OVERVIEW

The Report includes four chapters containing four performance audit reviews, 26 transaction audit paragraphs and a report on Chief Controlling Officer based audit of the Science and Technology department.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn based on statistical sampling methods as well as on the basis of judgment. The audit conclusions have been drawn and recommendations made, taking into consideration, the views of the Government.

Audit comments on the performance of some Government departments and programmes as well as the working of the Science and Technology department are given below:

1. Performance Audit of Pradhan Mantri Gram Sadak Yojana

The Pradhan Mantri Gram Sadak Yojana (PMGSY), a 100 *per cent* Centrally sponsored scheme, was launched in December 2000. The primary objective of PMGSY was to provide connectivity, by way of all-weather roads (with necessary culverts and cross-drainage structures operable throughout the year) to eligible unconnected habitations in rural areas. The department failed to provide connectivity to the targeted habitations. Only nine *per cent* habitations were connected with all-weather roads during the period 2005-10. It was noticed that the contractors had submitted fake/cross/duplicate copies of invoices for procurement of bitumen. Government money was defalcated without actual procurement of bitumen as well as actual execution of work by making false entries in the measurement books. Contractors were favoured in realisation of liquidated damages, grant of mobilisation advances and equipment advances. The quality of roads was compromised due to non-rectification of defects reported by the National Quality Monitor/State Quality Monitor as well as doubtful procurement of bitumen.

[Paragraph 1.1]

2. Working of Rajendra Institute of Medical Sciences, Ranchi

The Rajendra Institute of Medical Sciences (RIMS) was set up in 2002 by the State Government. It was conceived as a centre of excellence in the areas of medical research and medical education, while serving as a hospital for specialised medical services. Under the Pradhan Mantri Swasthya Suraksha Yojana (PMSSY), a national project initiated in the year 2004 by GOI, RIMS was also selected for upgradation as a super-speciality hospital by March 2010. Performance audit of the working of RIMS revealed that it failed to achieve any of the objectives for which it was set up. Major targets like creation of a dental college, establishment of super-speciality departments and upgradation of existing departments under PMSSY were not achieved. The quality of service delivery to patients was poor as the manpower in the outdoor patient department was not commensurate with the flow of patients. The bed capacity was grossly inadequate which forced the patients to lie on the floor in wards/corridors.

[Paragraph 1.2]

3. Integrated Child Development Services Scheme

The Integrated Child Development Services (ICDS) scheme, a Centrally sponsored scheme, was launched in the State with a view to improve the nutritional and health status of children in the age group of up to six years and to enhance the capability of mothers, through proper nutrition and health education for looking after the normal health and nutritional needs of children. The implementation of the scheme suffered in the State due to deficient fund management, lack of infrastructure in Anganwadi centres, irregular and inadequate nutritional value of supplementary nutrition and failure to provide health check-ups and referral services.

[Paragraph 1.3]

4. Transaction Audit Findings

The audit of financial transactions, subject to test check, in various departments of the Government and their field units, revealed instances of losses, suspected misappropriation, wasteful expenditure, avoidable payment, unfruitful expenditure *etc* as mentioned below:

- Defalcation/loss/fraud of Government money of ₹ 9.01 crore was noticed in the Rural Development Department (₹ 34.80 lakh), the Drinking Water and Sanitation Department (₹ 4.48 crore), the Department of Art, Culture, Sports and Youth Affairs (₹ 2.60 crore), the Health, Medical Education and Family Welfare Department (₹ 28.81 lakh), the Agriculture and Sugarcane Department (₹ 3.39 lakh), the Rural Works Department (₹ 1.26 crore) and the Road Construction Department (₹ 0.40 lakh).

[Paragraph 2.1]

- Excess/ wasteful/ infructuous expenditure of ₹ 44.00 crore was noticed in the Road Construction Department (₹ 16.59 crore), the Building Construction Department (₹ 18.99 crore), the Welfare Department (₹ 3.18 crore), the Agriculture and Sugarcane Department (₹ 3.32 crore), the Rural Works Department (₹ 56 lakh), the Drinking Water and Sanitation Department (₹ 45.68 lakh) and the Water Resources Department (₹ 8.54 lakh).

[Paragraph 2.2]

- Unfruitful/non-realisation/ undue expenditure of ₹ 18.48 crore was noticed in the Road Construction Department (₹ 4.29 crore), the Civil Aviation Department (₹ 3.98 crore), the Forest and Environment Department (₹ 9.71 crore) and the Health, Medical Education and the Family Welfare Department (₹ 50 lakh).

[Paragraph 2.3]

- Blocking of funds of ₹ 3.20 crore was noticed in the Tourism Department.

[Paragraph 2.4]

5. Chief Controlling Officer based Audit of Science and Technology Department

The aim of the Science and Technology Department was to provide quality technical education and promote scientific awareness among the masses. In order to enhance the value of technical education and to provide easy access to the students of the State, the department planned to launch programme- oriented technical courses in addition to taking up establishment of new institutions such as engineering colleges, polytechnics and Centres for Advanced Studies in the departments of universities/colleges. Deficient operational controls were noticed in the department. There were large scale vacancies in the operational cadres. Effective grievance redressal, vigilance and internal control mechanisms were absent. Evaluation of different projects in hand and their monitoring was not effectively done.

[Paragraph 3.1]

6. Government Companies and Statutory Corporation

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of the State Government Companies are audited by Statutory Auditors appointed by CAG of India. These accounts are also subject to supplementary audit conducted by CAG of India. Audit of Statutory Corporation is governed by their respective legislations. As on 31 March 2010, the State of Jharkhand had 11 PSUs all working including one Statutory Corporation, which employed 8,385 employees. These PSUs registered a turnover of ₹ 1565.52 crore for 2009-10 as per their latest finalised accounts. This turnover was equal to 1.88 *per cent* of State GDP indicating insignificant place in the State economy. The State PSUs incurred aggregate loss of ₹ 442.43 crore as per their latest finalised accounts.

Investment in PSUs

As on 31 March 2010, the investment (capital and long-term loans) in 11 PSUs was ₹ 4900.87 crore. The investment has grown by 500.82 *per cent* from ₹ 815.69 crore in 2004-05. The thrust of PSU investment was mainly in power sector which accounted for 99.17 *per cent* of the total investment in 2009-10. The Government contributed ₹ 767.31 crore towards equity, loans and grants/subsidies during 2009-10.

Performance of PSUs

As per the latest finalised accounts, three PSUs incurred loss of ₹ 446.48 crore and four PSUs earned a profit of ₹ 4.05 crore. The major loss making Corporation/Company were Jharkhand State Electricity Board (₹ 374.13 crore) and Tenughat Vidyut Nigam Limited (₹ 70.94 crore).

The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of three latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of ₹ 2978.89 crore and made infructuous investment of ₹ 74.71 crore. There was considerable scope to improve the functioning of PSUs and reduce losses and there was a need for professionalism and accountability in functioning of PSUs.

Arrears in accounts

All 11 working PSUs had arrears of 46 accounts as of September 2010. The extent of arrears was one to sixteen years. The major arrear of accounts was in respect of Tenughat Vidyut Nigam Limited (TVNL) since 1994-95 and Jharkhand State Electricity Board (JSEB) since 2002-03. Though the concerned administrative departments and officials of the government were informed regularly of the arrear in finalisation of accounts, no significant measures were taken.

[Paragraph 4.1]

7. Performance Review on Power Generating Undertakings in Jharkhand

Power is an essential requirement for all facets of life and has been recognised as a basic requirement. In Jharkhand, generation of power is carried out by JSEB and by TVNL, a wholly owned company of Government of Jharkhand. JSEB had one thermal generation station and one hydro generation station with the installed capacity of 840 MW (derated capacity 770 MW) and 130 MW respectively. The installed capacity of TVNL was 420 MW.

The revenue from sale of power generated in its power stations by JSEB in 2009-10 was ₹ 196.26 crore while it was ₹ 377.73 crore in TVNL. Number of employees in Patratu Thermal Power Station (PTPS) and in Subarnrekha Hydel Project (SRHP) as on 31 March 2010 was 1,486 and 148 respectively. In TVNL, the manpower as on 31 March 2010 was 651.

Capacity Additions

Against energy requirement of 780 MW in the State during 2009-10, the actual generation in the State was 336 MW. However, no capacity addition was made during the period 2005-06 to 2009-10 though the GOI had allocated six coal blocks to JSEB and TVNL for setting up power plants in the State. These coal blocks were not developed as per milestones set by the GOI. Consequently, GOI may de-allocate the coal blocks.

Operational Performance

Performance of the existing generation stations depends on efficient use of material, manpower and capacity of the plants so as to generate maximum energy possible without affecting the long term operations of the plants. Audit scrutiny of operational performance revealed the following:

Procurement of coal

The power generating undertakings (TVNL & JSEB) did not enter into agreement with the coal companies for supply of coal. They received 49.28 lakh MT (26.51 *per cent*) of coal less than the quantity allocated by the Standing Linkage Committee. Also, they would suffer loss of ₹ 21.82 crore due to disallowance of claims by the coal company. They also suffered loss on transportation of coal in excess of CERC norms valuing ₹ 11.63 crore and incurred excess expenditure of ₹ 169.21 crore due to payment of coal for higher grade than that actually supplied.

Consumption of Coal

Consumption of coal above the norms in the thermal power stations in the State had resulted in excess consumption of coal to the tune of 21.32 lakh MT valuing ₹ 223.40 crore.

Deployment of Manpower

Manpower in PTPS was in excess over the norms of CEA with extra expenditure of ₹ 50.35 crore. However, 915 posts in technical cadre were vacant. As a result one unit of it could not be operated during January to March 2010 resulting in loss of generation valuing ₹ 9.69 crore. In TVNL, though the manpower was less than the CEA norms, about 600 workmen were employed on contract basis at a cost of ₹ 28.27 crore during the period.

Output Efficiency

Against a target of 20,883 MU fixed by JSEB and TVNL for generation of power the actual generation was only 14,613 MU (70 *per cent*) during the review period.

Similarly, against the total designed generation of 45,377 MU by TVNL and PTPS, the actual generation was 14,613 MU (32 *per cent*).

Plant Load Factors in PTPS and TVNL, was low as compared to the national average PLF due to which estimated shortfall in generation of 25,386 MUs valuing ₹ 4821.92 crore was suffered.

Low Plant Availability

The average plant availability at TVNL and PTPS was 62.6 *per cent* and 22.91 *per cent* respectively during the review period.

The forced outages remained more than the norm, which if contained would have entailed availability of plant for additional 3.16 lakh operational hours with consequent generation of 30,884 MUs valuing ₹ 5,600 crore.

Auxiliary Consumption

Also, the auxiliary consumption in the thermal power stations in the State was more than the norm resulting in loss of 396. 24 MUs valuing ₹ 73.58 crore.

Repairs & Maintenance

Capital maintenance of unit No. 3,5,6,8 and 9 of PTPS was delayed for 6 to 10 years. Unit No. 3 and 5 remained shut down since August 2003 and April 2004 respectively and were not restored, suffering generation loss of 582.38 MU valuing ₹ 104.60 crore.

Restoration of unit No. 9 & 10, which were shut down since August 2006 after a fire accident, was not completed even after more than 4 years due to non provision of adequate fund by the GOJ entailing generation loss of 661.91 MUs valuing ₹ 141.10 crore.

Renovation & Modernisation

Renovation and Modernisation of 9 units of PTPS and 2 units of SRHP were not taken up though due.

Operation & Maintenance

JSERC had disallowed O&M expenditure of ₹ 121.30 crore during the period which was being in excess of the norm.

Financial Management

The GOJ did not provide adequate fund for the planned capital schemes/ projects; the capital schemes planned by JSEB were either not actually taken up or were not completed and capital maintenance of the units could not be done in a planned and timely manner.

TVNL could not recover the full amount of energy bills raised on JSEB and total outstanding amounted to ₹ 555.50 crore as on 31.3.2010. Due to absence of specific provision in the Power Purchase Agreement, DPS claim of ₹ 1106 crore may also not be realised.

Tariff Fixation

Due to non filing of tariff petition, TVNL suffered a loss of revenue of ₹ 5.68 crore during 2005-06.

Environmental Issues

TVNL operated its TPS without air and water consent from JPSCB since January 2006. Though PTPS was allowed to operate its TPS for production of electricity only up to 80 MW by JPSCB, it was generating electricity with disregard to the limit. Both TVNL and PTPS had not set up dry ash collection system for higher utilization of ash as desired by MOEF.

Monitoring by top management

Post of Chairman of TVNL remained vacant for different periods of about 25 months and meetings of the Board of Directors was not held regularly. The post of Managing Director also remained vacant for 207 days during the review period. As a result, effective monitoring of the affairs of the company at the apex level was not done.

Conclusion & recommendation

There was no addition in power generation capacity during the review period. Adequate funds for the projects for capacity additions, R&M/LE, capital maintenance of the units and for restoration of the shut down units were not made available by the GOJ. Generation from the existing TPSs of JSEB/TVNL was abysmally low due to inefficient operation/lack of maintenance of the power plants. Renovation and modernisation/Life extension and adequate capital maintenance of the old and outlive plants of the State had not been done. The review contains seven recommendations which include implementation of the proposed projects, infusion of adequate fund for restoration / renovation and modernisation of the units of PTPS, planned and timely capital repair/renovation and modernisation and maintenance of the units of PTPS.

[Paragraph 4.2]

8. Transaction audit observations

Transaction audit observations included in this Report highlight deficiencies in the management of PSUs which have financial implications. The important irregularities pointed out are broadly of the following nature:

Lack of financial propriety in purchase of meter boxes/cables and non-installation of the meter boxes resulted in blocking of ₹ 10.50 crore with loss of interest of ₹ 3.13 crore.

[Paragraph 4.4]

Avoidable expenditure of ₹ 1.36 crore due to non synchronization of information in computerised bills.

[Paragraph 4.6]