31 March 2009, there were nine Government companies and one Statutory Corporation (all working) and none of them were listed on the stock exchange(s).

4.1.3 During the year 2008-09, no PSU/Statutory Corporation was either established or closed down.

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 not less than 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 CAG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit

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[1] Percentage is based on estimated figure of GDP.

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 its respective legislations. CAG is the sole auditor for Jharkhand State Electricity Board.

Investment in State PSUs

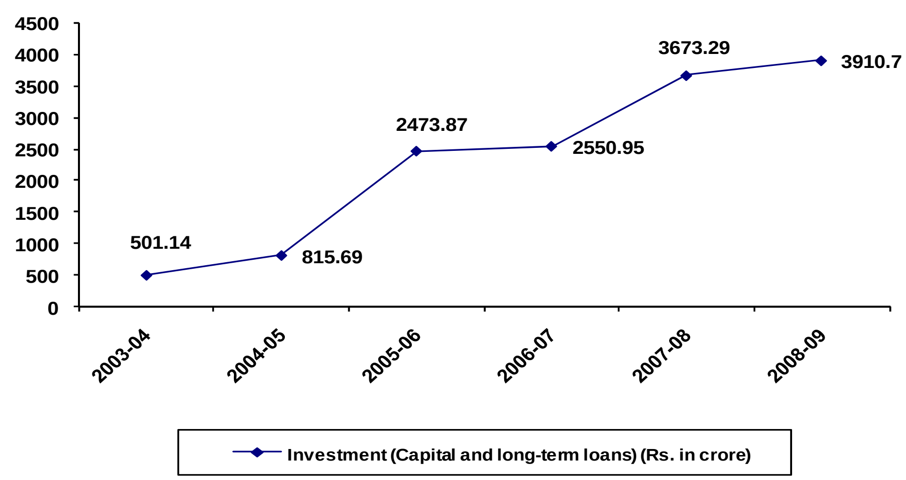
4.1.7 As on 31 March 2009, the investment (capital and long-term loans) in 10 PSUs (including one Statutory Corporation) was Rs 3910.70 crore as per details given below.

(Rs in crore)

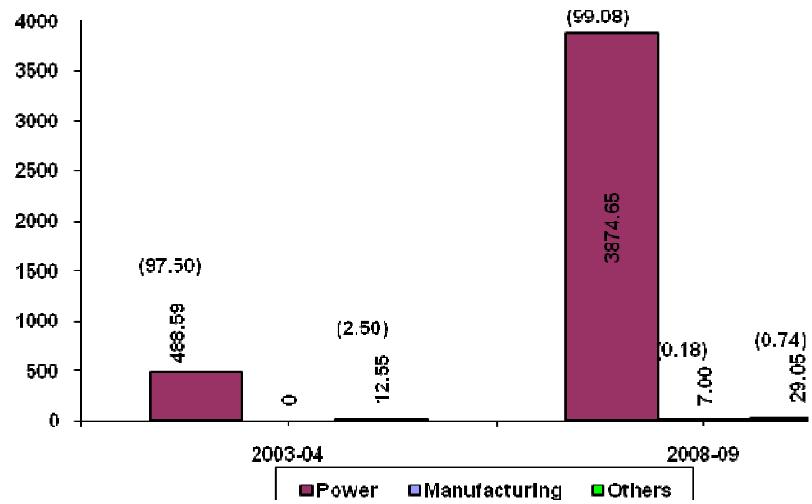
Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long term loans	Total	Capital	Long term loans	Total	
Working PSUs	135.80	670.25	806.05	-	3104.65	3104.65	3910.70

A summarised position of Government investment in State PSUs is detailed in ***Appendix-4.1***.

4.1.8 As on 31 March 2009, of the total investment in PSUs, 3.47 *per cent* was towards capital and 96.53 *per cent* in long-term loans. The investment has grown by 680.36 *per cent* from Rs 501.14 crore in 2003-04 to Rs 3,910.70 crore in 2008-09 as shown in the graph below.



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.



(Figures in brackets show the percentage of total investment)

The thrust of PSU investment was in power sector during the five years which increased from Rs 488.59 crore in 2003-04 to Rs 3,874.95 crore in 2008-09 of total investment *i.e.* 693 *per cent* increase in 2008-09 compared to the year 2003-04.

Budgetary outgo, grants/subsidies, guarantees and loans

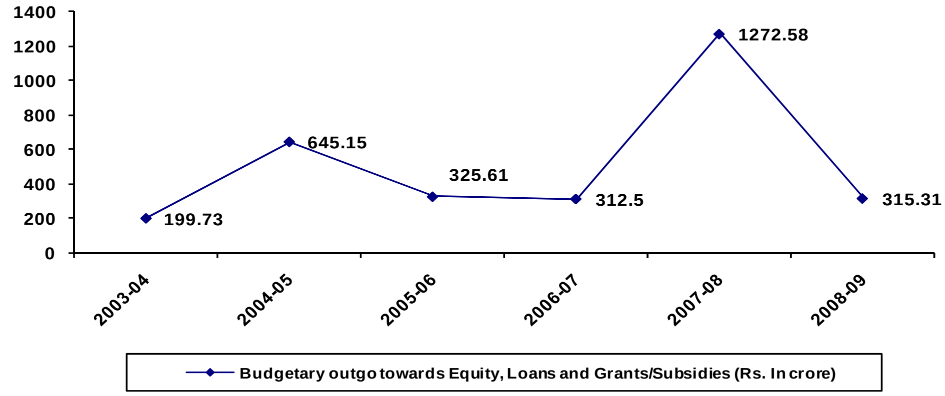
4.1.10 The details regarding budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in ***Appendix-4.2***. The summarised details are given below for three years ended 2008-09.

(Rs in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	2	2.50	2	4.10	2	10.40
2.	Loans given from budget	2	60.00	1	347.34	1	224.91
3.	Grants/Subsidy received	1	250.00	1	921.14	1	80.00
4.	Total outgo[2]	4	312.50	3	1272.58	3	315.31

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

[2] Total outgo represents total number of PSUs.



The budgetary outgo comprises mostly of loans and grants to Jharkhand State Electricity Board (JSEB). The above chart indicates that the budgetary outgo rose from Rs 199.73 crore in 2003-04 to Rs 1272.58 crore in the year 2007-08 due to increase of loan and grants to JSEB and equity and capital outgo of Jharkhand Industrial Infrastructure Development Corporation Limited and Greater Ranchi Development Agency Limited but came down to Rs 315.31crore in the year 2008-09 due to decrease in loan, grants/subsidy to JSEB during the year. No guarantee had been given by the Government till 2008-09.

Reconciliation with Finance Accounts

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

(Rs in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	19.30	135.80	116.50
Loans	5,893.50	3,709.36	2,184.14

4.1.13 Audit observed that the differences occurred in respect of seven[3] PSUs including JSEB (Statutory Corporation) and were pending reconciliation since 2001-02. The Accountant General has taken up the issue with Secretary to the Finance Department of the Government of Jharkhand and the Management to reconcile the differences after examination. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

[3] Tenughat Vidyut Nigam Ltd., Jharkhand Industrial Infrastructure Development Corporation Ltd., Jharkhand Tourism Development Corporation Ltd., Jharkhand Silk Textile & Handicraft Corporation Ltd., Greater Ranchi Development Agency Ltd., Jharkhand Hill Area Lift Irrigation Corporation Ltd. & Jharkhand State Electricity Board

Performance of PSUs

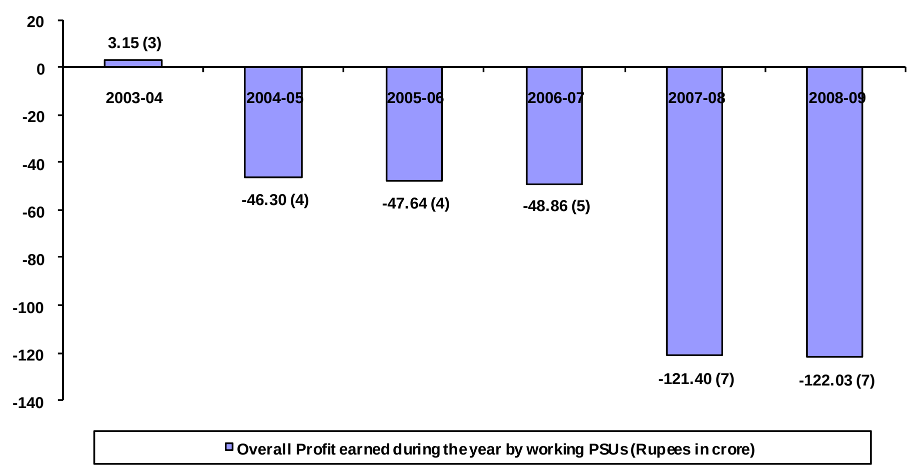
4.1.14 The financial results of PSUs, financial position and working results of working Statutory Corporations are detailed in ***Appendix-4.3***. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSU turnover and State GDP for the period 2003-04 to 2008-09.

(Rs in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Turnover[4]	33.16	1,216.37	1,216.12	30.77	364.90	1,552.32
State GDP	42,449	57,939	62,239	73,579	87,620	75,710.78[5]
Percentage of Turnover to State GDP	0.08	2.10	1.95	0.04	0.42	2.05

The percentage of turnover of PSUs to the State GDP is showing varying trend.

4.1.15 Profit (losses) earned (incurred) by State working PSUs during 2003-04 to 2008-09 are given below in a bar chart.



(Figures in brackets show the number of working PSUs in respective years based on finalised Accounts)

The above included heavy losses incurred by JSEB (Rs 49.45 crore) and Tenughat Vidyut Nigam Limited (TVNL) (Rs 70.94 crore) for their accounts for the years 2001-02 and 1993-94 finalised in the year 2005-06 and 2000-01 respectively. The further accounts in respect of these are in arrears.

4.1.16 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

4 Turnover as per the latest finalised accounts as of 30 September 2009.

5 The figure of GDP for 2008-09 (A) (provisional) is based on current prices as of June 2009.

PSUs incurred losses to the tune of Rs 1,894.39 crore and infructuous investment of Rs 74.30 crore which were controllable with better management. Year wise details from Audit Reports are stated below.

(Rs in crore)

Particulars	2006-07	2007-08	2008-09	Total
Net loss	48.86	121.40	122.02	292.28
Controllable losses as per CAG's Audit Report	57.78	1,779.36	57.25	1,894.39
Infructuous Investment	-	57.81	16.49	74.30

4.1.17 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 losses can be minimised (or eliminated or the profits can be enhanced substantially). The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

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

(Rs in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Debt	493.84	808.14	2466.07	2537.65	3550.89	3774.90
Turnover[6]	33.16	1,216.37	1,216.12	30.77	364.90	1,552.32
Debt/ Turnover Ratio	15:1	0.66:1	2:1	82:1	10:1	2:1
Interest Payments	-	-	-	3.61	6.00	-
Accumulated Profits (losses)	4.69	(44.76)	(43.86)	(42.90)	(265.45)	(269.30)

(Above figures pertain to working PSUs).

4.1.19 The State Government had not formulated any dividend policy under which all PSUs are required to pay a minimum return on the paid up share capital contributed by the State Government. As per their latest finalised accounts, three[7] PSUs earned an aggregate profit of Rs 0.76 crore but did not declare any dividend.

Performance of major PSUs

4.1.20 The investment in working PSUs and their turnover together aggregated to Rs 5,463.02 crore during 2008-09. Out of ten working PSUs including one Statutory Corporation, 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 98.71 *per cent* of aggregate investment *plus* turnover.

[6] Turnover of working PSUs as *per* the latest finalised accounts as of 30 September.
[7] JIIDCO, JPHC and JTDC.

(Rs in crore)

PSU Name	Investment*	Turnover*	Total (2) + (3)	Percentage to Aggregate Investment plus Turnover
(1)	(2)	(3)	(4)	(5)
TVNL	770.00	334.83	1,104.83	20.22
JSEB	3,104.65	1,183.21	4,287.86	78.49
Total	**3,874.65**	**1,518.04**	**5,392.69**	**98.71**

(* Figures are provisional given by the Companies and Corporation)

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

Jharkhand State Electricity Board (JSEB)

4.1.21 The Corporation had heavy arrears of accounts and had finalised accounts upto 2001-02 but the Board decided to revise the accounts taking cognizance of the Audit Report proposed by the Accountant General. The revision is still pending. As per the finalised accounts (under revision) of the JSEB (2001-02), the Corporation registered a loss of Rs 49.45 crore and the turnover was Rs 1,183.21 crore. The return on capital employed was 5.44 *per cent*.

4.1.22 ***Deficiencies in planning***

- Decision to purchase underground cable without assessing the actual requirement resulted in blocking of funds of Rs 2.35 crore and consequential loss of interest of Rs 0.76 crore. (*Paragraph 6.3.5 of Audit Report 2007-08*)

4.1.23 ***Deficiencies in implementation***

- Absence of proper planning led to time overrun of six years and cost overrun of Rs 73.88 crore in implementation of four selected projects of APDRP. (*Paragraph 6.2.14 of Audit Report 2007-08*)

- Board lost Rs 4.47 crore towards compensation charges realisable on account of excess capacity of transformer used by consumers. (*Paragraph 6.2.23 of Audit Report 2006-07*)

4.1.24 ***Deficiencies in monitoring***

- Injudicious placement of orders and lack of timely action by the Board against the defaulting in suppliers resulted in incurring of avoidable expenditure of Rs 1.49 crore on subsequent procurement of conductor at higher rates. (*Paragraph 6.3.2 of Audit Report 2006-07*)

4.1.25 ***Non-achievement of objectives***

- The primary objective of APDRP of reducing Aggregate Technical and Commercial loss by nine *per cent* per annum for the first 5 years of the project was not achieved. (*Paragraph 6.2.24 of Audit Report 2007-08*)

4.1.26 *Deficiencies in financial management.*

- Fund amounting to Rs 33.04 crore were blocked due to non credit of the same in the accounts of the Board maintained at Headquarter by the collecting banks with consequential loss of interest of Rs 12.26 crore. (*Paragraph 6.2.38 of Audit Report 2006-07*)

Tenughat Vidyut Nigam Limited (TVNL)

4.1.27 The Company had its accounts in arrears since 1994-95. The statutory audit for the years had also not been taken up. As per the latest finalised accounts of the TVNL (1993-94) the company had registered a loss of Rs 70.94 crore on a turnover of Rs 334.83 crore.

Conclusion

4.1.28 The above details indicate that the State PSUs are functioning inefficiently and there is tremendous 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

4.1.29 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[8]	6	6	8	9	10
2.	Number of accounts finalised during the year	4	2	6	3	7
3.	Number of accounts in arrears	14	18	24	42	47
4.	Average arrears *per* PSU (3/1)	2.33	3.00	3.00	4.67	4.70
5.	Number of Working PSUs with arrears in accounts	6	6	8	9	10
6.	Extent of arrears (years)	1 to 11	1 to 12	1 to 13	1 to 14	1 to 15

4.1.30 The number of arrears of accounts during 2004-05 in respect of six working company/corporation was 14 which had increased to 47 in respect of 10 working PSUs in the year 2008-09. The number of accounts in arrears increased due to entrustment of audit of Tenughat Vidyut Nigam Limited (TVNL) in August 2007 which had its accounts in arrears since 1994-95. Further the audit of Jharkhand Silk Textile and Handicrafts Corporation

[8] Including one Statutory Corporation (JSEB).

Limited (JHARCRAFT) was entrusted in August 2009 which had arrear of accounts for three years during the year 2008-09. The Jharkhand State Electricity Board had also its accounts in arrears since 2002-03.

4.1.31 The State Government had invested Rs 3,640.53 crore (Equity: Rs 25.00 crore, loans: Rs 1,463.44 crore, grants: Rs 2,152.09 crore) in ten PSUs (including one Statutory Corporation) during the years for which accounts have not been finalised as detailed in ***Appendix-4.4***. 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.

4.1.32 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 regularly 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 by the Accountant General with the Chief Secretary/ Finance Secretary in December 2008 and February 2009 to expedite the backlog of arrears in accounts in a time bound manner.

4.1.33 In view of the above state of arrears, it is recommended that the Government may set up a cell to oversee and monitor the clearance of arrears and set the targets for individual companies. It may impress upon the respective PSUs to hasten the process of finalization of accounts and bring them up to date early.

Accounts Comments and Internal Audit

4.1.34 Four working Companies forwarded their seven audited accounts to PAG during the year 2008-09. Of these, five accounts of four 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 needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(Rs in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	2	1.32	-	-	1	0.37
2.	Increase in loss	3	4.51	-	-	3	3.13
3.	Non-disclosure of material facts	1	-	-	-	-	-
Total		**6**	**5.83**	**-**	**-**	**4**	**3.50**

(The aggregate money value are based on CAG's comments only)

The comments on decrease in profit and increase in loss were on the decreasing trend during the year 2008-09.

4.1.35 During the year (2008-09), seven accounts in respect of four PSUs were finalised. Out of seven, the statutory auditors had given unqualified certificates for six accounts and qualified certificate for one account. The compliance of companies with the Accounting Standards remained poor as there were three instances of non-compliance in three accounts during the year.

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

Jharkhand Police Housing Corporation Limited (2007-08)

- The total upto date amount spent on construction works (inclusive of agency charges) of Rs 95.73 crore had been adjusted from upto date advance of Rs 198.61 crore received from Government of Jharkhand and only net figure was appearing in the Books of Accounts. There was no basis or justification for adjusting the work-in-progress amount for the works in progress and not completed. Even the completed works if any whether had been handed over to the Government was not available.

- A provision for interest on work advance payable to Government of Jharkhand to the tune of Rs 6.00 crore had been made in the books of accounts, which had no basis. The money advanced to the company did not envisage levy of interest by the Government. The provision of interest attracted deduction of income tax at source amounting to Rs 67.93 lakh which has not been paid to the credit of Central Government on or before the due date 31 May 2008. Also a sum of Rs 3.50 crore provided during financial year 2006-07 as interest on work advance payable to Government of Jharkhand had not been paid.

Jharkhand Hill Area Lift Irrigation Corporation Limited (2005-06)

- The Company recognised deferred tax assets of Rs 160.34 lakh in violation of requirement of Accounting Standard 22.

- The Company did not provide for interest of Rs 39.38 lakh for the year 2005-06 on the loan of Rs 525 lakh received from the Government of Jharkhand.

- Actuarial assessment of liabilities for gratuity and leave encashment payable to the employees and the provision for the same had not been made in the accounts for the year 2005-06 in contravention of the provisions of Accounting Standard 15.

Jharkhand State Forest Development Corporation Limited (2005-06)

- The company had not provided for retirement benefits in violation of AS 15.

4.1.37 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of three companies[9] on the accounts finalised during the year 2008-09 are given below.

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as per Appendix 2
1.	Absence of internal audit system commensurate with the nature and size of business of the company	02	A-02, A-03
2.	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	02	A-02, A-04

Recoveries at the instance of audit

4.1.38 During the course of propriety audit in 2008-09, recoveries of Rs 4.57 crore were pointed out to the Management of various PSUs, of which, recoveries of Rs 1.76 crore were admitted by PSUs. An amount of Rs 0.10 crore was recovered during the year 2008-09.

Disinvestment, Privatisation and Restructuring of PSUs

4.1.39 No PSU is under disinvestment, privatisation and restructuring in the State.

Reforms in Power Sector

4.1.40 The State has Jharkhand Electricity Regulatory Commission (Commission) formed in April 2003 under Section 82 of the Electricity Act, 2003 with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the

[9] Sl. No. A-02, A-03 & A-04 in Appendix–2.

State and issue of licenses. During 2008-09, JERC did not issue any order on annual revenue requirements but issued 6 orders on others.

4.1.41 Memorandum of Understanding (MoU) was signed in April 2001 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below.

Sl. No.	Milestone	Achievement
1	100 *per cent* reduction of T&D losses	57.45 *per cent* (March 2009)
2	100 *per cent* metering of all consumers	88.60 *per cent* (August 2009)

Discussion of Audit Reports by COPU

4.1.42 The status as on 30 September 2009 of reviews and paragraphs that appeared in Audit Reports 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
2005-06	1	3	--	--
2006-07	1	6	--	--
2007-08	1	8	--	--
Total	**3**	**17**	**--**	**--**

4.1.43 The matter relating to clearance of backlog of reviews/ paragraphs was taken up by Accountant General demi-officially in January 2008 and December 2008 with the Chairman COPU. At the instance of Apex level meeting held in July 2008 amongst the Accountant General, the Chief Secretary and Finance Secretary, instructions were issued to Principal Secretary/Secretary/ Departmental heads to hold meeting once in a month by departmental officer monitored by a nodal officer appointed for the purpose to discuss individual paras/reviews before COPU meeting.

Section 'A' Performance Review

4.2 PERFORMANCE AUDIT ON IMPLEMENTATION OF RAJIV GANDHI GRAMEEN VIDYUTIKARAN YOJANA BY JHARKHAND STATE ELECTRICITY BOARD

Introduction

4.2.1 The National Electricity Policy, formulated (February 2005) by the Government of India (GOI), *inter alia* states that the key objective of the development of the power sector is to supply electricity to all areas including rural areas as mandated in Section 6 of the Electricity Act, 2003 and both the GOI and the State Governments would jointly endeavour to achieve this objective. Towards this end GOI introduced (March 2005) Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) with the objective of providing access to electricity to all rural households (RHHs) and improving the rural electricity infrastructure by March 2009. The then ongoing schemes for rural electrification *viz.*, Kutir Jyoti Programme (KJP) and Accelerated Rural Electrification Programme were, therefore, merged with RGGVY. GOI also notified (August 2006) the Rural Electrification Policy (REP) incorporating goal of reliable power supply at reasonable rates for all households by the year 2009 and a minimum lifeline consumption of one unit per household per day by the year 2012. REP also enjoined upon the State Governments to prepare and notify their own RE Plans also, adopting the same goals.

The scope of RGGVY was:

(i) To provide Rural Electricity Distribution Backbone by providing 33/11KV (or 66/11KV) Power Sub Stations (PSS) of adequate capacity and lines in blocks where these did not exist;

(ii) Creation of Village Electrification Infrastructure *i.e.*, electrification of un-electrified villages/habitations and provision of distribution transformers of appropriate capacity;

(iii) Decentralised Generation cum Distribution from conventional sources for villages where grid connectivity was either not feasible or not cost effective;

(iv) Catering to the requirement of agriculture and other activities including irrigation pump sets, small and medium industries, cold chains, healthcare, education and IT to facilitate overall rural development, employment generation and poverty alleviation; and

(v) Electrification of un-electrified Below Poverty Line (BPL) households with 100 *per cent* capital subsidy.

GOI designated Rural Electrification Corporation Limited (REC) (a GOI undertaking) as the nodal agency for implementation of RGGVY and financing the projects. Besides financing the projects by way of subsidy/loans, REC had the prime responsibility for implementation, meeting the scheme related expenditure, appraisal and evaluation of projects both at pre award and post award stages, monitoring and complete supervision for quality control of the projects.

RGGVY aimed at electrification of 27,359 villages in the State of Jharkhand covering 29.26 lakh RHHs by Jharkhand State Electricity Board (Board), National Thermal Power Corporation (NTPC) and Damodar Valley Corporation (DVC) at the total cost of Rs 2,662.61 crore during Xth and XIth Five-year plan periods. The Board was to implement the scheme in six districts[10] comprising of four[11] electric supply circles (ESC). Implementation of RGGVY in other districts was entrusted to DVC (8 districts) and NTPC (8 districts).

The Secretary, Department of Energy, Government of Jharkhand (GOJ) is in charge for implementation of the scheme in the State. In the Board, the Chief Engineer (RE) is the overall in-charge of the RGGVY, assisted by three General Manager-cum-Chief Engineers of Electric Supply Areas and four Electrical Superintending Engineers at the circle level who are the nodal officers to supervise the work in the field.

Scope of audit

4.2.2 The performance review on implementation of RGGVY was conducted during April to July 2009 with a view to assess the performance of the Board in implementation of the scheme during the period 2005-06 to 2008-09. The records of the Energy Department, GOJ, Board Headquarters and the Circle offices of the Board where the projects were being implemented, were test checked. All the six districts of the State covering four ESCs of the Board and seven contracts were selected for the performance review.

Audit objectives

4.2.3 The audit objectives were to assess whether:

- an efficient and effective plan for implementation of RGGVY scheme was devised and implemented;
- the Board had fixed targets in line with the sanctioned scheme and actual achievement was consistent with the targets;
- the funding requirements were realistically assessed, the funds were sanctioned/received in time; and were put to effective use in a time bound schedule and there were no refunds or diversions;
- effective monitoring and supervising mechanism was in place and was operated efficiently; and
- the intended objectives of RGGVY were achieved and evaluation was

[10] East Singhbhum, West Singhbhum, Saraikela-Kharsawan, Latehar, Garhwa and Palamu.
[11] Chaibasa, Jamshedpur, Daltonganj and Garhwa.

done to find out how far rural people were benefited.

Audit criteria

4.2.4 Audit adopted the following criteria for assessing the achievement of the scheme objectives:

- The RGGVY scheme issued by GOI in March 2005;
- Guidelines issued by GOI for implementation of the scheme;
- Provisions in the Rural Electrification Policy (August 2006);
- Provisions in the Agreements entered into between GOJ, REC and the Board;
- Detailed Project Reports (DPRs);
- Agreements entered into by the Board with contractors; and
- Rural Electrification Plan of GOJ.

Audit methodology

4.2.5 Audit adopted the following methodology:

- examination of the planning and implementation procedure with reference to provisions in Rural Electrification Policy (August 2006) and RGGVY scheme;
- examination of DPRs;
- examination of records relating to receipt of funds, awarding of works and their execution at Board Headquarters and in the field;
- verification of monthly progress reports/ returns; and
- interaction with the management and issue of audit queries.

Audit findings

4.2.6 The audit objectives, criteria and methodology were discussed in the entry conference (April 2009) with the Board Chairman, the Chief Electrical Engineer-cum-Technical Advisor to Principal Secretary and the Deputy Secretary, Department of Energy, GOJ.

The audit findings were reported (August 2009) to the Government/Board. The response is yet to be received (December 2009) though an exit conference was held (November 2009) with the Chief Secretary, Govt. of Jharkhand and Principal Secretary, Energy Department.

The results emerging from performance audit are discussed in the succeeding paragraphs.

Overview of activities

4.2.7 The projects for implementation of RGGVY spread over six districts[12] of the State were sanctioned (November 2006) by REC at a total cost of Rs 740.48 crore (including 10 *per cent* overhead) which was subsequently revised (January 2009) to Rs 1,101.04 crore. The work was divided into seven packages and awarded to four contractors (December 2006/January 2007) on turnkey basis at a total contract price of Rs 999.94 crore, to be completed within 18 months *i.e.,* by June 2008. The scope of the works included design, engineering, testing, supply, erection and commissioning of new 33/11 KV PSS and augmentation of existing 33/11 KV PSS, construction of 33 KV/ 11 KV lines with poles and installation of distribution transformers, providing metering unit/meter on 33 KV feeder and 11 KV feeder, providing single point light connection to BPL household as per KJP norms and providing electricity to public places in the villages to be electrified.

The total number of villages in the six districts where electrification was entrusted to the Board was 7,714 out of which 2,048 villages had already been electrified under various rural electrification schemes prior to RGGVY. Of the remaining 5,666 villages, 4,735 villages were to be covered in the scheme, 518 villages to be electrified by the Board under ongoing schemes and rest 413 remote villages to be electrified through non-conventional source of energy. The number of villages covered in the scheme was, however, revised to 4,830 after survey by the contractors. Besides, un-electrified tolas (habitations) in additional 2,048 electrified villages were also to be electrified. Considering the Un-electrified tolas to be electrified, total number of villages to be electrified under the scheme stood at 6,878.

The package wise details of the work, value of the contract, actual cost and time taken are indicated below.

Name of contractor	Awarded Cost (Rs in crore)	Actual expenditure till September 2009 (Rs in crore)	Scheduled date of completion	Target			Achievement		
				Electrification of village	Electrified village and Unelectrified tola	BPL connection	Electrification of village (*per cent*)	Electrified village and Unelectrified tola (*per cent*)	BPL connection (*per cent*)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
NECCON in JV with LUMINO Industries Ltd., Everest Engineering House and Horizon Hitech Engicon Pvt. Ltd. (Package A)	139.38	130.48	30.06.2008	812	660	70,773	772 (95)	447 (68)	41,406 (59)
Associated Transrail Structures Ltd. (Package B)	140.47	95.79	30.06.2008	575	108	56,532	342 (59)	71 (66)	18,777 (33)
Nagarjuna Construction Co. Ltd.(Package C)	130.51	99.53	30.06.2008	607	107	54,200	332 (55)	46 (43)	18,966 (35)
Associated Transrail Structures Ltd. (Package D)	121.94	76.82	30.06.2008	526	435	86,250	241 (46)	-	10,614 (12)
IVRCL Infrastructures Ltd. (Package E)	129.83	107.86	30.06.2008	645	69	78,267	537 (83)	53 (77)	39,434 (50)
IVRCL Infrastructures Ltd. (Package F)	152.48	127.47	30.06.2008	527	244	1,10,607	266 (50)	131 (54)	17,152 (16)
IVRCL Infrastructures Ltd. (Package G)	185.33	156.07	30.06.2008	1138	425	1,15,068	952 (84)	236 (56)	22,757 (20)
Total	**999.94**	**794.03**		**4,830**	**2,048**	**5,71,697**	**3,442 (71)**	**984 (48)**	**1,69,106 (30)**

[12] East Singhbhum, Garhwa, Latehar, Palamu , Saraikela-Kharsawan and West Singhbhum

Though the entire project was scheduled to be completed by June 2008, it was yet to be completed (December 2009). The targets for the scheme were not achieved. The achievement of electrification of villages was 71 *per cent* of targets while for providing connection to BPL households it was a dismal 30 percent indicating tardy progress of implementation of the scheme.

Planning

4.2.8 A tripartite agreement between REC, Board and GOJ was executed (July 2005) to implement the projects under RGGVY. REC had to finance the sanctioned projects and release funds on the specific request from the Board. The responsibility for project formulation, their development and implementation in the identified areas involving system planning, design, engineering and procurement was entrusted to the Board. The GOJ and the Board were to ensure that the following would be put in position before the project is completed:

- Deployment of Franchisees for the management of rural distribution.
- Ensuring commercial viability of the franchisee by determining bulk supply tariff (BST) for the franchisee and providing requisite revenue subsidy to the State Utilities as per the Electricity Act, 2003.
- Adequate supply of electricity without any discrimination in the hours of supply between rural and urban households.

Audit noticed the following deficiencies in planning of the scheme:

State RE Plan approved after delay of 32 months

4.2.9 As per Rural Electrification Plan of GOI notified in August 2006, GOJ had to notify the RE Plan within six months i.e., by February 2007. The RE Plan of the State, though sent by the Board to GOJ in July 2007 and revised in December 2008 was notified only in October 2009 *i.e.*, after a delay of 32 months.

Planned projects for additional power not executed

4.2.10 GOJ had to make adequate arrangement for supply of electricity for successful implementation of RGGVY. In order to meet the assessed power demand after planned electrification of all the villages by end of the year 2012 the Board proposed several power projects for generation of additional power. No concrete steps were, however, taken by the GOJ/Board for their implementation and there was no enhancement in generation capacity of power in the state (December 2009). Thus, adequate power for rural supply may not be available after implementation of RGGVY.

Delayed preparation/ approval of DPRs resulted in increase in project cost by Rs 117.34 crore

4.2.11 The Board prepared the DPRs for REC approval in December 2005/ February 2006. REC granted in principle approval in June 2006 and final approval in November 2006.

Audit scrutiny revealed:

- Board took between five to seven months for preparation of all the

DPRs while REC took another 10 months for granting sanction. NIT for awarding the works was issued in April/June 2006 and the work orders were eventually issued in December 2006/January 2007. Thus the work was awarded 21 months after inception of the scheme (March 2005). This controllable delay in award of work resulted in increase in the project cost by Rs 117.34 crore and substantially delayed implementation of the scheme and ultimately resulted in failure to achieve the target of electrification of all villages by the year 2009.

DPRs were deficient and may lead to probable increase in project cost by Rs 155.37 crore

- The DPRs were prepared by the Board on 4,735 villages comprising of 3,917 un-electrified villages and 818 de-electrified villages. The contractors on route survey found that 264 villages were already electrified, 16 villages not considered as these were located in the hilly and remote areas and 375 un-electrified villages not included in the DPR. It was also found that the actual quantity of work to be executed was much more than that envisaged in the DPRs. This indicated that DPRs were faulty as neither the villages were correctly identified nor the quantity of work assessed properly.

  These deficiencies in the DPRs ultimately led to inadequate provision of infrastructure for rural power supply and non-fulfillment of the objective of 100 *per cent* village electrification by the due project completion time within the sanctioned budget. The project cost was proposed (July/August 2009) to be revised to Rs 1,155.31 crore, showing an increase of Rs 155.37 crore beyond original awarded cost which is also discussed in para 4.2.23 in this report.

Implementation of project

Franchisees were not appointed though Rs 26.70 lakh was paid to the consultant. Also revenue subsidy of Rs 9.48 crore was not claimed/realised

4.2.12 The Scheme required deployment of franchisees for the management of rural electricity distribution infrastructure and collection of electricity tariff to ensure the revenue sustainability of the rural electricity supply with a stipulation that if conditionalities of the scheme were not implemented satisfactorily, the capital subsidy could be converted into interest bearing loans. Prior commitments by the GOJ were required regarding determination of bulk supply tariff for franchisees in a manner that ensured their commercial viability and provision of requisite revenue subsidy to the state power utilities.

Audit observed that the Board engaged (October 2008) a consultant[13] at a fee of Rs 42.75 lakh for development of financial model of the franchisee, preparation of bid document for appointment of franchisee, bid process management and setting up of proper monitoring mechanism. The work order provided for payment of the fee for at least 12 ‘successful transactions’ without defining the term ‘successful transactions’. Thus, the scope of work was not defined in measurable terms. The consultant prepared only bid documents for six subdivisions and was paid Rs 26.70 lakh for the undefined services. The contract had expired in July 2009 and no franchisee was appointed as of September 2009 though electrification of about 64 *per cent* of the villages was complete. Though the Board has lower tariff for rural consumers and electricity supply at the subsidized rate was being made to the

[13] M/s Feedback Ventures Pvt Limited.

rural consumers, revenue subsidy of Rs 9.48 crore for the period April 2008 to December 2009, as estimated by Audit was not claimed/realized from the GOJ (December 2009).

As appointment of franchisees and commitment of the GOJ for provision of revenue subsidy was necessary to ensure revenue sustainability of the rural electricity supply and were the vital conditions for being entitled to capital subsidy under the scheme, non fulfilling the condition may result in Board losing capital subsidy and thereby inviting huge financial burden in the form of interest bearing loans.

Rs 4.72 crore was paid to the third party inspection agency violating the conditions of sanction

4.2.13 A Central Public Sector Undertaking (CPSU) was to be engaged for providing third party monitoring/inspection service at a cost of 2 *per cent* of the project cost to be paid out of overhead charges sanctioned by REC. REC had entered into Memorandum of Understandings (MOUs) with NTPC, PGCIL, EIL and CPRI for this purpose and accordingly invited offers for providing the monitoring and supervision services from them. Two CPSUs viz. CPRI and EIL submitted their offers (September and November 2007) though CPRI offered their services only for three districts. The Board, however, did not consider/evaluate the offers and issued letter of intent (April 2008) to TCIL, another CPSU on the basis of their request. The work was finally awarded (September 2008) to TCIL at 2 per cent of the project cost (Rs 19.99 crore) plus Service Tax (Rs 2.47 crore)[14] working out to Rs 22.46 crore. Since REC would allow only two *per cent* of the project cost as monitoring and supervision cost, this would result in avoidable liability of Rs 2.47 crore to the Board. Moreover, service charges for monitoring and supervision of BPL connection was not payable as per sanction of REC, though as per letter of award service charges of Rs 2.25 crore on Rs 112.25 crore for BPL connection would also be paid to TCIL. Thus, Rs 4.72 crore would be paid to TCIL violating the conditions of the sanction of REC which would not be receivable from REC.

Further, appointment of TCIL was made 20 months after award of the works by which time electrification of 1,691 villages out of the total 4,830 villages to be electrified was already complete. Audit observed that the villages already electrified were also included in the scope of work of TCIL and no reduction in the service charges for these electrified villages was made. It was further observed that the Board had engaged services of TCIL (September 2008) without approval of its Board of Directors. The Board of JSEB, though accorded ex post facto approval (October 2008) for awarding the work to TCIL but at a cost of Rs 11.87 crore[15] only. In view of the approval of the Board for the reduced amount of Rs 11.87 crore instead of the awarded value of Rs 19.99 crore plus service tax, the value of the works should have been reduced accordingly. However, the Board did not amend the work orders reducing value of the works.

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[14] at the rate of 12.37 *per cent* applicable for service tax

[15] Two *per cent* on Rs 593.46 crore (project cost of Rs 740.48 crore sanctioned by REC in November 2006 less Rs 87.67 crore for BPL connection and Rs 59.35 crore for overhead charges)

As per terms of the award 30 per cent interest free advance was payable to TCIL as against 15 *per cent* paid to other turn key contractors without any justification on the records. Moreover there was no provision for recovery/adjustment of the advance in the contract. Audit observed that TCIL was paid Rs 6.70 crore as advance which was higher by Rs 3.56 crore payable (30 *per cent* of Rs 11.87 crore) as per approval by the Board. The Board neither recovered the amount from TCIL nor regularized the payment of advance of Rs 3.14 crore in excess of approval of its Board.

Audit recommends that the irregularities in awarding the work, sanction of excess advance and defiance to the Board's order should be investigated and responsibility fixed.

Installed PSS not tested and found defective. Also non completion of 27 PSS resulted in non charging of 1,513 electrified villages

4.2.14 As per REC guidelines, each block should have provision for 33/11 KV or 66/11 KV Power Sub-stations (PSS). Audit scrutiny revealed that against the provision for creation of 33 PSSs only six PSSs were completed (June 2009) and charged. Even of these six PSSs, only two were formally commissioned and tested. Several defects and deviations from the REC specification were pointed out by the Board/TCIL in the completed PSS which were yet to be rectified by the contractors. Non completion/commissioning of the remaining 27 PSS resulted in non charging of 1,513 electrified villages. Audit observed that in six blocks of Garhwa district, no provision for River crossing/Railway crossing for connecting six PSSs to the Grid Substation was made in the DPR. Thus, power was not available even after electrification works of the villages in these blocks was over.

Excess payment of Rs 4.82 crore and irregular payment of Rs 6.65 crore on electrification of villages already electrified

4.2.15 REC had sanctioned (November 2006) the project cost of Rs 740.48 crore for RGGVY after deducting Rs 5.02 crore from the total project cost on account of existing electrical infrastructure of the de-electrified villages in four districts. No deduction was, however, made in respect of 250 de-electrified villages of Palamu district. However, REC did not adjust the amount while revising the awarded cost of the project to Rs 999.94 crore (January 2009). Electrification of the de-electrified villages was being done by the contractors as per route survey, pole spotting and line profile of 11 KV and LT lines done by them and there was possibility of utilisation of the existing electrical infrastructure in these villages by the contractors.

Audit further noticed that 28 villages which had been electrified departmentally during March 2005 to November 2008, i.e., during/ after the period of preparation of DPRs, were again included in the DPRs for electrification of which electrification of 24 villages had already been shown as complete under the scheme. This involved avoidable expenditure of Rs 4.82 crore considering the average cost of electrification of villages at Rs 17.22 lakh per village. Similarly, in another 44 villages[16] (including 20 Electrified villages Unelectrified tolas - EVUT) where the transformers were burnt during 2002 to 2009 were not replaced and were included in DPR as de-electrified villages. Thus, Rs 6.65 crore[17] spent on electrification of these villages were irregular.

[16] 34 in West Singhbhum, 8 in Garhwa and 1 each in Daltanganj & Latehar district.

[17] Rs 17.22 lakh for 24 unelectrified/de electrified villages and Rs 12.58 lakh for 20 EVUT as intimated by Board.

Wasteful expenditure of Rs 20.53 crore on metered connections and loss of Rs 1.30 crore due to non-billing of consumers already charged

4.2.16 Under the scheme**, s**ingle point electric service connection to 5,71,697 un-electrified BPL households were to be provided with 100 *per cent* capital subsidy as per the norms of KJP. The contractors provided 1,69,106 metered BPL connections upto June 2009. It was noticed that though meters were installed to record the actual consumption by the BPL consumers, meter readings were not being taken and the BPL consumers were billed at flat rate of Rs 29.70 per month (at the rate for unmetered BPL connections). Considering the average cost of Rs 1,964[18] for each metered BPL connection and the cost of Rs 750 for each unmetered connection as per KJP, expenditure of Rs 1,214 incurred on each BPL connection was wasteful. Thus, wasteful expenditure of Rs 20.53 crore had already been incurred on providing 1,69,106 metered BPL connections.

Audit further observed that of 1,69,106 BPL connections, only 1,31,977 connections were charged (June 2009). However, billing in respect of 67,930 consumers only was being done. Non billing of 64,047 consumers for 1 to 28 months resulted in minimum revenue loss of Rs 1.30 crore (at Rs 29.70 per connection per month).

Certificates declaring villages electrified not reliable

4.2.17 A village could be declared as electrified, only if the basic infrastructure such as distribution transformer and supply lines were provided in the inhabited locality and in other public places[19], along with electrification of at least 10 *per cent* of the total households in the village, to be certified by the Gram Panchayat as such, as per directions of the MOP, GOI. Audit noticed that though electrification of 4,426 villages against the target of 6,878 villages were reported as electrified by the Board, certificate in respect of only 1,169 villages i.e., 26 *per cent* (17 *per cent* of total villages) had been issued (July 2009) by the BDOs. Thus, electrification of balance 3,257 villages was not complete as per the stipulated guidelines for declaring village as electrified since required certificates were not issued. Though all the public places in these villages had been declared as electrified but the information furnished by the board showed no connection to the public places was released in those villages. Also the number of households electrified was found to be less than the required norm of 10 *per cent* of the total households in many villages. Moreover, against 4,426 villages declared electrified, only 841 villages were taken over (July 2009) by the Board which included 161 villages without the requisite certificate declaring the villages as 'certified'. These discrepancies indicate that the certificates regarding the electrification of villages and claim of the Board regarding the number of electrified villages were unreliable.

Contract Management

4.2.18 As per REC guidelines, the project management expertise and capabilities of the CPSUs *viz*., NTPC, PGCIL, NHPC and DVC, with whom REC had entered into MOUs, were to be utilised for implementation of the projects. However, the Board decided to do the work of project formulation, development and implementation by itself though it neither had adequate

[18] Cost of BPL connections (Rs 11225.88 lakh) ÷ total BPL connections (5,71,697) = Rs 1964.

[19] School, panchayat office, health centre, dispensaries, community centres etc.

human resources nor the experience for execution/implementation of turn key projects of such large magnitude.

4.2.19 **S**pecification of the materials to be used was identical in all the seven works. Audit scrutiny, however, revealed that different ex-factory rates (excluding freight & insurance and erection) were allowed for supply of the same material with identical specification in three packages[20] though the works were awarded to the same turn key contractor[21] and the districts for which works were awarded were adjacent/in the same geographical location. This resulted in extra expenditure of Rs 4.30 crore (***Appendix-4.5).*** Similarly, the works for two packages[22] in adjacent districts were awarded to the same turn key contractor[23] at different ex-factory rates resulting in extra expenditure of Rs 1.16 crore ***(Appendix-4.6)***. The Board did not negotiate with the lowest tenderer to accept the lowest ex-factory rates quoted by them for a particular material/work in respect of all the packages quoted by them. Thus, allowing different rates for same material resulted in extra expenditure of Rs 5.46 crore which lacked justification. In one district[24] the work was bifurcated into two packages without any justification on the records. The work for each package was awarded to two contractors at different ex-factory rates for supply of the similar materials. If the entire work for the district was awarded to single contractor without bifurcating, the awarded cost would have been lower by Rs 3.92 crore (***Appendix-4.7).*** Thus, extra expenditure of Rs 9.38 crore on seven works was incurred on procurement of materials which lacked justification.

Undue benefit of Rs 12.44 crore allowed to contractor due to payment of interest free advance

4.2.20 Central Vigilance Commission (CVC) guidelines stipulate that payment of mobilisation advance to the contractor should be need based and its recovery should be time based and not linked with progress of works for ensuring recovery of advance. Also the amount of mobilisation advance payable, interest to be charged, its recovery schedule *etc.,* should be explicitly stated in the tender document.

Audit observed that Board paid Rs 133.12 crore to the contractors as interest free advance for RGGVY works though payment of advance, interest to be charged, mode of recovery of the advance etc. was not specified in the tender documents. Audit noticed that the Board was charging interest at 12 *per cent* per annum on the advance paid to the turn key contractors in other cases, *e.g.*, from RITES, an undertaking of Ministry of Railways, for rural electrification work awarded in December 2003. Thus the Board conceded undue benefit of Rs 12.44 crore to the contractors till March 2009 by not charging interest in violation of CVC guidelines as well as Board's own decision **(*Appendix-4.8*).**

Non preparation of PERT chart and faulty Bar chart resulted in tardy progress of work

4.2.21 The turn key contracts provided for payment of price adjustment/ variation based on the date of shipment/date of erection as per Bar chart/PERT chart or actual date of shipment whichever was earlier. For this purpose, the contractors had to submit Master Network/Bar Chart/ Performance Evaluation and Review Technique (PERT) chart indicating the delivery schedule for supply of materials and erection activities. Audit noticed that no PERT chart

[20] Latehar, Palamu and Garhwa.
[21] M/s IVRCL Infrastructures & Project Ltd.
[22] One part of West Singhbhum district and for Saraikela-Kharsawan district.
[23] M/s Associated Transrail Structures Ltd.
[24] West Singhbhum.

was submitted by any contractor while the Bar chart indicated only the month of start and completion of supply/erection without indicating month wise schedule for quantity of the materials/equipment to be supplied/erected. In absence of specific time schedule for supply/erection, price adjustment on supply of materials and erection was allowed on the basis of actual date of shipment of material/erection. The Board had already paid Rs 4.27 crore as price variation in respect of four packages which could have been minimised if specific time schedule required for timely completion of the project was fixed. In absence of this data/information, excess payment could not be quantified. Moreover, non preparation of PERT chart and faulty bar chart resulted in supply of materials and execution of the work in un-synchronised manner contributing to the tardy and targetless progress of work.

Liquidated damages of Rs 99.99 crore not recovered

4.2.22 In case of non completion of work within the specified period, the liquidated damages at the rate of 0.50 *per cent* of the contract price per week subject to a maximum 10 *per cent* of the total contract price was leviable on the contractors. Audit noticed that none of the works was completed within the scheduled period (June 2008) and the delay was 76 weeks till December 2009. Extension of the contract period was granted by the Board initially till December 2008 and then, by REC till September 2009 without indicating financial implication of liquidated damages. The Board admitted the reasons given by the contractors such as frequent bandhs, law and order problem and delay in statutory clearance from Railways, forest department *etc.*, without analysing the reasons so as to ascertain the delay attributable to the contractors. Audit scrutiny revealed that the contractors had delayed the survey and preparation of Bill of Material and Quantity (BOMQ) by 36 to 40 months and also made delay in supply/erection of the equipment. The Board, however, did not levy penalty and liquidated damages of Rs 99.99 crore on the contractors as indicated in ***Appendix-4.9***.

4.2.23 The Bid documents provided that the quantity specified in the bid documents were to be finalized after actual survey of the transmission lines. As against this, the work orders provided for submission of BOMQ for the entire scope of work covering 33 KV lines, Power Sub Stations (PSS), 11 KV Lines, Distribution Sub Stations (DSS) and LT lines by the contractors within 3 months of award of work after carrying out detailed survey.

Audit observed that the contractors worked out the quantity variation on the basis of survey and the actual executed quantity in between February 2009 and July 2009 i.e., after delay of 36 to 40 months and after expiry of the scheduled completion for the projects and worked out the revised cost.

Audit observed that:

Awarded cost proposed to be increased by Rs 155.37 crore due to abnormal rise in quantity

- The actual quantity to be executed were abnormally higher than the DPR quantity leading to the proposed revision in price to Rs 1,155.31 crore against the awarded price of Rs 999.94 *i.e.*, an increase of Rs 155.37 crore. The work beyond the approved quantity was being executed without approval of the final quantity/revised prices by REC (December 2009).
- Due to variation in quantity, the cost for new PSS was proposed to be increased by nine *per cent* from 56.36 crore to Rs 61.34 crore. The

Revised cost remained inflated by Rs 1.91 crore

increase was abnormally high by 31 *per cent* and 32 *per cent* in two packages. The proposed cost for augmentation of PSS was higher by 17 *per cent* from Rs 9.54 crore to Rs 11.13 crore though increased by 148 *per cent* in one package.

- The revised cost for BPL connections was proposed to be reduced by five *per cent* from Rs 93.77 crore to Rs 89.21 crore due to reduction in number of BPL connections. Though the number of BPL service connections was reduced by 35 and 32 *per cent* respectively in respect of package C and G, requirement of materials was not reduced proportionately. As a result, the revised cost remained inflated by Rs 1.91 crore.

Awarded cost was Rs 27.31 crore more than the cost sanctioned by REC for BPL service connections and excess payment of Rs 1.35 crore to the contractor

4.2.24 Under the scheme**,** single point electric service connection to 5,71,697 un-electrified BPL households were to be provided with 100 *per cent* capital subsidy. As per the REC sanction orders, 50 *per cent* of the funds was to be received by the Board as advance on submission of the certified list of BPL households by the State Government/appropriate agency of the State, identifying the village/habitation-wise number of BPL households eligible for electricity connection free of cost and the balance 50 *per cent* at the time of release of fund for final instalment of the project after receipt of the list of BPL household consumers provided electric connections.

Audit noticed that against Rs 1,500 per BPL connection sanctioned by REC, the Board awarded work at different rates ranging from Rs 1,400 to Rs 2,800 per connection in different packages. The total awarded cost of BPL connections was Rs 112.25 crore against the sanctioned Rs 84.94 crore. Thus, Rs 27.31 crore would be incurred in excess of the sanctioned amount which would not be receivable from REC. Moreover, the Board was also not recovering overhead expenses of Rs 80[25] as per KJP norms for each BPL connection which resulted in excess payment of Rs 1.35 crore to the contractors for 1,69,106 connections released till June 2009.

It was further noticed that:

Supply of materials for BPL service connections not synchronised with creation of electrical infrastructure

- The Board did not fix the time schedule for supply of the materials for BPL service connections in synchronisation with creation of electrical infrastructure in the villages. The contractors commenced supply of materials for BPL connections before installation of electrical infrastructure in the villages. It was noticed that Rs 68.12 crore had already been paid by the Board (Rs 67.32 crore for supply of materials and Rs 0.80 crore for erection) (September 2009). Further, only 1,69,106 (30 *per cent*) BPL households were given service connections (June 2009) though 80 *per cent* of the sanctioned cost had already been paid to the contractors.

Delayed claim for fund for BPL service connection resulted in loss of interest of Rs 13.26 crore

- The Board claimed the advance towards 50 *per cent* of the funds for BPL i.e., Rs 42.47 crore from REC only in April 2009 as against in January 2007 *i.e.*, after delay of 27 months. However, only Rs 33.98 crore was received (June 2009) from REC. Thus, it had incurred interest loss of Rs 11.89 crore (at 12 *per cent* from February 2007 to

[25] Rs 40 for Board supervision, Rs 10 for REC supervision and Rs 30 for meter testing fee.

May 2009) due to delay in claiming the amount. Further, the Board paid Rs 34.14[26] crore to the contractors without receiving the amount from REC, thereby suffering loss of interest of Rs 1.37 crore (June to September 2009).

Monitoring & Reporting

4.2.25 The MOP, GOI evolved a three tier quality monitoring system as a quality control mechanism for the projects. The first tier quality control was the responsibility of Project Implementing Agencies (PIA). As per the Quality Control Manual of REC (April 2008) the PIA (Board) had to prepare a detailed Quality Assurance Programme to ensure quality check by the contractor, PIA and third party inspection agency. All materials and villages were to be inspected as per Manufacturing Quality Plan and Field Quality Plan. However, the Board did not prepare the Quality Assurance Programme and the quality control mechanism of the MOP was not implemented.

Delay in appointment of third party and poor monitoring

As per the Tier –II control mechanism, REC had the responsibility for coordinating and overseeing the implementation of Quality control measures for RGGVY works. The second tier quality control, *inter alia*, provided for inspection of at least one of major materials at pre-shipment stage at vendor’s works. However, inspection of materials at pre-shipment stage was not done by REC as reported by the Board.

The third party inspection of the electrification work was started in January 2009 i.e., 24 months after the issue of work orders for the projects, by which time electrification of 1,691 villages was already complete. TCIL had inspected only 746 villages (July 2009) out of 4,426 villages already electrified. Audit observed that inspection of 461 villages was conducted without referring to approved drawings and other documents and Inspection report in respect of only 229 villages submitted by TCIL (July 2009) pointing towards non achievement of intended quality control.

Progress report not submitted regularly

4.2.26 The contractors were required to submit monthly progress report as per the work orders. However, progress reports in respect of three packages were not being submitted by the contractors in proper form. Also, submission of the progress reports, an important tool for monitoring the progress of work was not regularly monitored by the Board and follow up/verification of the progress reports were not always done by the nodal officer. Audit also observed that the Board made frequent transfer[27] of Chief Engineer in charge of overall supervision of the project which resulted in delayed decision making, inadequate supervision and deficient monitoring. Most of the nodal officers in the supply circle had no independent system of monitoring the actual progress of work and regular reporting to the Headquarter was not being done. Audit concludes that due to inadequate MIS and ill monitoring there was delay in decision making and implementation.

[26] Rs 68.12 crore –Rs 33.98 crore
[27] seven Chief Engineers held the charge in four years

Achievement of objectives

4.2.27 The objectives of the scheme was to create Rural Electricity Backbone with at least one substation in each block, village electrification infrastructure with at least one distribution transformer in each village/habitation for provision of access to electricity to all households by year 2009, quality and reliable power supply at reasonable rates and minimum lifeline consumption of one unit per household per day by year 2012. The achievements were woefully short of targets:

- As against assessed demand of 1250 MW of power (2007-08) rising to 6,000 MW (2011-12) after electrification of all the villages by end of the year 2012, not a single unit of additional power was added by the Board since none of the proposed power plants/ projects had been set up/ taken up to cater to the increased demand. Thus, the requirement of additional power on implementation of RGGVY would not be met by the State and the laudable goal of provision of access to electricity to all households by year 2009 and provision of minimum lifeline consumption of 1 unit per household per day by year 2012 would remain a pipedream.

Idle expenditure of Rs 190.34 crore due to non-charging of villages

- Towards achievement of provision of access to electricity to all households by year 2009, 6,878 villages were to be electrified in the six districts by the Board under the scheme against which only 4,426 villages have been reported as electrified by the Board (June 2009). Thus, only 64 *per cent* of the target of village electrification was achieved.

  Audit observed that the data regarding number of electrified villages was not reliable as only 2,913 of 4,426 villages reported to be electrified had been charged. Despite reported electrification, remaining 1,513 villages were not charged for a period of 1 and 17 months (June 2009). Thus, electrical infrastructure created in these villages was kept idle defeating the objective of the scheme, besides making expenditure of Rs 190.34 crore[28] incurred on electrification of these villages unfruitful. Moreover, no connection was released in 1,311 villages which were reported to be electrified. Further, against the target of electrification of 4,047 public places, no electricity connection was given. This indicated that even the number of villages claimed to be electrified by the Board was not reliable.

Non achievement of target of BPL service connection

- Against the target of providing access to electricity to the total 8,65,815 RHHs (including BPL) in the six districts only 1,69,106 RHHs (20 *per cent*) were electrified (June 2009). In fact, only 1,69,106 BPL households were given connections against the target of 5,71,697 BPL households (30 *per cent*) as indicated below:

[28] considering average expenditure of Rs 12.58 lakh per village.

Name of District	RHH connection			BPL connection		
	Target	Achievement (*per cent*)	Percentage	Target	Achievement (*per cent*)	Percentage
(1)	(2)	(3)	(4)	(5)	(6)	(7)
East Singhbhum	1,15,477	41,406	36	70,773	41,406	59
West Singhbhum	1,90,591	37,743	20	1,10,732	37,743	34
Saraikela-Kharsawan	1,19,373	10,614	9	86,250	10,614	12
Latehar	91,460	39,434	43	78,267	39,434	50
Garhwa	1,52,466	17,152	11	1,10,607	17,152	16
Palamu	1,96,448	22,757	12	1,15,068	22,757	20
Total	**8,65,815**	**1,69,106**	**20**	**5,71,697**	**1,69,106**	**30**

Thus, only 20 *per cent* of the target in respect of RHHs (ranging from 9 to 43 *per cent* district wise) and 30 *per cent* in respect of BPL households (ranging from 12 to 59 *per cent* district wise) were achieved.

Feeder trippings and outages was much higher than norms

4.2.28 One of the goals of REP was to ensure quality and reliable power supply to encourage use of energy efficient equipment/appliances leading to improvement in the availability of energy. An important performance parameter for quality and reliability is frequency of feeder tripping and average duration of feeder outages. The MOP prescribed feeder outages numbers should be less than one per feeder per month. Audit observed that the actual feeder outage was 349 to 570 times the prescribed norm of less than one per feeder per month in all the circles indicating poor quality of power supply.

The feeder tripping and outages in respect of test checked Circles for the period 2005-06 to 2008-09 were as below:

Circle	2005-06		2006-07		2007-08		2008-09	
	Trippings per feeder per month	Average feeder outage duration in hours per month	Trippings per feeder per month	Average feeder outage duration in hours per month	Trippings per feeder per month	Average feeder outage duration in hours per month	Trippings per feeder per month	Average feeder outage duration in hours per month
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Chaibasa	185	6	179	5	159	5	102	3
Garhwa	10.5	34	10	49	10.56	39	8.88	44
Jamshedpur	187	7	309	10	295	12	193	10
Daltonganj	82	47	72	40	54	35	45	30
Total	**464.5**		**570**		**518.56**		**348.88**	

4.2.29 No discrimination in hours of supply of electricity in the urban and rural areas was to be made as per RGGVY scheme. However, rural areas in test checked circles were discriminated and supplied 74 to 80 *per cent* of the energy given to urban areas during the period 2005-06 to 2008-09 as indicated below:

(Hours per day)

Supply Circle	2005-06		2006-07		2007-08		2008-09	
	Hours of supply in urban area	Hours of supply in rural area (as percentage to supply to urban area)	Hours of supply in urban area	Hours of supply in rural area (as percentage to supply to urban area)	Hours of supply in urban area	Hours of supply in rural area (as percentage to supply to urban area)	Hours of supply in urban area	Hours of supply in rural area (as percentage to supply to urban area)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Chaibasa	19	12 (63)	19	12 (63)	15	11 (73)	20	14 (70)
Garhwa	19	17 (89)	18.5	14 (76)	16	12 (75)	13.5	7.8 (58)
Jamshedpur	20	16 (80)	18	13 (72)	14	12 (86)	19	15 (79)
Palamu	15.5	10.5 (68)	14.5	12.5 (86)	15.5	13.5 (87)	16.5	14.5 (88)
Average supply	**18.38**	**13.88 (75.52)**	**17.5**	**12.88 (73.6)**	**15.13**	**12.13 (80.18)**	**17.25**	**12.83 (74.38)**

4.2.30 Revenue collection is the key for success of rural electrification on sustainable basis for which franchisee arrangement was envisaged in the scheme. The table below shows the details of revenue assessed and collected in 4 circles of the state during 2005-06 to 2008-09:

(Rs in lakh)

Name of circle	2005-06		2006-07		2007-08		2008-09	
	Revenue assessed	Revenue realised	Revenue assessed	Revenue realised	Revenue assessed	Revenue realised	Revenue assessed	Revenue realised
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Chaibasa	410.64	152.59(37)*	497.79	199.66 (40)	567.19	395.30 (70)	409.10	127.14 (31)
Garhwa	230.01	42.19 (18)	249.52	61.41 (25)	241.26	61.25 (25)	234.54	72.22 (31)
Jamshedpur	343.48	185.94 (54)	377.15	174.68 (46)	414.04	177.66 (43)	457.44	176.85 (39)
Daltonganj	342.63	30.29 (9)	413.00	54.90 (13)	464.55	68.39 (15)	528.04	73.35 (14)
Total	**1326.76**	**411.01 (31)**	**1537.46**	**490.65 (32)**	**1687.04**	**702.60 (42)**	**1629.12**	**449.56 (28)**

***Figures in bracket represent percentage of revenue realised to revenue assessed.**

Poor realisation of assessed revenue

Audit observed that revenue collection was poor in respect of rural consumers. It was 31 *per cent* of the total revenue assessed in the year 2005-06 which decreased to 28 *per cent* in 2008-09. As a result of poor collection Rs 41.27 crore of assessed revenue remained unrealised during 2005-06 to 2008-09. Non engagement of franchisees was an important reason for poor revenue realisation, delay in billing/non billing of energy supplied and failure in reduction of commercial losses from the rural consumers which Audit apprehends could ultimately jeopardise the sustenance of the rural electrification programme.

Evaluation of intended benefit of the scheme not done

4.2.31 Another objectives of RGGVY was to facilitate overall rural development, employment generation and poverty alleviation by catering to the needs of agriculture and other activities like irrigation pump sets, small/village industries, healthcare, education & IT *etc*. The Board, however, had not evolved and set in place any mechanism for evaluation whether intended benefits were achieved.

Fund Management

4.2.32 Funds for the projects were to be made available by REC with capital subsidy component of 90 *per cent* towards overall cost of the projects and 10 *per cent* as loan. As per the awarded cost of seven turnkey contracts, REC sanctioned Rs 1,101.04 crore as the project cost of which Rs 999.43 crore was capital subsidy and Rs 101.61 crore, loan. The Board had received Rs 948.47 crore (December 2009) including Rs 33.98 crore for BPL service connection and Rs 83.13 crore as overhead expenditure. Expenditure of Rs 832.80[29] crore had been incurred by the Board till September 2009.

Interest of Rs 6.20 crore earned on RGGVY fund not taken into RGGVY account and loss of Rs 14.71 lakh on invest of fund at lower rate of interest

4.2.33 The funds received from REC were kept in a current account with Flexi Deposit facility. The Board invested Rs 44 crore in 2006-07 and Rs 26 crore in 2008-09 as short term fixed deposits in scheduled commercial banks against the provisions of the scheme for different time periods at different rates. These different valued investments were made at different rates of interest[30] for periods of 48-49 days (March 2007) and 15-46 days (March 2009) concurrently. The rate of interest on these investments when compared amongst different banks in which deposits were held, showed that the Board could have earned additional revenue of Rs 14.71 lakh had it taken the decisions judiciously which it failed to earn . Audit also noticed that interest of Rs 6.20 crore earned on these funds were not ploughed into the RGGVY funds.

Conclusion

The objective of RGGVY was to provide access to electricity to all rural households and improving the rural electricity distribution infrastructure by March 2009. The implementation of the scheme in six districts in the state was entrusted to the Board. The Board has failed to deliver as the achievement was woefully short of targets.

- The Board could provide electricity only to mere 20 *per cent* of intended RHHs and 30 *per cent* of BPL households by June 2009.
- For the projects to be eligible for capital subsidy under the scheme, prior commitment of the state was to be obtained for deployment of franchisees for the management of rural distribution in projects financed under the scheme. However, this commitment is yet to be fulfilled by the Board.
- No concrete/realistic plan for PROVISION of adequate power for supply in rural areas was made by the GOJ.

Audit concludes that the poor contract planning, management as well as inadequate monitoring mechanism of the scheme led to irregularities in delivery. Audit apprehends that if the Scheme is not implemented as envisaged/targeted, the capital subsidy provided by the GOI could be converted into interest bearing loans, inviting huge financial burden on the Board/GOJ besides the social objectives of the scheme getting defeated.

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[29] including overhead expenditure of Rs 38.77 crore
[30] at 2.77 *per cent* to 5.87 *per cent* in 2006-07 and 3.75 *per cent* to 6.25 *per cent* in 2008-09

Recommendations

Audit suggests that the Board should

- complete the implementation of the scheme in the six districts and electrification of all villages within a time-bound period;
- ensure arrangement for adequate power for supply to the villages after implementation of the scheme;
- deploy franchisees as required under the scheme to ensure reduction of commercial losses, billing of energy supplied and for collection of revenue;
- ensure improved quality and reliability of power supply in the rural areas;
- take assistance of specialized agencies in execution/ implementation of the schemes.

Section – B

Transaction Audit Observation

Important audit findings emerging out of test check of transactions of the State Government companies/corporations are included in this Chapter.

Government Companies

Jharkhand State Forest Development Corporation Ltd.

4.3 Avoidable payment of interest on income tax

Delay in filing the Income Tax Return and short payment of advance Income Tax resulted in avoidable payment of interest on Income Tax.

As per provisions of Section 234A of Income Tax Act, 1961, where the return of income for any assessment year is furnished after the due date or is not furnished, simple interest at the rate of 1 *per cent* for every month or part of a month is chargeable on the amount of tax on the assessed income less advance tax paid and tax deducted or collected at source. Section 211 of the Income Tax Act, 1961 provides that each company/corporation is required to pay advance tax at the prescribed rates on the due dates. In the event of short payment of advance tax as well as shortfall in payment of advance tax for 3 months, the company is liable for payment of interest under section 234(B) and 234(C) of the Income Tax Act.

Audit scrutiny (September 2008) of Income Tax Return for the Assessment Year 2003-04 of Jharkhand State Forest Development Corporation Ltd. (Company) showed that the Company paid a sum of Rs 5 lakh as advance tax in March 2003 for the Financial Year 2002-03 (Assessment Year 2003-04) without making any assessment of income/tax liability. While filing the return, the company computed its taxable income as Rs 162.08 lakh on which tax payable worked out to Rs 59.56 lakh. The company paid the balance Income Tax of Rs 54.56 lakh in November 2003. This delay in depositing the advance tax attracted imposition of interest and penalty under the Income Tax Act. Evidently, the Income Tax Department charged interest of Rs 8.98 lakh on the amount of income tax as a result of short payment of income tax. Audit further noticed that despite payment of interest for short payment of advance tax for the assessment year 2003-04, the Company did not take appropriate action either for proper computation of income or for payment of advance tax for the Assessment Year 2004-05 also. As against the tax liability of Rs 35.15 lakh on taxable income of Rs 97.98 lakh for the Financial Year 2003-04 (Assessment Year 2004-05), the Company paid only Rs 10 lakh as advance tax in March 2004. Further, the Company filed the Income tax return for the Assessment Year 2004-05 in March 2006 against the due date of October 2004. Due to failure of the company to file the Income Tax Return on due date and non-payment of advance tax, the Income Tax Department charged interest of Rs 12.12 lakh on income tax for the assessment year 2004-05 under Sections 234A, 234B and 234C of the Act. Thus, owing to failure of the company to comply with provisions of the Income Tax Act, the company had to pay avoidable interest of Rs 21.10 lakh for the Assessment Year 2003-04 and 2004-05.

The Management/Government stated (May 2009) that the delay in filing of IT Return was due to delayed finalisation of accounts as well as non-estimation of Income Tax liability as the Company had shortage of manpower during the initial years.

The reply only confirms the Company's failure to comply with the legal provisions of the Companies Act as well as the Income Tax Act, resulting in avoidable interest payment of Rs 21.10 lakh to the Company. Further, delay in finalisation of accounts of the Company may lead to difficulty in assessing the income which may result in short payment and attract interest. Considering that the delay enabled the Company to retain cash with it for a longer time and the Company could have earned interest on it, the Company still stood to suffer a loss of Rs 16.13 lakh on interest differential, besides non compliance with the tax law.

It is recommended that the Management should ensure proper evaluation of advance tax and its payment on due dates as well as filing of the Income Tax Return in time to avoid unintended liabilities.

Statutory Corporation

Jharkhand State Electricity Board

4.4 Blocking of funds of Rs 5.41 crore with loss of interest of Rs 2.11 crore

Unplanned procurement and non-installation of meters resulted in blocking of Rs 5.41 crore and loss of interest of Rs 2.11 crore, besides loss of revenue.

The Board placed a purchase order (September 2005) on Secure Meters Limited (supplier) for supply of 10,000 Low Tension Current Transformer (LTCT) Operated Trivector Electronic Energy Meter with Current Transformers (CT) of ratio 100/5A[31] (4000 nos.), 150/5A[32] (5000 nos.) and 200/5A [33] (1000 nos.) at a total landed price of Rs 11.45 crore. The purchase order was later amended (December 2005) to 1000, 7000 and 2000 meters with CT ratios of 100/5A, 150/5A and 200/5A respectively with revised price of Rs 11.02 crore. As per the purchase order, delivery of the full quantity was to be completed within six months from the date of placement of the purchase order, *i.e.*, by March 2006.

Audit observed (November 2008) that while obtaining the financial concurrence (June 2005) for the purchase, the Board expressed extreme urgency for procurement of the meters for providing new connections as well as for replacement of defective meters. The reasons cited were enhancement in revenue and substantial reduction in commercial losses on installation of these meters. Though there was provision for procurement of only 4000 meters in APDRP[34] budget for 2005-06, purchase of additional 6,000 meters was arranged by re-appropriation from the distribution budget in view of the urgency.

Supply of the meters was completed between March and September 2006 and the meters received in different Stores of the Board for installation. It was, however, observed that as on 30 April 2009, 4916 meters (about *50 per cent* of the total quantity), valuing Rs 5.41 crore, were lying in the stores of the Board without installation for about 3 years. Audit noted that the entire stock of unutilised meters was of those meters with CT's of 150/5A and 200/5A whose quantity was enhanced after placement of order. The records also revealed that no analysis of the actual requirement of different categories of meters was made before amending the ordered quantity and changes in

[31] Landed price Rs 12077.84 each meter revised to Rs 11064.81
[32] Landed price Rs 11064.81 each meter
[33] Landed price Rs 10836.55 each meter
[34] Accelerated Power Development and Reform Programme

ordered quantity was made on ad-hoc basis. Thus, Rs 5.41 crore remained blocked for about 3 years with loss of interest of Rs 2.11 crore. Besides, the Board was deprived of the benefit of revenue enhancement and reduction of commercial losses by non installation of these meters.

The Board stated (April 2009) that the supplier who was to install the meters could install only 632 meters due to constraints in the field and the balance meters were to be installed by the Board which could not be done due to shortage of skilled person. The reply confirmed lack of planning in purchase of meters in bulk and the Board’s failure in taking proper action for installation of the meters. This was further corroborated by the fact that the installation contractor attributed (August 2006 and June 2007) non availability of Section/division wise list of consumers whose meters were to be installed and their addresses from the Board as the main reason for non installation of the meters.

Thus, procurement of huge quantity of meters without proper plan and failure of the Board to install them for about three years resulted in blocking of capital of Rs 5.41 crore and consequent loss of interest of Rs 2.11 crore as the Board met the capital through State Government loan. Besides depriving the board of enhanced revenue and saving due to reduction in commercial loss on installation of the meters.

Audit recommends that the Board should purchase equipment only after proper assessment of their requirement and proper planning for their installation within a specific time period failing which accountability should be fixed. Moreover, as in the instant case, if the defective meters have not been replaced for over three years despite availability of new meters, it would have contributed substantially to the loss of the Board, which should be a matter of serious concern and kept into consideration before taking any decision by the Board.

The matter was reported to the Government in May 2009; their reply was awaited (November 2009).

4.5 Irregular grant of instalments in payment of security money

Loss of Rs 19 lakh due to delay in realization of security money and irregular grant of instalments in payment of the security money

As per the provisions contained in the tariff notification of the Bihar State Electricity Board (BSEB) of May 2001[35] for High Tension Special Services (HTSS), facility of payment upto 12 instalments can be granted for payment of the Security Deposit. The Chairman, Jharkhand State Electricity Board (JSEB) did not have power to grant relaxation in payment of Security Deposit for HTSS consumers beyond 12 instalments under Delegation of Financial Powers of the Board.

[35] applicable in JSEB

Audit observed (December 2008) that facility of payment of the Security Deposit in 12 instalments was allowed (April 2005) to a High Tension consumer[36] for a new service connection of 7200 KVA load on 33 KV supply under HTSS tariff. The consumer had to deposit Rs 86.40 lakh as initial Security Deposit with the Board for the new service connection and complete other formalities[37]. However, the consumer paid only one instalment of Rs 7.20 lakh in June 2005 and stopped further payment. The required formalities were completed only in February, 2007. Subsequently, the consumer requested (March 2007) the General Manager-cum-Chief Engineer, Electric Supply Area, Jamshedpur to allow payment of the balance amount of Rs 79.20 lakh in 24 instalments.

The Chief Engineer (Commercial & Revenue), observed that the electricity consumption in the furnace would be much more and proposed (April 2007) against granting further relaxation in payment of the Security Deposit. The Chairman, JSEB, however, granted (May 2007) 17 monthly instalments of Rs 4.66 lakh each for payment of the balance security money of Rs 79.20 lakh[38] without any basis/justification on record. The consumer paid the first instalment of Rs 4.66 lakh in May 2007 and the connection was energised thereafter in July 2007. Subsequently, the consumer paid seven more instalments of Rs 4.66 lakh each till December 2007 and again stopped payment. Thus, against the security money of Rs 86.40 lakh, the Board could realise only Rs 44.47 lakh from the consumer and the balance Rs 41.93 lakh remained unrealised (April 2009).

On being pointed out by Audit (April 2009), the Board accepted the audit comment and agreed to raise demand for the interest on the delayed payment of security money. The Board, subsequently recovered Rs 41.73 lakh against the balance security money upto (December 2009) leaving a balance of Rs 0.20 lakh still receivable alongwith interest of Rs 18.80 lakh.

Thus, due to irregular relaxation granted in payment of security money and failure to take effective measures for timely realization, the Board suffered loss of Rs 19 lakh comprising interest of Rs 18.80 lakh and security money of Rs 0.20 lakh.

Audit suggests that the Board should take prompt action like disconnection of service in case of non-payment of security deposit and recovery of interest.

The matter was reported to the Government in April 2009; its reply was awaited (December 2009).

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36 M/s S.S.R. Sponge Iron Limited, Jamshedpur
37 installation of power transformer, induction furnace and meter; obtain statutory clearance from Electrical Inspector, Govt., execution of agreement, etc.
38 Rs 86,40,000 (-) Rs 7,20,000

4.6 Lack of remedial action on audit observations

Jharkhand State Electricity Board did not either take remedial action or pursue the matters to their logical end in respect of 22 IR paras, resulting in 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 22 paras in respect of Jharkhand State Electricity Board (Board), which pointed out deficiencies in the functioning of the Board. As per the extant instructions, the Board is required to take remedial action within one month after receipt of IRs from Audit. However, no effective action has been taken to take the matters to their logical end, *i.e.,* to take remedial action to address these deficiencies. As a result, the Board has so far lost the opportunity to improve their functioning in this regard.

The list of individual paras showing the nature of deficiencies, amount involved, etc is given in ***Appendix-4.10***. The paras mainly pertain to undue favour/financial advantage/benefit extended to the suppliers, unreasonable/unnecessary purchase of materials, loss due to theft of materials, short assessment/non-billing of fuel surcharge/electricity dues, unadjusted advances for supply of material, blockade of fund due to non replacement of defective materials, etc.

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

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

The matter was reported to the Management/Government in June 2009; their reply was awaited (November 2009).

Ranchi, **(RAKESH KUMAR VERMA)**
The **Principal Accountant General (Audit)**
Jharkhand

Countersigned

New Delhi, **(VINOD RAI)**
The **Comptroller and Auditor General of India**