

Overview

1. Overview of Government companies and Statutory corporations

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG). These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporation is governed by their respective legislations. As on 31 March 2012, the State of Chhattisgarh had 20 working PSUs (18 companies and two Statutory corporations), which employed 21054 employees. The working PSUs registered a turnover of ₹ 14200.21 crore for 2011-12 as per their latest finalised accounts. This turnover was equal to 10.48 per cent of the State Gross Domestic Product.

Investments in PSUs

As on 31 March 2012, the investment (Capital and Long term loans) in 20 PSUs (including two Statutory Corporations) was ₹ 17734.35 crore. It grew by 462.59 per cent from ₹ 3152.28 crore in 2007-08. 51.64 per cent of total investment was towards Capital and 48.36 per cent was towards Long-term loans. The Government contributed ₹ 2015.23 crore towards loans and grants/ subsidies during 2011-12.

Performance of PSUs

During the year 2011-12, out of 20 PSUs, 11 PSUs earned a total profit of ₹ 922.12 crore and six PSUs incurred a total loss of ₹ 612.68 crore. One PSU prepared its accounts on a “no profit no loss” basis. The remaining two PSUs did not finalise their first accounts. Losses were mainly incurred by Chhattisgarh State Power Distribution Company Limited and Chhattisgarh State Civil Supplies Corporation Limited to the extent of ₹ 581.34 crore and ₹ 29.88 crore respectively as per their latest finalised accounts. The losses incurred by PSUs are mainly

attributable to deficiencies in financial management, planning, implementation of projects, running of operations and monitoring. A review of the latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of ₹ 1958.08 crore and infructuous investment of ₹ 44.12 crore which were controllable with better management.

Arrears in accounts

15 PSUs had arrears of 41 accounts as of September 2012. The PSUs need to set targets for the work relating to preparation of accounts with special focus on clearance of arrears.

Quality of accounts

The quality of accounts of PSUs needs improvement. Out of 16 accounts finalised by working PSUs during October 2011 to September 2012, Statutory Auditors had given qualified certificates on 12 accounts.

(Chapter - I)

2. Performance Audit relating to Government Company

A Performance Audit relating to Chhattisgarh State Power Transmission Company Limited was conducted. Executive summary of our audit findings is given below.

Introduction

In Chhattisgarh, transmission of power up to 31 December 2008 was carried out by the erstwhile Chhattisgarh State Electricity Board (Board). Consequent upon unbundling of the Board w.e.f 1 January 2009, the same is now carried out by the Chhattisgarh State Power Transmission Company Limited (Company). As on 31 March 2012, the Company had transmission network of 8375.77 circuit kilometers (Ckm) and 71 Extra High Tension Substations (EHT SSs) with installed capacity of 10234.50 Mega Volt Ampere (MVA). Profit after tax for the year 2011-12 and capital employed as on 31 March 2012 were ₹ 137.22 crore and ₹ 2225.94 crore respectively. It had employed 1937 employees as on 31 March 2012 against the sanctioned strength of 3418.

Planning and Development

Against the targeted construction of 35 EHT SSs and laying of 3657 Ckm of EHT lines, the Company constructed 16 EHT SSs and 2020.08 Ckm of EHT lines during the period 2007-08 to 2011-12 (achievement of 45.71 per cent and 55.24 per cent respectively). The transformation capacity added was 3299 MVA for the five-year period ending 2011-12 as against the targeted addition of 4419 MVA (achievement of 74.65 per cent).

Project Management

The Company did not follow the recommendations of the Task Force Committee and projects were awarded without undertaking various preparatory activities such as surveys, design and testing, processing of forest and other statutory clearances, tendering activities etc. in advance/ parallel to project appraisal and approval phase. Notwithstanding the elaborate guidelines given by the Task Force for timely completion of the projects,

there were abnormal delays in execution of major projects on evacuation system as there was time overrun ranging between three and 38 months. In respect of ongoing projects also time overrun was upto 77 months. Consequently funds of ₹ 246.16 crore remained blocked without yielding any benefits and the Company was deprived of envisaged benefits.

Performance of transmission system

The performance of the Company mainly depends on efficient maintenance of its EHT transmission network for supply of quality power with minimum interruptions. The five SSs of 220 kilo Volt (kV) and 18 SSs of 132 kV had only one transformer each against the requirement of two as prescribed in the Chhattisgarh State Electricity Grid Code, 2007. Further, eight out of 15 SSs of 220 kV were not having Bus Bar Protection Panel (BBPP) to maintain system stability during Grid disturbances and to provide faster clearance of faults on 220 kV buses. There was decreasing trend in transmission losses as per Chhattisgarh State Electricity Regulatory Commission (CSERC) norms but it exceeded the Central Electricity Authority norms of four per cent in all the five years. However, from the year 2009-10 onwards it was within the norms fixed by CSERC.

Grid Management

31 out of 55 SSs of 132 kV were not connected to State Load Despatch Centre (SLDC) through Remote Terminal Units (RTUs) which are essential for monitoring the efficiency of the transmission system and the loads during emergency in load dispatch centre as per the Grid norms. The frequency violation of the Grid resulted in increase in receipt of type A/B/C messages in the year 2011-12. The Company's disaster management system was inadequate to meet unforeseen contingencies.

Energy Accounting and Audit

Energy accounting and audit is necessary to assess and reduce the transmission losses. The transmission losses are calculated based on meter readings obtained at boundary metering points. The Company had not conducted any Energy Audit during the period from 2007-08 to 2011-12. Against the requirement of installation of 0.2 class accuracy meters at all the 156 interface boundary metering points, only 29 interface boundary metering points were complying with this requirement as on 31 March 2012.

Financial Management

One of the major objectives of the National Electricity Policy, 2005 was to ensure financial turn around and commercial viability of Power Sector. The Debt-Equity ratio of the Company increased from 0.45:1 to 1.24:1 during the period 2009-12 mainly due to increase in borrowings from ₹298.02 crore to ₹999.07 crore because of financing of new projects. Percentage of Return on Capital Employed increased from 3.22 (2009-10) to 8.08 (2011-12) due to increase in Return on Capital Employed indicating improvement in operational performance.

The Company did not levy and recover delayed payment surcharge of ₹23.41 crore from Chhattisgarh State Power Distribution Company Limited. There was delay of 88 to 308 days in filing tariff petition by the Company resulting in loss of interest of ₹16.28 crore.

Material Management

The Company had not formulated any procurement policy and inventory control mechanism for economical procurement and efficient control over inventory. Further, the Company had neither made any ABC analysis nor fixed any maximum/minimum level or reorder level of inventory. As a result, on 31 March 2012, the Company had non moving/surplus inventory of ₹9.97 crore.

Monitoring and Control

The Company neither maintained nor consolidated year-wise performance of the SSs and lines for evaluation of annual performance. The Company's Internal

Audit system was outsourced which focused only on establishment matters rather than on the core activities of the Company i.e. stores verification, measurement books and tender procedures, etc. The Company had not constituted an Audit Committee in accordance with Section 292 A of the Companies Act, 1956.

Conclusion and Recommendations

The Company failed to achieve the targeted addition of EHT Substations and laying of EHT lines. There were abnormal delays in execution of major projects on evacuation system due to deficient planning and project management as there was time overrun ranging between three and 38 months. Eight out of 15 SSs of 220 kV were not having BBPP. From the year 2009-10 onwards, the transmission losses were within the norms fixed by CSERC. Further, 31 out of 55 SSs of 132 kV were not connected to SLDC through RTUs and receipt of type A/B/C messages had also increased during the year 2011-12. There was delay of 88 to 308 days in filing tariff petition by the Company resulting in loss of interest of ₹16.28 crore.

The Audit recommendations include introduction of an effective monitoring system to ensure that all the required approval are obtained before commencement of the projects, adherence to the standards/ norms fixed in Grid Code, installation of adequate number of BBPPs to protect the EHT SSs and lines, maintenance of SLDC as per Grid Code, provision of adequate equipments for safety of EHT SSs, filing of tariff petition with CSERC in time, framing of inventory policy and constitution of Audit Committee as per the provision of the Companies Act, 1956.

(Chapter -II)

3. Transaction Audit Observations

Transaction audit observations included in the Report highlight deficiencies in the management of Public Sector Undertakings involving serious financial implications. The irregularities pointed out are broadly of the following nature:

There was loss of ₹ 1549.85 crore in three cases due to non-compliance with rules, directives, procedures, terms and conditions of contracts.

(Paragraphs 3.5, 3.6 & 3.9)

Loss of ₹ 6.25 crore was incurred in four cases due to defective/ deficient planning.

(Paragraphs 3.1, 3.2, 3.8 & 3.10)

Loss of ₹ 8.80 crore was incurred in two cases due to inadequate/ deficient monitoring.

(Paragraphs 3.3 & 3.7)

There was loss of ₹ 3.65 crore in one case due to obtaining cash credit in a non transparent manner.

(Paragraph 3.4)

Gist of some of the important audit observations are given below:

Non trading of columbite ore by **Chhattisgarh Mineral Development Corporation Limited** resulted in loss of assured income of ₹ 3.21 crore besides encouraging trafficking of a mineral of strategic importance.

(Paragraph 3.1)

Deficient planning for investment of surplus funds resulted in loss of interest of ₹ 1.64 crore to **Chhattisgarh Rajya Beej Evam Krishi Vikas Nigam Limited**.

(Paragraph 3.2)

There was avoidable payment of penal interest of ₹ 83.19 lakh due to short payment of advance income tax and non-submission of income tax returns on time in respect of **Chhattisgarh State Beverages Corporation Limited**.

(Paragraph 3.3)

There was avoidable loss of ₹ 3.65 crore due to obtaining Cash Credit Limit from Allahabad Bank on unreasonable conditions by **Chhattisgarh State Civil Supplies Corporation Limited**.

(Paragraph 3.4)

Failure of **Chhattisgarh State Civil Supplies Corporation Limited** to detect and prevent unfair practices adopted by the bidders for transportation contract for food grains in Korba resulted in extra expenditure of ₹ 37.59 lakh.

(Paragraph 3.5)

There was potential loss of ₹ 1549.06 crore to **Chhattisgarh State Power Generation Company Limited** due to unwarranted amendment in tender condition for payment of Coal Mining Fee to Joint Venture Company for Parsa captive coal block.

(Paragraph 3.6)

Avoidable extra payment of ₹ 7.97 crore was made to South Eastern Coalfields Limited towards performance incentive on purchase of coal by **Chhattisgarh State Power Generation Company Limited**.

(Paragraph 3.7)

There was avoidable extra expenditure of ₹ 1.20 crore due to transportation of coal through uneconomical route by **Chhattisgarh State Power Generation Company Limited**.

(Paragraph 3.8)