CHAPTER-V
GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

5.1 Overview of State Public Sector Undertakings

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 Comptroller and Auditor General (CAG). These accounts are also subject to supplementary audit conducted by CAG. As on 31 March 2011, the State of Mizoram had five working PSUs (all Companies), which employed 271 employees. These PSUs registered a turnover of ₹ 1.72 crore for 2010-11 as per the latest finalised accounts. This turnover was equal to 0.03 *per cent* of State GDP indicating insignificant place in the State economy. The PSUs incurred a loss of ₹ 4.86 crore and had accumulated losses of ₹ 49.20 crore as per their latest finalised accounts.

Investment in PSUs

As on 31 March 2011, the Investment (Capital and Long Term Loans) in five PSUs was ₹ 90.63 crore. It grew by over 18.05 *per cent* from ₹ 76.77 crore in 2005-06.

Performance of PSUs

All the five State PSUs were incurring losses continuously during the period between 2005-06 and 2010-11. Zoram Industrial Development Corporation Limited ranked first among the PSUs in incurring Losses followed by Mizoram Food and Allied Industries Corporation Limited during this period.

The Losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of projects, 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 ₹ 27.27 crore which were controllable. There was tremendous scope to improve the functioning of PSUs and reduce Losses. The PSUs can discharge their role efficiently if they are financially self reliant. There was a need for professionalism and accountability in functioning of PSUs.

Arrears in accounts

Five working PSUs had arrear of 24 accounts as of September 2011.

Performance Audit relating to Power Distribution Activities of Power and Electricity Department, Government of Mizoram

A Performance Audit on Power Distribution Activities of Power and Electricity Department of Government of Mizoram was conducted for the period 2006-07 to 2010-11 to ascertain if the

Department was able to adhere to the aims and objectives stated in the National Electricity Policy (NEP) and Plan and to examine how far the distribution reforms had been achieved.

Working Results

The realisation per unit though increased from ₹ 2.09 to ₹ 2.39 (14.35 *per cent*), the cost per unit increased from ₹ 5.38 to ₹ 6.04 (12.27 *per cent*) during the audit period. The negative contribution per unit came down by as much as 72.06 *per cent* during the same period.

Distribution Network Planning

As compared to the growth of connected load of 179.58 MW in 2006-07 to 243 MW in 2010-11 (35.31 *per cent*), the increase in transformer capacity was only 9.79 *per cent* from 163.35 MVA to 179.35 MVA. Thus, the increase in distribution capacity could not match the pace of growth in consumer demand.

Implementation of Centrally Sponsored Schemes

As on 31 March 2006, out of 707 villages in the State (2001 Census), 570 villages were electrified (80.62 *per cent*). Under Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), the Department targeted 137 villages for new and another 570 villages for intensive electrification. Against this target the achievement till March 2011 was 53 villages (38.69 *per cent*) where new distribution network had been laid but energisation was pending and intensive electrification in 221 villages (38.77 *per cent*), respectively. The execution of the programme was delayed resulting in non-achievement of target of 100 *per cent* electrification of villages before 31 March 2010 as envisaged in NEP.

Operational Efficiency

Sub-transmission & Distribution losses remained in excess of norms fixed by CEA. The excess losses over the norms were 57.72 million units in 2010-11 costing ₹ 13.80 crore. The Department purchased ₹ 0.90 crore worth of excess quantity of Aerial Bunched Cables over their requirement.

Billing Efficiency

Energy billed during the audit period, 2006-07 to 2010-11 ranged between 63.01 to 75.08 *per cent* of the total energy available for sale. Assessed sales constituted 3.74 to 9.75 *per cent* of the energy billed during the same period.

Financial Management

Cross Subsidy continued to be at unsustainable levels in respect of all categories of consumers other than domestic sector.

There was inordinate delay in filing ARR/Tariff Petition for the years 2009-10 and 2010-11 and getting Electricity Regulatory Commission's approval for the same. The Department could not revise Tariff in time which resulted in loss of ₹ 24.32 crore.

Conclusions and Recommendations

This performance audit revealed absence of comprehensive long term plan for enhancing distribution capacity keeping in view the growth in demand and separate Annual Plans, poor and delayed preparation of Detailed Project Reports leading to the funding agencies delaying and ultimately curtailing the quantum of assistance, delays in execution of projects, etc. The performance audit report contains seven recommendations aimed at improving the operational efficiency of the Department to make itself sustaining.

Transaction Audit observations

Power and Electricity Department

Avoidable expenditure

Failure of P&E Department in getting registered under Central Sales Tax (CST) Act and availing concessional rate of CST on interstate purchases by issue of 'C' forms, caused avoidable expenditure of ₹ 2.37 crore.

Introduction

5.1.1 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 Mizoram, the State PSUs occupy insignificant place in the State Economy. The State PSUs registered a Turnover of ₹ 1.72 crore for 2010-11 as per their latest finalised accounts as of September 2011. This Turnover was equal to 0.03 *per cent* of State Gross Domestic Product (GDP) for 2010-11. The State PSUs incurred a Loss of ₹ 4.86 crore in the aggregate for 2010-11 as per their latest finalised accounts. They employed only 271[1] employees as of 31 March 2011. The State PSUs do not include three Departments[2] of the State Government which carry out commercial operations.

5.1.2 As on 31 March 2011, there were five Government companies (all working) and no Statutory corporation in the State of Mizoram.

Audit Mandate

5.1.3 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

[1] As per the details provided by five PSUs

[2] (i) Power & Electricity, (ii) Food, Civil Supplies & Consumer Affairs and (iii) Transport

the Paid Up Capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a Company in which 51 *per cent* of the Paid Up Capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as per Section 619-B of the Companies Act.

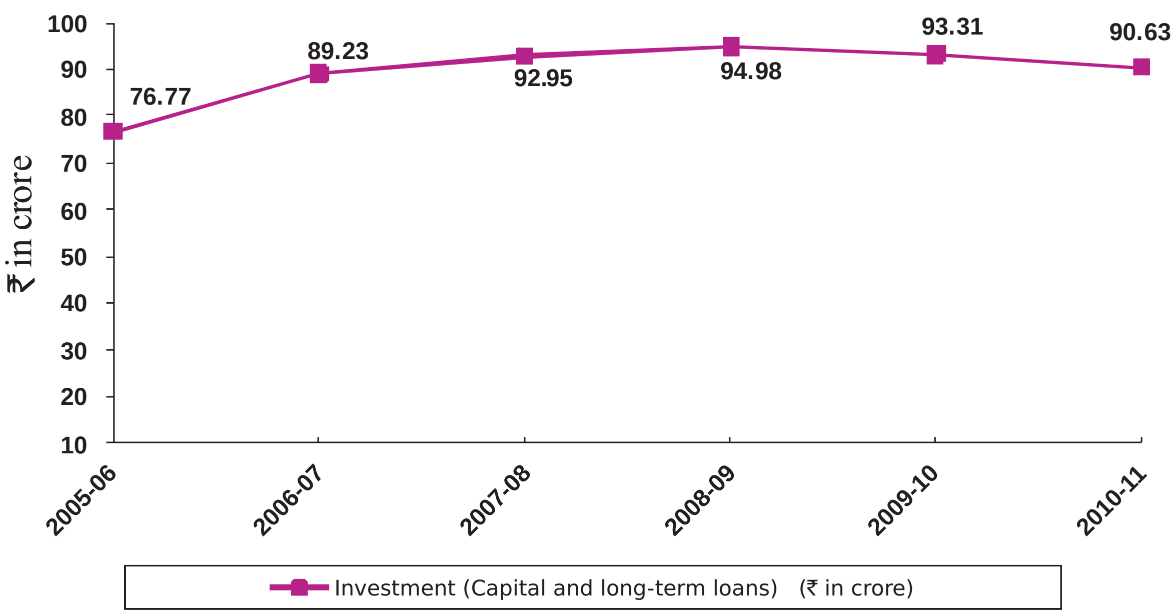
5.1.4 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by Comptroller and Auditor General (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject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

Investment in State PSUs

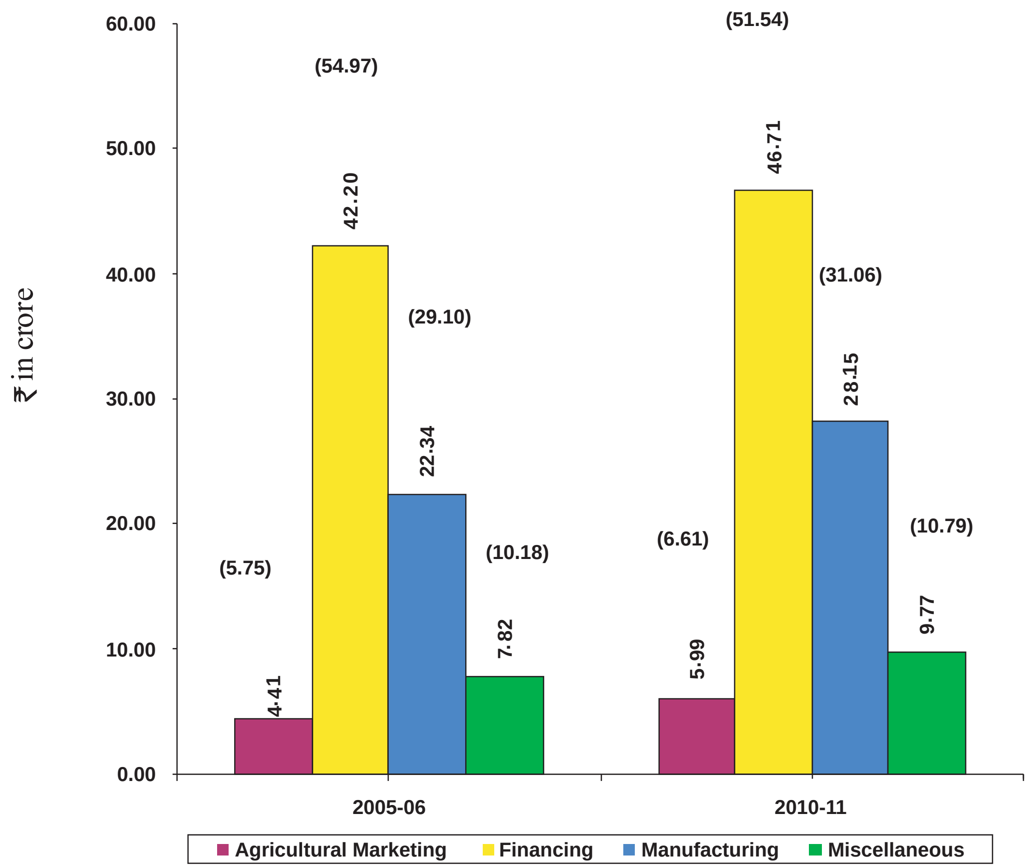
5.1.5 As on 31 March 2011, the Investment in the five PSUs was ₹ 90.63 crore – Capital ₹ 59.70 crore and Long term Loans ₹ 30.93 crore.

A summarised position of Government investments in State PSUs is detailed in **Appendix-5.1.**

5.1.6 As on 31 March 2011, the total Investment in the five working PSUs was ₹ 90.63 crore. This total Investment consisted of 65.87 *per cent* towards Capital and 34.13 *per cent* in Long Term Loans. The Investments increased by 18.05 *per cent* from ₹ 76.77 crore in 2005-06 to ₹ 90.63 crore in 2010-11 as shown in the graph below.



5.1.7 The total Investment in various sectors and percentage thereof at the end of 31 March 2006 and 31 March 2011 are indicated below in the bar chart.



(Figures in brackets show the percentage of sector investment to total investment)

5.1.8 The increase in total Investment was mainly due to increase in Loans in Financing Sector (₹ 9.73 crore) and increase in Equity (₹ 6.84 crore) in Manufacturing Sector.

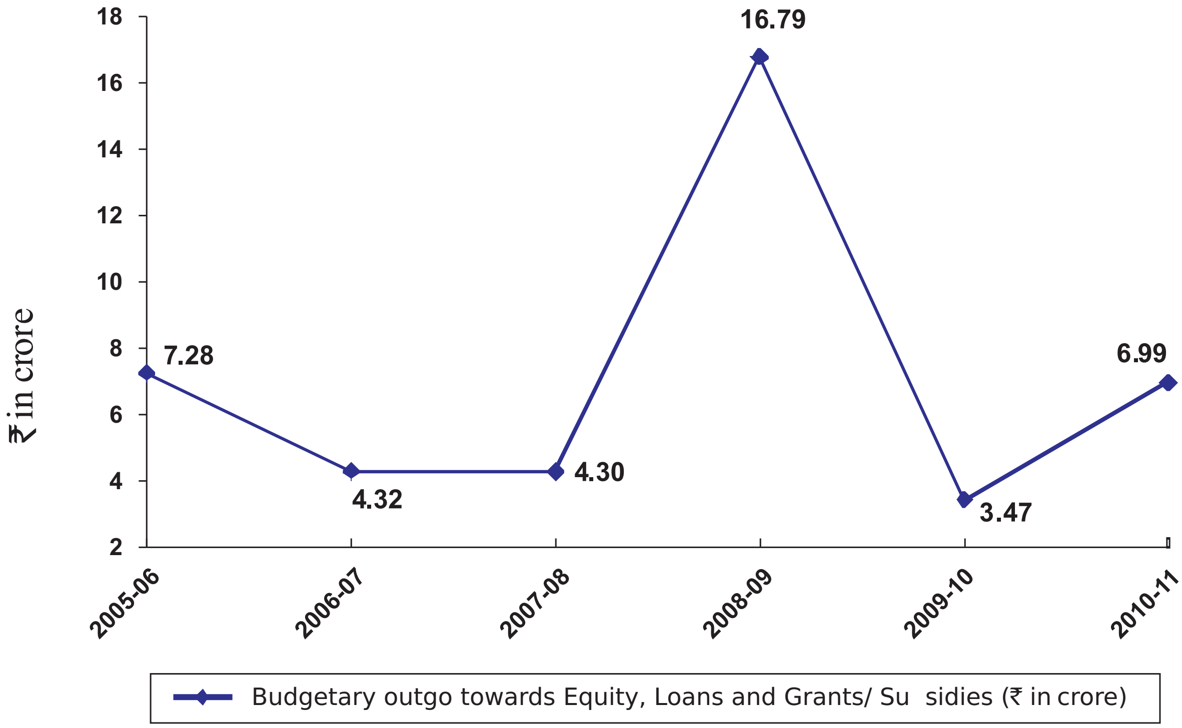
Budgetary outgo, Grants/Subsidies, Guarantees and Loans

5.1.9 The details regarding budgetary outgo towards Equity, Loans, Grants/Subsidies, Guarantees issued in respect of State PSUs are given in **Appendix-5.2**. The summarised details for three years ended 31 March 2011 are given below.

(Amount ₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	4	2.88	4	1.26	3	1.67
2.	Loans given from budget	1	8.72	-	-	1	0.63
3.	Grants/Subsidy received	3	5.19	2	2.21	3	4.69
4.	Total Outgo	4	16.79	4	3.47	5	6.99
5.	Guarantee Commitment	2	20.56	2	15.02	2	15.13

5.1.10 The details regarding budgetary outgo towards Equity, Loans and Grants/Subsidies for past six years are given in the graph below.



5.1.11 As on 31 March 2011, Guarantees amounting to ₹ 14.82 crore and ₹ 0.31 crore were outstanding against Zoram Industrial Development Corporation Limited and Mizoram Food and Allied Industries Corporation Limited respectively. No Guarantee Commission was payable to the State Government by the Government Companies. There was no case of conversion of Government Loan into Equity, Moratorium in Repayment of Loan and Waiver of Interest in this year.

Reconciliation with Finance Accounts

5.1.12 The figures in respect of Equity, Loans and Guarantees outstanding as *per* records of State PSUs should agree with 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 2011 is stated below.

(₹ in crore)

Outstanding in respect of	Amount as *per* Finance Accounts	Amount as *per* records of PSUs	Difference
Equity	3.03	54.06	51.03
Loans	---	9.35	9.35
Guarantees	18.29	15.13	3.16

5.1.13 **We** observed that the differences occurred in respect of all PSUs and the differences were pending reconciliation for more than ten years. The Principal Accountant General had addressed the Chief Secretary, Government of Mizoram, Administrative Department of respective PSUs and the Managing Directors of PSUs periodically and drawn their attention to the need to reconcile figures as appearing in Finance accounts and in their respective accounts. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

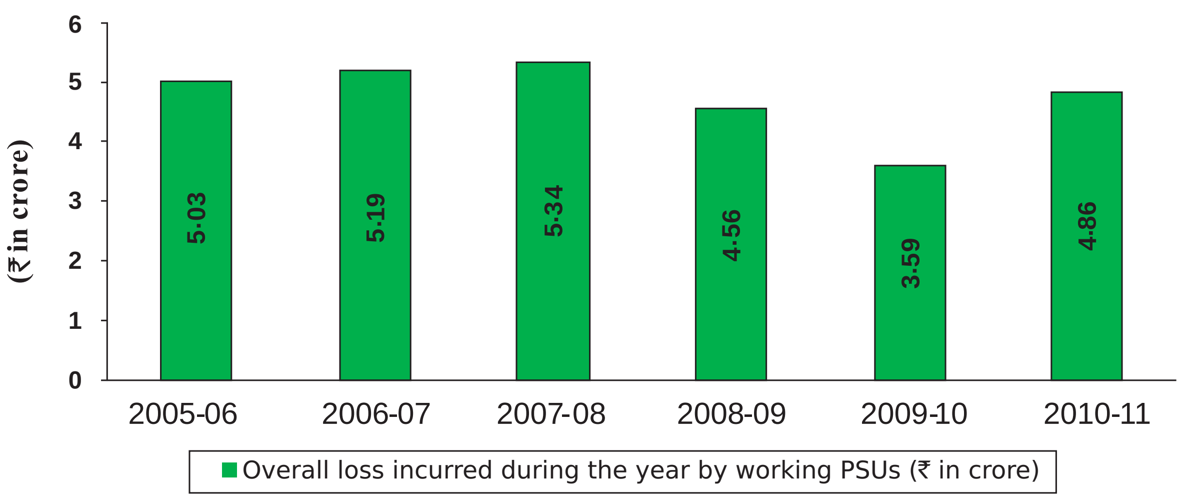
5.1.14 The financial results of PSUs are detailed in **Appendix-5.3.** A ratio of PSUs Turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSUs Turnover and State GDP for the period 2005-06 to 2010-11.

(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Turnover[3]	0.97	0.99	1.79	2.41	1.45	1.72
State GDP[4]	2971.15	3289.98	3815.51	4577.11	5283.93	6057.70
Percentage of Turnover to State GDP	0.03	0.03	0.05	0.05	0.03	0.03

5.1.15 The percentage of Turnover to State GDP declined from 0.05 *per cent* in *2008-09 to 0.03 per cent* in 2009-10, remained unchanged in 2010-11.

5.1.16 Losses incurred by State PSUs (all working) during 2005-06 to 2010-11 are given below in the bar chart.



All the five State PSUs were incurring Losses continuously during the period between 2005-06 and 2010-11. Zoram Industrial Development Corporation Limited ranked first among the PSUs in incurring Losses followed by Mizoram Food and Allied Industries Corporation Limited during this period.

3 Turnover as per the latest finalised accounts as of 30 September 2011
4 The final figures of State GDP, provided by the Economic and Statistics Deptt. of State Government has been adopted

5.1.17 The Losses of PSUs are mainly attributable to deficiencies in financial management, planning, running their operations and monitoring. A review of three latest Audit Reports of CAG shows that the State PSUs incurred controllable Losses to the tune of ₹ 27.27 crore and Infructuous Investment of ₹ 1.09 crore. Year wise details from Audit Reports are stated below.

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	Total
Net loss of working PSUs	4.56	3.59	4.86	13.01
Controllable losses as per CAG's Audit Report	-	1.00	26.27	27.27
Infructuous Investment	-	1.09	-	1.09

5.1.18 The above Losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual Controllable Losses would be much more. The above table shows that with better management, the losses can be minimised. 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.

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

(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Return on Capital Employed (*per cent*)	NIL	NIL	NIL	NIL	NIL	NIL
Debt	22.86	33.47	34.53	33.65	30.30	30.93
Turnover[5]	0.97	0.99	1.79	2.41	1.45	1.72
Debt/Turnover Ratio	23.57:1	33.81:1	19.29:1	13.96:1	20.90:1	17.98:1
Interest Payments	1.34	1.34	2.14	2.18	2.18	0.30
Accumulated losses	28.38	31.14	33.30	40.23	43.45	49.20

5.1.20 As per the latest Finalised Accounts as of 30 September 2011, of five working companies, the Capital Employed worked out to ₹ 78.91 crore and had shown negative Return on Capital Employed. Despite increase in Capital Employed, Return on Capital Employed has not shown any improvement. All PSUs were incurring Losses continuously over the years which resulted in increase in Accumulated Losses from ₹ 28.38 crore in 2005-06 to ₹ 49.20 crore in 2010-11.

5.1.21 The State Government has not formulated (September 2011) any Dividend policy.

Arrears in finalisation of accounts

5.1.22 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. The table below provides the details of progress made by working PSUs in finalisation of Accounts by September 2011.

[5] Turnover of working PSUs as per the latest finalised accounts as of 30 September 2011

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Number of Working PSUs	5	5	5	5	5
2.	Number of Accounts finalised during the year	3	1	6	11	8
3.	Number of Accounts in arrears	26	30	29	27	24
4.	Average arrears *per* PSU (3/1)	5.20	6.00	5.80	5.40	4.8
5.	Number of Working PSUs with arrears in Accounts	5	5	5	5	5
6.	Extent of arrears in years	1 to 8	1 to 9	1 to 10	1 to 10	1 to 11

5.1.23 The reasons for delay in finalisation of Accounts are attributable to (i) lack of required control over the Companies by Government and (ii) abnormal delay in compilation/approval of the accounts and delayed submission of the same to the Statutory Auditors by the management.

5.1.24 The State Government had invested ₹ 15.80 crore (Equity: ₹ 9.60 crore, Loans: ₹ 0.63 crore and Grants: ₹ 5.57 crore in five PSUs) during the years for which Accounts have not been finalised as detailed in **Appendix-5.4.** In the absence of Accounts and their subsequent audit, it can not be ensured whether the Income and Expenditure have been properly accounted for and the purpose for which the amount was invested by the State Government has been achieved or not. Thus, the State Government Investment in such PSUs remains 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.

5.1.25 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 Principal Accountant General (PAG) had brought the position of arrears of Accounts to the notice of the concerned Administrative Departments and officials of the Government periodically, no remedial measures were taken. As a result of this the Net Worth of these PSUs could not be assessed in audit. The Principal Accountant General had also addressed the Chief Secretary/ Finance Secretary periodically to expedite the clearance of arrears in finalisation of Accounts in a time bound manner.

5.1.26 In view of above state of arrears, it is recommended that the Government should monitor and ensure timely finalisation of Accounts with special focus on liquidation of arrears and comply with the Provisions of the Companies Act, 1956.

Accounts Comments and Internal Audit

5.1.27 *Three* working companies forwarded their eight audited Accounts to PAG during the year 2010-11. They 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.

(Amount ₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Increase in loss	2	4.40	6	2.05	2	0.23
2.	Decrease in loss	-	-	-	-	4	1.83
3.	Non-disclosure of material facts	1	49.87	1	15.78	1	4.55
4.	Errors of classification	1	0.56	2	9.48	5	9.07
5.	General	-	-	-	-	8	61.25

5.1.28 During the year 2010-11, the Statutory Auditors had given qualified certificates in all eight accounts. The compliance of companies with the Accounting Standards (AS) remained poor. There were 35 instances of non-compliance of AS in these eight accounts during the year.

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

Mizoram Food & Allied Industries Corporation Ltd (2007-08 to 2009-10)

- The Company accounted Head Office Management Expenses and Administration Expenditure of ₹ 1.81 crore under the head Pre-operative Expenses, though expenses of such nature were not Pre-operative Expenses as per the guidelines of Detailed Project Reports and Provisions of Sanction Orders issued by the Government of India and Government of Mizoram. This resulted in Understatement of Loss and Overstatement of Pre-operative expenses by like amount.

Zoram Industrial Development Corporation Limited (2009-10)

- There was no follow up and control over Loans and Advances (₹ 37.16 crore) which constituted around 87.13 *per cent* of the total tangible assets of the Company. The recovery measures were not effective.

- Investment of ₹ 1.91 crore with various financial institutions were held in the personal names of the office bearers of the Company.

5.1.30 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 and other areas in respect the three companies is 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-5.2
1.	Deficiencies in system of accounts and financial control	3	Sl. No. 1, 2 & 4
2.	Weak internal audit system and inadequate scope of internal audit	3	Sl. No. 1, 2 & 4
3.	Weak control over stores	2	Sl. No.1 & 4
4.	Non maintenance of proper Fixed Assets records	3	Sl. No. 1, 2 & 4

Reforms in Power Sector

5.1.31 A Memorandum of Agreement (MoA) was signed (July 2002) between the Union Ministry of Power and the State Government with 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 as at March 2011
1.	Corporatisation of the Electricity Department by 2006-07	Power & Electricity Department (P&E) is not yet corporatised.
2.	State Government to set up State Electricity Regulatory Commission (SERC)/Joint Electricity Regulatory Commission (JERC) by December 2003 and file tariff petition.	The Governments of Manipur and Mizoram entered (September 2005) into a Memorandum of Agreement (MoA) with Ministry of Power, Government of India authorising the latter to constitute a Joint Electricity Regulatory Commission (JERC) for the States of Manipur and Mizoram under the provisions of Section 83 of the Electricity Act 2003. Government of India has also committed in the MoA that it would provide financial assistance to JERC during the first five years of its operations subject to the condition that the States of Manipur and Mizoram would complete the process of restructuring and corporatisation of their electricity departments immediately. JERC was constituted in February 2008 with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission, distribution and issue of licenses. The Annual Revenue Return (ARR) and Tariff Petition for the year 2009-10 was filed in May 2010. Since the financial year 2009-10 was already over, JERC did not approve the same and directed the Department to file ARR and Tariff Petition for the year 2010-11. Accordingly the ARR and tariff petition for the year 2010-11 was filed in September 2010 and the JERC issued Tariff Order in January 2011 and the tariff was revised with effect from 1 February 2011.
3.	State Government will ensure timely payment of subsidies required in pursuance of orders on the tariff determined by JERC	The State Government had not released subsidy amounting to ₹ 115.00 crore payable by it as per Tariff Order for the year 2010-11 issued by JERC.
4.	100 *per cent* electrification of villages by 2003	623 out of 707 villages had been electrified by 31 March 2011.

Sl. No.	Milestone	Achievement as at March 2011
5.	Suitable policy provisions to be formulated by the State Government by July 2004 for handing over parts of distribution system on management contract or on lease to local bodies.	Policy for handing over parts of distribution system on management contract or on lease to local bodies was yet (March 2011) to be formulated by the State Government.
6.	Setting up of computerised billing centres by July 2003.	Computerised billing systems have been set up in 7 divisions.

5.1.32 The operational performance of the Power and Electricity Department for the last three years upto 2010-11 is given in **Appendix-5.5**.

The total Expenditure on power sold during the three years 2008-09, 2009-10 and 2010-11 was ₹ 161.11 crore, ₹ 198.43 crore and ₹ 184.13 crore as against the Revenue of ₹ 87.09 crore, 67.62 crore and ₹ 72.79 crore respectively.

The percentage of transmission and distribution (T&D) losses were as high as 33.01 *per cent* in 2008-09 to 36.99 *per cent* in 2009-10 and 28.95 *per cent* in 2010-11 as against the norm of 15.50 *per cent* fixed by the Central Electricity Authority. During the year 2010-11, the excess T&D Losses over the norms were 57.72 million units costing ₹ 13.80 crore (worked out at average revenue realisation rate of ₹ 2.39 per unit for the year 2010-11).

State Trading Scheme

5.1.33 During the year 2010-11, no Proforma Accounts relating to the arrear years were finalised by the Department which are in arrears from the year 2004-05 onwards.

Mizoram State Transport

5.1.34 The operational performance of Mizoram State Transport (MST) for the three years ended 31 March 2011 is given in **Appendix-5.6**.

PERFORMANCE REVIEW

POWER AND ELECTRICITY DEPARTMENT

5.2 Performance Audit on Power Distribution Activities of Power and Electricity Department, Government of Mizoram

Introduction

5.2.1 The distribution system of the power sector constitutes the final link between the power sector and the consumer. The efficiency of the power sector is judged by the consumers on the basis of performance of this segment. However, it constitutes the weakest part of the sector, which is incurring large losses. In view of the above, the real challenge of reforms in the power sector lies in efficient management of the distribution system. The National Electricity Policy in this regard *inter-alia* emphasises on the adequate transition from financing support to aid restructuring of distribution utilities, efficiency improvements and recovery of cost of services provided to consumers to make power sector sustainable at reasonable and affordable prices besides others.

Power Sector in Mizoram

5.2.2 In Mizoram - Generation, Procurement, Transmission and Distribution of Power is carried out by Power and Electricity Department (Department). The Department is responsible for promoting, developing and maintenance of Power Distribution Network within the State. The Department is under the Administrative control of Chief Secretary, Government of Mizoram and the Engineer- in-Chief is the functional head of the Department.

The Department had about 1.78 lakh consumers of various categories as on 31 March 2011. The State had a requirement of 107 MW of power (assessed in 17^{th} Electric Power Survey) against which the total installed capacity of State owned generating stations was 40.77 MW comprising 17.35 MW of Hydel and 23.42 MW of Thermal power (Diesel generating stations) as on 31 March 2011. The thermal generating stations were kept on standby mode owing to their high cost of operation and hence the effective installed capacity was only 17.35 MW. The State was dependant on outside sources mainly Central Sector Generating Stations (CGS) of North Eastern Electric Power Corporation Limited (NEEPCO) and NHPC Limited (NHPC) for meeting the gap in its energy requirement. The availability of energy from outside sources was around 65.31 MW bringing the total available power to 82.66 MW. Shortfall in supply was partially met from open market through Unscheduled Interchange (UI) and purchase through Indian Energy Exchange (IEX). For drawing power from CGS and other outside sources, the State had transmission Lines owned and maintained by PGCIL Limited.

A Joint Electricity Regulatory Commission for the States of Manipur and Mizoram (JERC) was constituted (January 2005) and it started functioning from January 2008 at Aizawl.

During 2006-07, 220.24 MUs of energy were sold by the Department which increased to 304.93 MUs in 2010-11, an increase of 38.45 *per cent*. As on 31 March 2011, the Department had distribution network of 7,372.41 Circuit Kilometers (CKM) of Transmission Lines, 50 Sub-stations (SS) and 1,273 Transformers of various categories. The turnover of the Department was ₹ 72.56 crore in 2010-11, which was equal to 1.20 *per cent* of the State Gross Domestic Product. It employed 2,408 employees as on 31 March 2011.

The State Government signed an agreement with Government of India (GoI) (July 2002), for development of Power Sector in the State. It was agreed that Department under the State Government would be converted into a Corporation by financial year 2006-07. A firm of Consultants appointed (March 2005) to study and examine the matter and to recommend the modalities for the conversion gave its report (November 2005) which was submitted to State Government (August 2006). Efforts of the Department/State Government to avail financial assistance required for the conversion of the Department to Corporation from Asian Development Bank were not successful (May 2008) and there had been no further progress in the matter (December 2011).

NEP aims to bring out reforms in the Power Distribution sector with focus on system upgradation, controlling and reduction of Transmission and Distribution (T&D) losses and power thefts and making the sector commercially viable besides financing strategy to generate adequate resources. It further aims to bring out conservation strategy to optimise utilisation of electricity with focus on demand side management and load management. In view of the above, a performance audit on the Power Distribution activities of P&E Department, Government of Mizoram was conducted to ascertain whether the Department was able to adhere to the aims and objectives stated in the National Electricity Policy and Plan and to examine how far the distribution reforms have been achieved.

A performance audit on Accelerated Power Development & Reforms Programme was included in the Report of the Comptroller and Auditor General of India (Civil), Government of Mizoram for the year ended 31 March 2009. The Report was yet to be discussed (December 2011) by COPU.

Scope and Methodology of Audit

5.2.3 The present performance audit conducted during April 2011 to August 2011 covered distribution activities of the Department for the period from 2006-07 to 2010-11. The performance audit mainly deals with Network Planning and execution, Implementation of Central Schemes, Operational Efficiency, Billing and Collection efficiency, Financial Management and Energy Conservation. The audit examination involved scrutiny of records at the Head Office and four[6] major divisions (earning the highest revenue) out of the 20 divisions under the Department.

The methodology adopted for attaining the audit objectives with reference to audit criteria consisted of explaining audit objectives to top management, scrutiny of records at Head Office and selected units, interaction with the Department personnel, analysis of data with reference to

[6] Revenue Division, Aizawl, Power Maintenance Division – I, Lunglei, Power Division, Kolasib and Distribution Division, Aizawl

audit criteria, raising of audit queries, discussion of audit findings with the Management and issue of draft performance audit report to the Management for comments.

Audit Objectives

5.2.4 The objectives of the performance audit were to assess:

- whether aims and objectives of National Electricity Policy/Plans were adhered to and distribution reforms achieved;
- adequacy and effectiveness of network planning and its execution;
- efficiency and effectiveness in implementation of the central schemes such as Restructured Accelerated Power Development and Reform Programme (R-APDRP) and Rajiv Gandhi Grameen Vidyutikaran Yojna (RGGVY);
- operational efficiency in meeting the power demand of the consumers in the state;
- billing and collection efficiency of revenue from consumers;
- whether Financial Management was effective and surplus funds, if any, were judiciously invested; and
- that energy conservation measures were undertaken.

Audit Criteria

5.2.5 The audit criteria adopted for assessing the achievement of the audit objectives were:

- Provisions of Electricity Act 2003;
- National Electricity Policy, Plans and norms concerning distribution network of the Department and Planning criteria fixed by the JERC;
- terms and conditions contained in the Central Scheme Documents;
- standard procedures for award of contract with reference to principles of economy, efficiency and effectiveness;
- Norms prescribed by various agencies with regard to operational activities;
- Norms of technical and non-technical losses; and
- Guidelines/ instructions/ directions of State Government/JERC.

Financial Position and Working Results

5.2.6 The financial position of the Department could not be ascertained as Proforma Accounts (financial statements *viz*., Profit and Loss Account, Balance Sheet *etc*.) were not prepared, though the CPWD Code for accounting Revenue and Expenditure was followed. The Department carried out its day to day operations on the budgetary support of the State Government. The Capital Expenditure was met through either Grants or Loans obtained from the State Government, Central Government or Financial Institutions. Revenue from sale of energy was remitted into State Treasury.

The particulars of cost of electricity *vis-à-vis* revenue realized per unit therefrom are indicated below:

(₹ in crore)

	Description	2006-07	2007-08	2008-09	2009-10	2010-11
1.	**Income**					
(i)	Revenue from Sale of Power	44.13	81.44	85.45	66.02	72.56
(ii)	Other income	1.90	1.44	1.64	1.60	0.23
	Total Income	**46.03**	**82.88**	**87.09**	**67.62**	**72.79**
2.	**Distribution (In MUs)**					
(i)	Net Generation	13.91	18.52	10.65	17.33	33.22
(ii)	Total power purchased	288.65	352.60	378.21	347.15	395.96
(iii)	Total Power available for Sale	302.56	371.12	388.86	364.48	429.18
(iv)	Less: Transmission losses	12.10	14.84	5.07	5.39	4.97
(v)	Net Power available for Sale	290.46	356.28	383.79	359.09	424.21
(vi)	Less: Sub-transmission & distribution losses	70.22	77.64	121.76	129.42	119.28
	Net power sold	**220.24**	**278.64**	**262.03**	**229.67**	**304.93**
3.	**Expenditure**					
(a)	**Fixed cost**					
(i)	Establishment & Administration	18.26	24.93	36.81	52.18	55.91
(ii)	Interest and finance charges	9.36	10.21	19.74	51.12	38.04
	Total fixed cost	**27.62**	**35.14**	**56.55**	**103.30**	**93.95**
(b)	**Variable cost**					
(i)	Fuel	0.13	0.13	2.62	3.29	3.22
(ii)	Purchase of Power	80.00	76.69	86.28	78.81	75.67
(iii)	O & M Expenses	10.85	14.92	15.66	13.03	11.29
	Total variable cost	**90.98**	**91.74**	**104.56**	**95.13**	**90.18**
(c)	**Total cost 3(a) + (b)**	**118.60**	**126.88**	**161.11**	**198.43**	**184.13**
4.	Realisation (₹ per unit) (including revenue subsidy)	2.09	2.97	3.32	2.94	2.39
5.	Fixed cost (₹ per unit)	1.25	1.26	2.16	4.50	3.08
6.	Variable cost (₹ per unit)	4.13	3.29	3.99	4.14	2.96
7.	Total cost per unit (in ₹) (5+6)	5.38	4.55	6.15	8.64	6.04
8.	Contribution (4-6) (₹ per unit)	-2.04	-0.32	-0.67	-1.20	-0.57
9.	**Loss per unit(in ₹) (4-7)**	**-3.29**	**-1.58**	**-2.83**	**-5.70**	**-3.65**

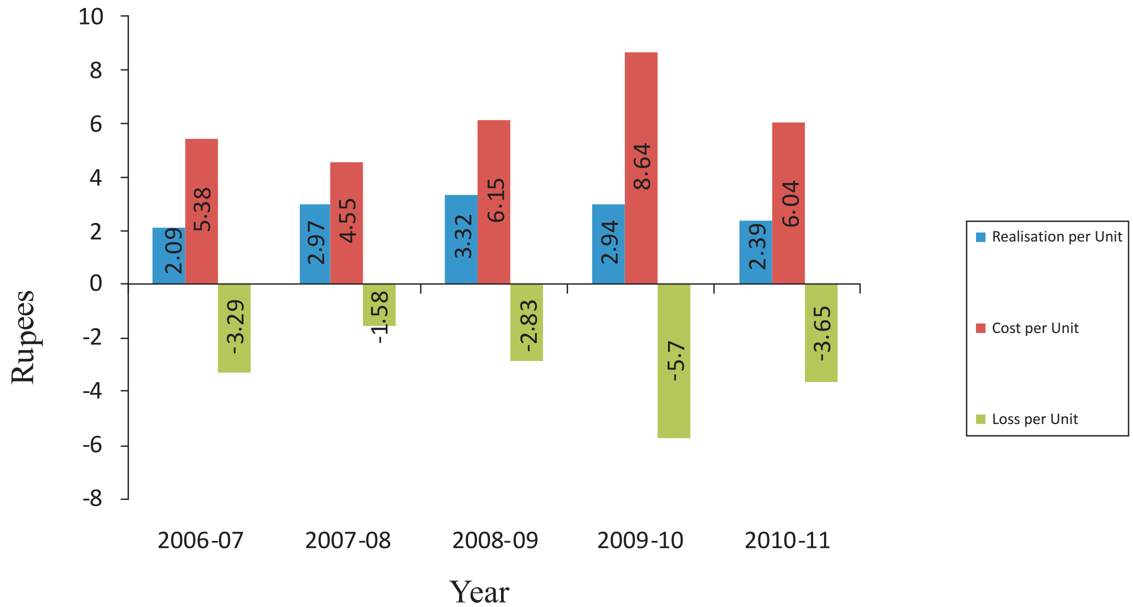
Source : Data furnished by the P&E Department and Assessment of Financial Resources for Annual Plans

The realisation *per* unit though increased from ₹ 2.09 to ₹ 2.39 (14.35 *per cent*), the cost *per* unit too increased from ₹ 5.38 to ₹ 6.04 (12.27 *per cent*) during audit period. The negative contribution per unit came down from ₹ 2.04 per unit to ₹ 0.57 per unit, a decrease of 72.06 *per cent* during the same period.

The Power Purchase Cost and Employees Cost (Establishment & Administration) were the two major elements of Cost in 2010-11 and were 41.10 and 30.36 *per cent* of the total cost respectively.

Recovery of cost of operations

5.2.7 The Department was not able to recover its Cost of operations. Though Loss per unit decreased in the year 2007-08 over 2006-07, it increased in the years' 2008-09 and 2009-10 but came down in 2010-11 as given in the graph below:



Analysis of the working results showed that revenue gap of ₹ 72.57 crore in 2006-07 had increased to ₹ 111.34 core in 2010-11. The steep increase in revenue gap needed attention of the State Government for necessary remedial action. Our analysis revealed that the main reasons for deficit had been (i) unremunerative tariffs and (ii) high transmission and distribution loss.

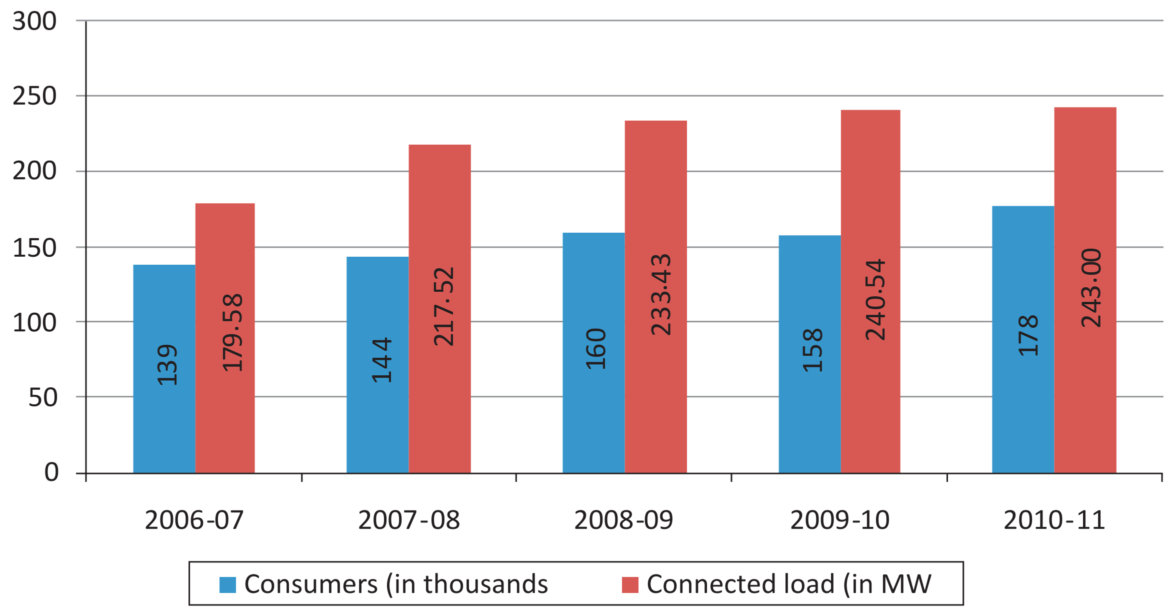
Audit Findings

5.2.8 The audit objectives, audit criteria and scope of the performance audit were explained to the Department during an Entry Conference (January 2011). Audit findings were reported to the Department (October 2011) and discussed in an Exit Conference (October 2011) which was attended by Additional Secretary, Joint Secretary and Engineer-in-Chief of the Department. The Department and Government replied (November 2011) to the performance audit report and their replies and views expressed in the Exit Conference have been considered while finalising this performance audit report. The audit findings are discussed in subsequent paragraphs.

Distribution Network Planning

5.2.9 The Department prepared Rural Electrification Plan proposed to be implemented during the period from 2007-08 to 2011-12 (XI Five Year Plan) as required by the Rural Electrification Policy notified by the Central Government in August 2006. Other than this, the Department had not prepared any comprehensive long term plan for enhancing its distribution capacity keeping in view the growth in demand. Thus, achievements could not be assessed against plans/actual requirements.

The particulars of consumers and their connected load during the audit period are given below in bar chart.



While the system improvement and rural electrification schemes have been dealt with separately under subsequent paragraphs, the particulars of distribution network planned *vis-à-vis* achievement there against in the State as a whole is depicted in **Annexure-5.7**. It may be seen from the annexure that, during the period covered under audit, 26 Sub Stations were added against 21 planned. However, as compared to the growth of connected load of 179.58 MW in 2006-07 to 243.00 MW (equivalent to 303.75 MVA at 0.80 Power Factor) in 2010-11 (35.31 *per cent*) the increase in transformer capacity was only 9.79 *per cent* from 163.35 MVA to 179.35 MVA. Thus, the increase in distribution capacity did not match the pace of growth in consumer demand. Further, taking into account the connected load of 243.00 MW as at the end of March 2011, the requirement of transformers capacity would be 364.50 MVA after considering the requirement of spin reserve of 20 *per cent*. However, the capacity was only 179.35 MVA. After giving margin for maximum load (*i.e.* 90 *per cent*) at which transformers can function in normal manner, the transformers capacity worked out to 161.37 MVA.

We observed instance of poor planning and coordination in implementation of developmental work. These factors led to avoidable extra expenditure besides postponing the delivery of benefits to the consumers.

Implementation of Centrally Sponsored Schemes

Rural Electrification

5.2.10 The National Electricity Policy states that the key objective of development of the power sector is to supply electricity to all areas including rural areas for which the GoI and the State Governments would jointly endeavour to achieve this objective. Accordingly, the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) was launched in April 2005, which aimed at providing access to electricity for all households in five years for which the GoI provides 90 *per cent* capital subsidy.

Besides, the GoI notified the Rural Electrification Policy (REP) in August 2006. The REP *inter-alia* aimed at providing access to electricity for all households by 2009 and Minimum lifeline consumption of one unit per household per day as a merit good by the year 2012. The other RE schemes *viz*., Accelerated Electrification of one lakh Villages and one crore household and Minimum Needs Programme were merged into RGGVY. The features of the erstwhile 'Kutir Jyoti Programme' were also integrated into this Scheme.

As on 31 March 2006, out of 707 villages in the State (as per 2001 Census), 570 villages were electrified (80.62 *per cent*).

Against the target of 137 villages to be newly electrified under RGGVY Scheme by end of the year 2009-10, the achievement till March 2011 was 53 villages where new distribution network had been laid but energisation was pending

Against the target[7] of 137 villages[8] to be newly electrified under the Scheme by the end of financial year 2009-10, the achievement was only 53 villages where only distribution network has been laid but energisation was pending (March 2011). Intensive Electrification has been completed only in 221 villages against the target of 570 villages (March 2011).

Though, villages planned to be newly electrified under the Scheme as per the Detailed Project Report (DPR) (June 2005) and sanction orders issued (January 2006 and December 2006) by REC were 137, the Department has taken up 195 villages to be newly electrified under the scheme.

The original cost estimates of ₹ 267.96 crore for electrification were revised because of change in scope of work to ₹ 519.13 crore, an increase of 93.99 *per cent over* the original estimate. REC was yet to approve the proposal (December 2011).

We are of the opinion, from the study of the Scheme, the following are the reasons for non achievement of target of 100 *per cent* electrification of the villages:-

[7] Year wise break up of the target was not available

[8] Un Electrified Villages - 42 and De Electrified Villages - 95

(i) Delay in preparation of DPR and filing application for sanction of projects and financial assistance.

(ii) Delay in appointment of Project Consultants and Turnkey Contractors.

(iii) Delay in completing resurvey and getting quantity variation proposal sanctioned by REC.

(iv) Delay in finalisation of list of 'Below Poverty line' category families.

(v) Delay in appointment of Third Party Inspection Agency (TPIA).

(vi) Delay on the part of Turnkey Contractors.

Further, due to delay in (i) preparation of DPR and (ii) filing of application with REC for sanction of projects, the Department could not avail financial assistance and complete electrification of any new village during the period 2006-07 to 2009-10 though RGGVY Scheme was launched by GoI in April 2005 and scheduled to be completed within a period of 5 years i.e., by March 2010.

No specific reply was offered by the Department and the Government.

Delay in preparation of DPR and filing application for Sanction of Projects and Financial Assistance

5.2.11 The Department submitted (June 2005) request for sanction of financial assistance of ₹ 561.06 crore for Rural Electrification Projects covering all the 8 districts in the State under RGGVY to REC along with DPR, prepared with cost data of 2003-04 envisaging implementation of the project departmentally without any provision for cost escalation. REC requested (August 2005) revision and preparation of the DPR district wise which were submitted (September 2005) with a revised cost estimate of ₹ 539.14 crore.

REC accorded (January 2006) sanction of ₹ 38.20 crore for two districts[9] under X Five Year Plan and in December 2006 ₹ 64.24 crore under XI Five Year Plan for the balance six districts[10]. The total sanctioned Project Cost worked out to ₹ 102.44 crore as against the original estimated cost (as per DPR) of ₹ 539.14 crore and the works of Rural Electrification Distribution Backbone (REDB) and Decentralised Distributed Generation and Supply (DDGS) components included in the DPR were excluded.

The Department revised (March 2008) Project Cost Estimate to ₹ 232.10 crore by considering price escalation, extra cost required for execution of the project on turnkey basis as suggested by REC, liability towards Service Tax & Mizoram Value Added Tax, Consultancy Service Charges, Permissible Overhead Expenses etc. The REC approved the Revised Project Cost of ₹ 267.95 crore in August 2008 considering also the value of Turnkey Contracts finalised by that time.

We observed that preparation of a single DPR covering all the districts with Cost Data for the year 2003-04 initially and abnormal delay in submitting the revised estimates (26 months in the case of Saiha and Lawngtlai districts and after 15 months in the case of other districts) resulted in late

[9] Saiha District - ₹ 13.13 crore and Lawngtlai District - ₹ 25.07 crore

[10] Kolasib - ₹ 3.98 crore, Serchhip - ₹ 2.19 crore, Champhai - ₹ 9.74 crore, Aizawl - ₹ 19.93 crore, Lunglei - ₹ 16.68 crore and Mamit - ₹ 11.72 crore

commencement of the project and led to non achievement of target of 100 *per cent* electrification of the villages before 31 March 2010, the target date.

The Department admitted (November 2011) that execution of projects through turnkey contracts involved preparation of technical specifications, tender documents, techno commercial scrutiny etc. for which the Department had no expertise and after engagement of consultant only, preparation of DPR could be completed which resulted in the delay.

Deficiencies in implementation of Rural Electrification Plan

5.2.12 In compliance with Sections 4 & 5 of the Electricity Act, 2003, the Government of India notified the Rural Electrification Policy in August 2006, which required formulation of Rural Electrification Plan by all States. Accordingly, Government of Mizoram prepared (June 2008) the Rural Electrification Plan with an estimated cost of ₹ 647.67 crore and notified the same (June 2008). The State Rural Electrification Plan, aimed at-

a) Provision of access to electricity to all rural households by year 2009.

b) Quality and reliable power supply at reasonable rates/tariff.

c) Minimum life line consumption of one unit per household per day as a merit good by 2012.

The Rural Electrification Plan envisaged taking up of projects:-

1. Rural Electricity Distribution Backbone (REDB) – Provision of 33/11 KV (or 66/11 KV) Sub-Stations of adequate capacity and lines in blocks where these do not exist.
2. Creation of Village Electrification Infrastructure (VEI) – electrification of un-electrified villages/ habitations with grid connectivity and intensified electrification of villages electrified already, new connection to all households including free connection to BPL households etc.
3. Decentralised Distributed Generation and Supply (DDGS) – setting up of Small Hydel Projects (SHPs) in remote parts of the State where grid connectivity is either not possible or not cost effective provided it is not covered under the programme of Ministry of Non-Conventional Energy Sources.

The Detailed Project Report (DPR) prepared and submitted (June/September 2005) by the Department to REC contained provision for 34 nos. 33/11 KV Sub Stations (REDB) and 7 SHPs (DDGS) among other items. REC sanctioned (January/ December 2006) ₹ 267.96 crore under RGGVY. Out of 34 SS included in the DPR submitted to REC, only 4 were sanctioned excluding the remaining 30 since the blocks in which they were proposed to be constructed already had SS. Reasons for disapproval of proposal for 7 SHPs were not available on record.

We observed that the DPR prepared and submitted to REC earlier (June/ September 2005) contained Sub Stations at 34 locations including the 18 Sub Stations considered in the Rural Electricity Plan. The other 16 locations included in the DPR represented blocks having existing Sub Stations.

The Department replied (November 2011) that items excluded from RGGVY had been included in another scheme being submitted to REC for approval.

The point stays that the Department was aware of the exclusion of components proposed under the Scheme, they did not make any efforts to avail funds either from the State Government through budgetary support or from financial institutions as loans till date (December 2011) which indicated deficiency in implementation of projects.

Extension of undue benefit to Contractors – ₹ 14.98 crore

5.2.13 As per Section 7 of the Mizoram Value Added Tax Act, 2005, read with Sub Section (2) of Section 11, a Supplier/Contractor supplying and fitting electrical goods or supplying and installing electrical equipments including transformers is liable to pay tax at the rate of 12.50 *per cent* on taxable turnover of sales or taxable contractual transfer price.

The Department requested (June 2009) the Government of Mizoram to grant exemption from levy of MVAT for those electrical materials to be utilised in execution of RGGVY Projects in the State, in the line of fiscal incentives extended to infrastructural development projects in other states to which the Government acceded (February 2010).

The Department got exemption from levy of Mizoram VAT but instead of availing it for their benefit passed on the same to the contractors.

Though the exemption was sought with the aim of curtailing cost of the project, the Department did not avail the benefit for themselves and released the exempted tax of ₹ 14.98 crore (worked out on payments made upto 31 March 2011) from progressive payments made for the materials which resulted in passing of undue benefit to the Contractors. The Department should start the recoveries immediately along with arrears from future payments made to the Contractors.

The Department did not furnish their reply.

Delay in rectification of defects by the Turnkey Contractors

5.2.14 The Third Party Inspection Agency (TPIA) had inspected (September 2010 to May 2011) 150 villages and pointed out 1485 discrepancies. We observed that the Turnkey Contractors had not rectified any of these defects/short comings pointed out by the TPIA till June 2011. Out of 150 villages where defects/short comings had been noticed, rectifications have been done only in 52 villages. There was little or no follow up action on the part of the Department.

The Department replied (November 2011) that the Contractors have rectified most of the defects/short comings. However, the reply was not supported by facts. We noticed delay in rectification of the defects/short comings ranging from 5 to 11 months.

Non levy of liquidated damages - ₹ 5.62 crore

5.2.15 Letter of Award (LOA) issued (September 2008) to Contractors M/s. T&T Projects Limited and M/s. Satnam Global Infraprojects Limited for Supply and Erection Works envisaged completion of works within a period of 18 months from the date of issue of LOAs *i.e.*, by March 2010 and for levy of liquidated damages @ 0.5 *per cent* per week of the material value supplied beyond scheduled date, subject to a maximum of 5 *per cent* of the total material value not supplied within scheduled date.

The Department did not levy liquidated damages of ₹ 5.62 crore as per the LOAs/ agreements for failure to supply materials in time.

We observed that the Department did not levy liquidated damages amounting to ₹ 5.62 crore as per the LOAs/ Agreements provisions on the Contractors for their failure to complete supply of materials before the scheduled date of completion of works.

Department stated (November 2011) that based on the resurvey conducted, the scope of the contract was enhanced and approval for the quantity variation proposal submitted to REC was awaited (November 2011). In the absence of formal approval for quantity variation proposal, the completion of work could not be insisted and scheduled date adhered to. Thus liquidated damages could not be imposed.

Reply of the Department was not acceptable since after resurvey, the scope of the contracts had increased and not decreased and there were no impediments for the Contractors to complete the supply as per the original plan. Further, the Contractors without waiting for such approval had supplied materials.

Non-compliance of REC instructions on Investment of Funds received in Interest Bearing Deposits resulted in Loss of Interest amounting to ₹ 2.40 crore

5.2.16 REC sanctioned (August 2008) ₹ 267.96 crore for the RGGVY projects and released (September 2008) the first installment of ₹ 78.31 crore after deducting their Service Charges of ₹ 0.45 crore.

REC had instructed (April 2008) the implementing agencies to keep the funds in interest bearing deposits of nationalised banks only, till payments were made to contracting agencies. The interest earned was required to be accounted for and used for meeting cost of the project by way of adjustments in the last installment.

We observed that the Department maintained heavy balances in their savings bank account (with State Bank of India) contrary to the REC directive, which resulted in loss of Interest amounting to ₹ 2.40 crore.

The Department opened (March 2010) another savings bank account with Axis Bank, (a non nationalised Bank) in violation of REC's direction and transferred money to it from savings bank/ fixed deposit account with the State Bank of India which also resulted in Loss of Interest amounting to ₹ 0.28 crore. In addition it prematurely withdrew fixed deposits to make payments to contractors inspite of having sufficient balances in savings accounts.

The Department admitted (November 2011) and assured that better planning would be done in future to avoid premature withdrawals of deposits.

Diversion from RGGVY Funds

5.2.17 REC guidelines permitted utilisation of ₹ 21.22 crore (10 and 8 *per cent* of the cost of the projects sanctioned under X and XI Five Year Plan respectively) towards meeting its overhead expenditure in connection with implementation of projects under RGGVY. The fees/consideration of ₹ 21.60 crore payable to REC (Nodal Agency of the Scheme), MECON (Consultant for the Project), TCIL (Third Party Inspection Agency) and STESALIT (Contractors for GIS Mapping) were to be met from this allocation towards overhead expenditure. Any amount spent over and above the permissible expenditure was be met by the Department.

Though no surplus was available out of overhead expenditure allowed by REC, the Department spent an additional amount of ₹ 1.13 crore out of RGGVY funds on fuel, Stationery & Travelling Expenses, Purchase of Vehicles, Salary, Survey and Supervision of Works, Constructions, Payment of Muster Roll Wages *etc.* without any justification and was irregular.

The Department stated (November 2011) that REC's share of fees was separately provided in the Project cost and so it was not required to be met out of overhead expenditure. However, the reply did not justify reasons for diverting funds for meeting expenses not connected with RGGVY Projects.

Financial and Physical Progress

5.2.18 The overall physical progress of the projects upto 31 March 2011 was only 33 *per cent*. None of the villages where work had been completed, was energised and handed over to the Department by the Contractors either because inspection by the Electrical Inspectorate or rectification of defects pointed out by the Third Party Inspection Agency, was pending. On the other hand, 89 *per cent* of the total project cost of ₹ 267.96 crore i.e. ₹ 237.61 crore had been released by REC. Of the amount received, the Department spent ₹ 190.43 crore i.e., 71 *per cent* of the Approved Project Cost wherein ₹ 171.15[11] crore was towards payments to Contractors i.e., 69 *per cent* of the total contract price. This indicated that physical progress was not commensurate with financial progress.

[11] ₹ 22.10 crore in 2008-09, ₹ 93.85 crore in 2009-10 and ₹ 55.20 crore in 2010-11

We observed that the contractors were taking up villages for electrification in piecemeal fashion only. As on 31 March 2011, in 77 villages work was not started. For want of sufficient storage space with the Department, the concerned divisions were required to receive the materials after verification and immediately hand over the same to the contractors. Though according to Clause 2.7 of the LOAs for supply of materials, the contractors were required to produce indemnity bonds executed in stamp papers for each lot of materials so handed over, the Department was not insisting on this requirement.

The Department admitted the fact of lower physical progress compared to financial progress and stated (November 2011) that the payments so far made to the Contractors were only towards supply contracts which constituted approximately 87 *per cent* except 10 *per cent* initial advance made towards erection contracts.

Accelerated Power Development Reforms Programme

5.2.19 The Union Ministry of Power (MoP) launched (February 2001) the Accelerated Power Development Programme (APDP) to accelerate power sector reforms which was renamed (March 2003) as Accelerated Power Development & Reforms Programme (APDRP). APDRP envisaged upgradation of sub-transmission system (33 KV and below) and to encourage/motivate utilities to reduce cash losses by providing incentives with the financial support of the GoI. The main objectives of APDRP were to

- Reduce aggregate technical and commercial (AT&C) losses;
- Bring about commercial viability in the power sector;
- Reduce outages and interruptions; and
- Increased consumer satisfaction.

As per the Memorandum of Agreement (MoA) entered into (July 2002) between the State Government and the MoP for undertaking reforms in power sector in the State, seven projects for Consumer Metering/System Metering and Strengthening of Sub-transmission and distribution systems in five circles[12] at an aggregate estimated cost of ₹ 108.74 crore, were sanctioned between July 2002 and September 2004.

The Department incurred expenditure of ₹ 106.15 crore on the projects till 31 March 2009, when the programme was closed. We observed that though the Department had spent the entire sanctioned amount on the project, they could not complete all the work as per the DPR. They either dropped or down sized the projects as funds sanctioned from MoP were insufficient.

Though the Department had revised the DPRs in January 2007, they had neither mobilized the additional funds required from Financial Institutions nor met the same from their own resources. Since estimated expenditure for many works required higher allocations, funds were required to be diverted from other works thereby resulting in their being abandoned or being downsized.

[12] Aizawl, Champhai, Lunglei, Project and Transmission Circle

Thus, as a result of their failure to take up and complete all items of work originally planned, the Department could not achieve the objectives of the scheme.

The Department confirmed (November 2011) the facts.

Restructured Accelerated Power Development Reforms Programme

5.2.20 In order to carry on the reforms further, the GoI launched the Restructured APDRP (R-APDRP) in July 2008 as a Central Sector Scheme for XI Five Year Plan. The R-APDRP scheme comprised Part-A and B. Part-A was dedicated to establishment of IT enabled system for achieving reliable and verifiable baseline data system in all towns besides installation of SCADA[13]/ Distribution Management System. For this, 100 *per cent* Loan was provided which was convertible into Grant on completion and verification of the Scheme by third party independent evaluating agency. Part-B of the scheme dealt with strengthening of regular sub-transmission & distribution system and upgradation projects.

Progress in implementation of the Schemes

5.2.21 The Department entered into an agreement (September 2009) with Union Ministry of Power, State Government and Power Finance Corporation (PFC) in connection with implementation of R-APDRP Scheme in the State. Pending finalisation of DPRs, PFC sanctioned (June 2010) ₹ 34.26 crore for Projects under Part - A covering 9 towns[14]. After finalisation (September 2010) of DPRs, the Projects were finally sanctioned for ₹ 35.12 crore.

The completion target set for the project was 3 years from the date of sanction. We observed inordinate delay in deciding the modality with regard to the utilisation of the sanctioned fund. After submitting the proposal (May 2010) for opening of Bank Account, Government of Mizoram took more than 6 months for according their approval. Allocation of fund (₹ 10.54 crore) towards advance payment under Part-A was made on 2 March 2011 and Expenditure Sanction was given on 31 March 2011.

Even after 1 year of sanction of the project by PFC, progress in implementation of Part-A of the Projects remained poor. The Steering Committee for appointment of IT Implementing Agency (ITIA) under R-APDRP decided to appoint common ITIA for all the North Eastern States implementing R-APDRP. Though tender for this work had been issued, it could not be finalised as the process was the subject of a legal dispute.

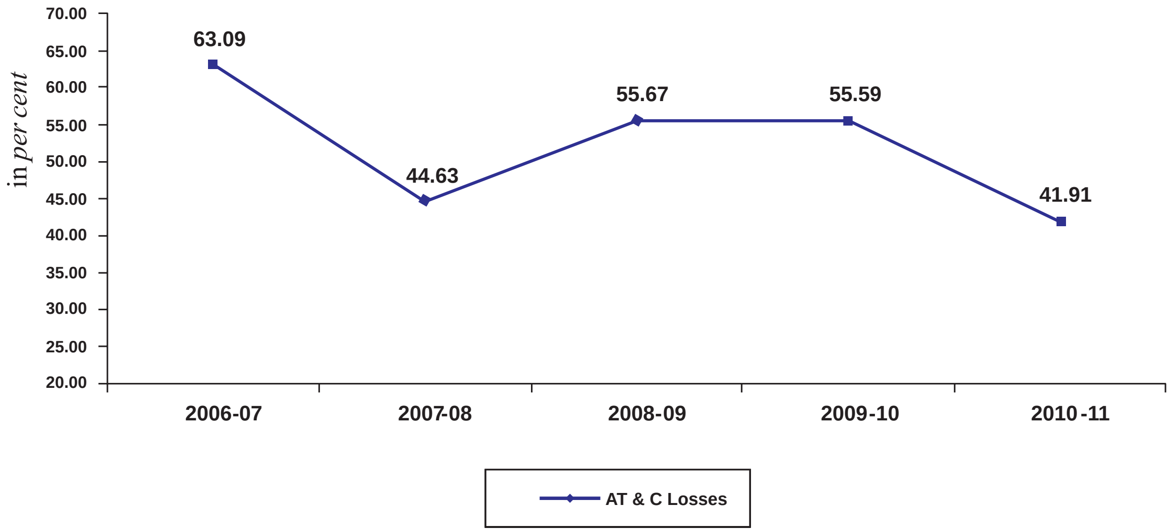
The Department stated (November 2011) that an IT Consultant had been appointed and materials/ equipments required for Part-A Projects had been ordered. However, the fact remains that there has been delay in implementation of the scheme and delivery of the intended benefits.

[13] Supervisory Control And Data Acquisition – It generally refers to industrial control systems; computer systems that monitor and control industrial, infrastructure, or facility-based processes

[14] Aizawl, Champhai, Khawzawl, Kolasib, Lunglei, Saiha, Saitual, Serchhip and Lawngtlai

Aggregate Technical & Commercial Losses

5.2.22 One of the prime objectives of R-APDRP scheme was to strengthen the distribution system with the focus on reduction of Aggregate Technical & Commercial Losses (AT&C losses) on sustainable basis. The graph below depicts the AT&C losses[15] over the audit period in the Department.



Had Part-B of the R-APDRP Scheme been implemented without delay, the Department could have reduced the AT&C Losses considerably and added to its revenue.

Operational efficiency

5.2.23 The operational performance of the Power and Electricity Department is judged on the basis of availability of adequate power for distribution, adequacy and reliability of distribution network, minimising line losses, detection of theft of electricity, *etc*. These aspects have been discussed below:-

Sub-transmission & Distribution Losses

5.2.24 The distribution system is an important and essential link between the power generation source and the ultimate consumer of electricity. For efficient functioning of the system, it must be ensured that there are minimum losses in sub-transmission and distribution of power. While energy is carried from the generation source to the consumer, some energy is lost in the network. The losses at 33 KV stage are termed as sub-transmission losses while those at 11 KV and below are termed as distribution losses. These are based on the difference between total energy generated and procured by the Department and energy billed to consumers. The percentage of losses to available power indicate the effectiveness of Distribution system. The losses occur mainly on two counts, *i.e.*, technical and commercial. Technical losses occur due to inherent character of equipment used for transmitting and distributing power and resistance in conductors through which the energy

[15] The AT&C Losses mentioned here are only for towns where APDRP has been implemented

is carried from one place to another. On the other hand, commercial losses occur due to theft of energy, defective meters and drawal of unmetered supply etc.

The table below indicates the energy losses for the Power and Electricity Department for the last five years upto 2010-11.

(in Million Units)

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Energy Availability	302.56	371.12	388.86	364.48	429.18
2.	Energy sold	220.24	278.64	262.03	229.67	304.93
3.	Energy losses (1 – 2)	82.32	92.48	126.83	134.81	124.25
4.	Percentage of energy losses (*per cent*) {(3 / 1) x 100}	27.21	24.92	32.62	36.99	28.95
5.	Norm allowed by CEA (in percentage)	15.50	15.50	15.50	15.50	15.50
6.	Excess losses (in MUs)	35.43	34.96	66.57	78.33	57.72
7.	Average realisation rate per unit (in ₹)	2.07	2.97	3.32	2.94	2.39
8.	Value of excess losses (₹ in crore) (6 x 7)	7.33	10.38	22.10	23.03	13.80

Every percentage reduction in the Transmission and Distribution Losses would add ₹ 1.03 crore to the revenue of the Department

It would be seen from the above table that losses ranged between 24.92 and 36.99 *per cent* during the period covered under audit. Reduction in these losses was the most significant step towards making the Department financially self-sustaining. The importance of reducing losses can be gauged from the fact that a one *per cent* decrease in losses could add ₹ 1.03 crore to the revenue of the Department. The main reasons for such high energy losses were insufficient transformation capacity, low power factor, huge number of unmetered consumers and theft of electricity etc.

The Department's reply was awaited (December 2011).

Inadequate transformation capacity

5.2.25 Transformer is a static device installed for stepping up or stepping down voltage in transmission and distribution of electricity. The energy received at high voltage (132 KV, 66 KV, 33 KV) from primary sub-stations is transformed to lower voltage (11 KV) at 33/11 KV sub-stations to make it usable by the consumers. In order to cater to the entire connected load, the transformation capacity should be adequate. The ideal ratio of transformation capacity to connected load is considered as 1:1. The table below indicates the details of transformation capacity at 33/11 KV sub-stations and connected load of the consumers in the State during the period 2006-11.

(in MVA)

Year	Transformation Capacity	Connected load	Gap in Transformation capacity	Ratio of Transformation capacity to connected load
2006-07	144.700	224.478	79.778	1:1.55
2007-08	144.700	271.900	127.200	1:1.88
2008-09	144.700	291.788	147.088	1:2.02
2009-10	144.700	300.675	156.975	1:2.08
2010-11	174.550	303.750	129.200	1:1.74

It can be seen from the table above that the ratio of transformation capacity to total connected load ranged between 1:1.55 and 1:2.08. We observed that such a high gap of transformation capacity led to overloading of the system resulting in frequent tripping and adverse voltage regulation with consequential higher quantum of energy losses.

The Department stated (November 2011) that the low ratio of transformation capacity to connected load would not necessarily overload the transformers as the total load drawn by the consumers can never be the sum total of their connected load. The contention of the Department that the transformers are not overloaded was not supported by facts when the rate of failure of transformers was in excess of the regional norms as discussed in next paragraph.

Performance of Distribution Transformers

5.2.26 The Department had not adopted any standard norm for distribution transformers failure. We therefore adopted One *per cent* (taken as standard by Meghalaya State Electricity Board) as the standard norm of failure of Distribution Transformers (DTRs). The details of standard norm, actual DTRs failed and the expenditure incurred on their repairs is depicted in the table below:

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Existing DTRs at the close of the year (in Number)	1049	1167	1198	1273	1273
2.	DTR Failures (in Number)	66	94	98	106	67
3.	Percentage of failures	6.29	8.05	8.18	8.32	5.26
4.	Norm (in percentage)	1.00	1.00	1.00	1.00	1.00
5.	Excess failure percentage over norms	5.29	7.05	7.18	7.32	4.26
6.	Expenditure on repair of failed DTRs (₹ in crore)	0.57	1.41	1.12	1.71	1.08

Failure of DTRs could be minimised by taking adequate steps for preventive maintenance as well as improving the low ratio of transformation capacity to connected load as discussed in the paragraph above. Cause wise analysis showed that maximum failure occurred due to Lightning Strike which could have been controlled by providing lightning arrestors to each transformers.

Commercial losses

5.2.27 The majority of commercial losses relate to consumer metering and billing besides pilferage of energy. While the metering and billing aspects have been covered under implementation of R-APDRP scheme and Billing efficiency, respectively, the other observations relating to commercial losses are discussed below:-

Implementation of LT less system

5.2.28 High voltage distribution System is an effective method of reduction of technical losses, prevention of theft, improved voltage profile and better consumer service. The GoI had also stressed (February 2001) the need to adopt LT less system of distribution through replacement of existing LT lines by HT lines to reduce the distribution losses. The HT-LT ratio in the State over the audit period is depicted in the table below:

Year	HT (in CKM)	LT (in CKM)	Ratio
2006-07	5043.44	2220.97	1:0.44
2007-08	5059.44	2230.97	1:0.44
2008-09	5074.44	2237.97	1:0.44
2009-10	5097.44	2243.97	1:0.44
2010-11	5120.44	2251.97	1:0.44

It may be seen that, the ratio remained static during the period covered under audit and the Department had not taken adequate steps to improve the HT-LT ratio during the audit period.

The Department did not furnish their reply.

Implementation of the Scheme 'LT Overhead lines with Aerial Bunched Cables for Aizawl, Mizoram'

5.2.29 The North Eastern Council (NEC) accorded (February 2007) approval for the Scheme titled 'LT Overhead Lines with Aerial Bunched Cables for Aizawl, Mizoram' at an estimated cost of ₹ 4.70 crore. The scheme was required to be implemented within two years from the date of release (February 2007) of 1st installment of funds by NEC. The scheme was financed by NEC on the pattern of Central Assistance for special category states i.e., 90 *per cent* as Grant and 10 *per cent* as Loan (to be arranged by State Government).

The work was completed in the last quarter ending 2009-10 at a cost of ₹ 3.35 crore. The balance amount of ₹ 0.78 crore to be funded by NEC was yet (December 2011) to be released. We observed that the Department made excess purchase of cables worth ₹ 2.17 crore **(Appendix-5.8)** due to preparing the estimate for the work unrealistically and availing excess funds over requirement from NEC. The Department used the excess funds for purchase of additional quantity of cables in excess of requirement and as a result cables worth ₹ 0.90 crore were still lying unused resulting in wasteful expenditure. An additional quantity of 43.185 KM of cables over estimate was also seen used.

The Department stated (November 2011) that, when the price of cables was found lower than that of the estimate due to competitive bidding, excess quantity could be purchased to cover more area and this was done based on the revised estimate. Cables of sizes other than that of the estimate were purchased based on the load of intended area to be covered. The reply does not explain the reason for the presence of idle stock worth ₹ 0.90 crore remaining for more than one year beyond the completion date. Further, it was against the canons of financial propriety to inflate the estimate in excess over actual requirement, which could have been utilised for other vital works. It was also essential that the purchase of excess quantity over the estimate had to be approved by the State Purchase Advisory Board, whose approval was not taken.

Billing Efficiency

5.2.30 As per the prescribed procedure, the Department was required to take the reading of energy consumption of each consumer at the end of the notified billing cycle. After obtaining the meter readings, the Department issued bill to the consumers for consumption of energy. Sale of energy to metered categories consisted of two parts *viz.*, metered and assessed units. The assessed units refer to the units billed to consumers in case meter reading is not available due to meter defects, door lock etc. Billing of all the consumers were being done at Sub-Division level. Consumers were being billed on monthly basis.

We observed that energy billed during the audit period ranged between 63.01 (in the year 2009-10) to 75.08 (in the year 2007-08) *per cent* of the total energy available for sale while there was no free supply. Further, assessed sales constituted 3.74 to 9.75 *per cent* of the energy billed during the same period.

The Department stated (November 2011) that it was taking maximum efforts to improve billing efficiency by timely replacement of defective energy meters.

Revenue Collection Efficiency

5.2.31 As revenue from sale of energy was the main source of income of the Department, prompt collection of revenue assumed great significance.

We observed that the balance dues outstanding at the end of the year 2010-11 decreased to ₹ 1.27 crore from ₹ 6.63 crore in 2006-07. This was equivalent to 0.19 months of collection.

Financial Management

5.2.32 Efficient fund management serves as a tool for decision making, for optimum utilisation of available resources and borrowings at favourable terms at appropriate time. The financial management of the Department includes revenue collection, billing, borrowings, grants, transfer of funds, interest recovery/payments, restructuring of loans, security deposits, bank reconciliations and other related transactions. While the revenue and billing have dealt in the preceding paragraphs, the other areas are discussed below:-

Subsidy Support and Cross Subsidisation

5.2.33 There was an urgent need for ensuring recovery of cost of service from consumers to make the power sector sustainable. The State Government was providing subsidy with a view to ensure supply of power to specific category of consumers at concessional rates of tariff.

Subsidy Support

5.2.34 During the audit period, tariff was revised only once (February 2011). The average tariff now fixed was ₹ 3.30 per unit while the previous average tariff was ₹ 2.10 per unit which was fixed in 2005. Average cost of power as per the petition filed by the Department for the present revision was ₹ 9.91 per unit. The Government had agreed to pay a subsidy of ₹ 115 crore to enable the Department to bring down the average tariff to an affordable level of ₹ 3.30 per unit.

The Department stated (November 2011) that the amount of subsidy committed by the State Government may not be released in cash since it was one of the Departments under Government of Mizoram and all its Revenue Expenditure were being met by the State Government based on requirement.

Cross Subsidisation

5.2.35 Section 61 of Electricity Act 2003 stipulated that the tariff should progressively reflect the average cost of supply (ACOS) of electricity and also reduce cross subsidy in a phased manner as specified by the Commission. National Tariff Policy envisaged that the tariff of all categories of consumers should range within plus or minus 20 *per cent* of the ACOS by the year 2010-2011. The position of cross-subsidy in various major sectors is placed in the table below:

Particulars	2006-07		2007-08		2008-09		2009-10		2010-11	
Average cost of supply (ACOS) [Paise per Unit]	538		455		615		864		#333	
Average Revenue from										
	Paise per unit	**Percentage of ACOS**	**Paise per unit**	**Percentage of ACOS**	**Paise per unit**	**Percentage of ACOS**	**Paise per unit**	**Percentage of ACOS**	**Paise per unit**	**Percentage of ACOS**
Domestic	186	35	220	48	223	36	188	22	274	82
Commercial	243	45	285	63	280	46	342	40	422	127
Industrial	231	47	318	70	327	53	320	37	674	202
Agricultural	---	---	---	---	250	41	120	14	110	33
Others	177	33	396	87	356	58	410	47	447	134

\# *Rate considered by the JERC, excluding Subsidy Support from the State Government i.e. ₹ 3.33 per unit*

The cross subsidy continue to be at unsustainable levels in respect of all categories of consumers other than domestic consumers

It may be seen from the above table that the cross subsidy continues to be at unsustainable levels in respect of all categories of consumers except domestic during 2010-11. There is a need to correct this imbalance by progressively and gradually reducing the existing cross subsidies levels.

The Department replied (November 2011) that cross subsidy among different categories of consumers were worked out in line with JERC's Tariff Order. The point stays that there is a need to correct the imbalance.

Tariff Fixation

5.2.36 The financial viability of the Department depended upon generation of surplus (including fair returns) from the operations to finance their operating needs and future capital expansion programmes by adopting prudent financial practices. Revenue collection was the main source of generation of funds for the Government from the Department. While other aspects relating to revenue collection had been discussed in preceding paragraphs, the issues relating to tariff are discussed here under.

The tariff structure of the Department was/subject to revision approved by the JERC after the objections, if any, received against Aggregate Revenue Requirement (ARR)/Tariff Petition filed by it within the stipulated date. The Department was required to file the ARR for each year 120 days before the commencement of the respective year. The table below shows the due date of filing ARR, actual date of filing, date of approval of tariff petition and the effective date of the revised tariff.

Year	Due date of filing	Actual date of filing	Delay in days	Date of approval	Effective date
2009-10	31-03-2009	31-05-2010	426	Not approved since filed after due date	NA
2010-11	30-11-2009	13-09-2010	286	12-01-2011	01-02-2011

We observed that there was inordinate delay in filing ARR/Tariff Petition for the years 2009-10 and 2010-11. The Department delayed furnishing reply to the queries raised by JERC on the ARR and Tariff Petition. Though JERC notified (November 2008) the Tariff Regulations, the Department took initiative for filing ARR and Tariff Petition after lapse of two and a half months. Further, P&E Department did not prepare and submit ARR and Tariff Petition for the year 2009-10 in the prescribed format.

Due to delay in filing ARR/Tariff Petition and getting JERC's approval for the same, the Department could not revise Tariff in time. Tariff Revision was due on 1 April 2009 whereas the Revision was made effective only on 1 February 2011 which resulted in loss of ₹ 24.32 crore.

The Department admitted and replied (November 2011) that ARR and Tariff Petition for the year 2009-10 was the first one of its kind filed by the Department from its inception and ARR and Tariff Petitions would be filed in time in future.

We observed that the extent of Tariff was lower than Breakeven levels (in percentage terms) of Revenue from sale of power at the present level of operations and efficiency for the last five years ending 31 March 2011 as shown in the table below:

(₹ in crore)

Year	Sales (excluding subsidy)	Variable costs	Fixed costs	Contribution	Deficit in recovery of fixed costs	Deficit as percentage of sales
(1)	(2)	(3)	(4)	(5) = (2) – (3)	(6) = (4) – (5)	(7)={(6)/(2)} X 100
2006-07	44.13	90.98	27.62	-46.85	74.47	168.75
2007-08	81.44	91.74	35.14	-10.30	45.44	55.80
2008-09	85.45	104.56	56.55	-19.11	75.66	88.54
2009-10	66.02	95.13	103.30	-29.11	132.41	200.56
2010-11	72.56	90.18	93.95	-17.62	111.57	153.76

It could be seen from above table that the Department could not recover their variable cost also in any of the years in the Audit period. However, control of AT&C losses, improving billing and collection efficiency *etc*., which have been discussed in the other paragraphs, would have helped improve the contribution of the Department.

Energy Conservation

5.2.37 Energy conservation activities in the State are handled by State Designated Agency (SDA) established under Energy Conservation Act 2001 which is working in co-ordination with the P&E Department. SDA had distributed (March 2011) 1,415 Solar Home Lighting System, 3,742 Solar Lantern and 40 Power Pack at concessional rates to the needy public mainly in rural areas. SDA also conducted awareness campaigns on energy conservation by distributing pamphlets, stickers, calendars *etc*.

The proposal (March 2010) of Department to provide Compact Fluorescent Lamps to consumers at a concessional rate was under the consideration of the State Government. In the State, use of Solar Energy for hot water in some categories of buildings under private ownership and of the State Government was made mandatory from the year 2006.

Conclusions

We observed

- Absence of comprehensive long term plans for enhancing distribution capacity keeping in view the growth in demand and separate Annual Plans or year wise split up for the targets/goals under the Rural Electricity Plan.
- Poor preparation of detailed project reports leading to the funding agencies delaying the release and ultimately reduce the financial assistance.
- Ineffective implementation of Centrally Sponsored Schemes resulted in non provision of electricity to rural households.

- Delay in execution of projects contributed to cost overruns with additional finances being not available leading to parts of the projects being downsized.
- Non-compliance of guidelines issued by funding agencies in execution of projects.
- Abnormally high Aggregate Technical and Commercial Losses.
- Poor Billing Efficiency.
- Cross Subsidy was at unsustainable levels except in the case of domestic consumers.
- Delay in filing ARR/Tariff Petition for the years 2009-10 and 2010-11.

Recommendations

- Prepare comprehensive Long Term Plans for enhancing distribution network along with Separate Annual Plans.
- Prepare Detailed Project Reports realistically.
- Implement projects without time and cost overruns.
- Guidelines issued by funding agencies should be strictly followed.
- Strive to bring down Technical and Commercial Losses.
- The Tariff adopted should be brought to the norm of plus or minus 20 *per cent* of the average cost of supply for various categories of consumers.
- Avoid delay in revision of tariff by timely filing of ARR and tariff petition.

AUDIT OF TRANSACTIONS

POWER AND ELECTRICITY DEPARTMENT

5.3 Avoidable expenditure

Failure of P&E Department in getting registered under Central Sales Tax (CST) Act and availing concessional rate of CST on interstate purchases by issue of 'C' Forms, caused avoidable expenditure of ₹ 2.37 crore.

The Power and Electricity Department (Department) purchases various items of material intended for Construction and Maintenance of Power Generating Stations, Sub Stations, Transmission and Distribution Networks etc from sources outside the State of Mizoram. Prior to 1 April 2007, the Department, though not a registered dealer under Central Sales Tax (CST) Act could avail concessional rate of CST on such purchases by furnishing 'D' Forms. But by Taxation Law Amendment Act, 2007 (effective from 1 April 2007), the facility of inter-State purchases by Government Departments against 'D' Forms was withdrawn.

However, the Department could have continued to avail of the concessional rate of CST by furnishing 'C' Forms instead of 'D' Forms. Since 'C' Forms are issued only to dealers registered under CST Act and Department did not take such registration, it could not obtain 'C' Forms and furnish the same to the suppliers for availing concessional rate of CST.

The rates of CST on interstate purchases against 'C' Forms were 3 *per cent* during the period from April 2007 to 31 May 2008 and 2 *per cent* from 1 June 2008 to 31 March 2011, whereas on interstate purchases without 'C' Forms, CST was payable at the rate according to local VAT Acts i.e., 12.5 *per cent* and the differential rates work out to 9.5 *per cent* and 10.5 *per cent* respectively for the above period. Thus, due to failure in getting itself registered under CST Act and availing concessional rate of CST by issue of 'C' Forms, the Department incurred avoidable expenditure of ₹ 2.37 crore on interstate purchases of ₹ 10.50 crore and ₹ 13.07 crore made during the period 1 April 2007 to 31 May 2008 and 1 June 2008 to 31 March 2011 respectively.

The Department stated (July 2011) that, it was not eligible to be registered under the CST Act. It also stated that the Department was not a dealer and the materials purchased were not for re sale or for use in generation of electricity. This contention of the Department was not correct in view of the following:-

(i) Explanation 2 to Section 2 (Clause b) of the CST Act, 1956 states that 'A Government which, whether or not in the course of business buys, sells, supplies or distributes goods, directly or otherwise, for cash or for deferred payment or for commission, remuneration or other valuable consideration, shall be deemed to be a dealer for the purpose of this Act'.

(ii) As per Section 8(1) of CST Act, 1956 read with Rule 3 of CST, Rules 1957, a dealer registered under Section 7(1) of the said Act can issue 'C' Forms for availing the benefit of concessional rate of CST provided the goods are intended to be used in generation or distribution of Electricity or any other form of power.

(iii) The materials purchased were for use in construction and maintenance of Power Generating Stations, Sub Stations, Transmission and Distribution Networks etc as seen from the details of purchase orders furnished by the Department.

(iv) Departments/Boards/Companies of other States engaged in Generation and Distribution of power are registered under CST Act and they are availing concessional rate of CST by issue of 'C' Forms.

Aizawl **(L. Tochhawng)**
The 5 June 2012 **Principal Accountant General (Audit), Mizoram**

Countersigned

New Delhi **(Vinod Rai)**
The 12 June 2012 **Comptroller and Auditor General of India**