OVERVIEW

Overview

1. Functioning of Public Sector Undertakings

Audit of Government Companies is governed by Section 139 and 143 of the Companies Act, 2013. The accounts of Government Companies are audited by the Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG). These accounts are also subject to supplementary audit conducted by the CAG. The Audit of Statutory Corporations is governed by their respective legislations.

As on 31 March 2015, Rajasthan had 51 Public Sector Undertakings (PSUs) (45 working Companies and three working Statutory Corporations) and three non-working PSUs (all Companies), which employed around 1.08 lakh employees. The working PSUs registered a turnover of ₹ 47914.29 crore during 2014-15 as per their latest finalised accounts. This turnover was equal to 8.34 *per cent* of the State Gross Domestic Product indicating an important role played by the State PSUs in the economy of the State.

Stake of Government of Rajasthan

As on 31 March 2015, the investment (Capital and long term loans) in 51 PSUs was ₹ 101152.16 crore. It grew by over 114.56 *per cent* from ₹ 47144.61 crore in 2010-11. The power sector received 89.22 *per cent* of total investment made during the period from 2010-11 to 2014-15. The Government contributed ₹ 13052.80 crore towards equity, loans and grants/subsidies during 2014-15.

Performance of PSUs

During the year 2014-15, out of 48 working PSUs, 23 PSUs earned profit of ₹ 858.19 crore and 19 PSUs incurred loss of ₹ 17049.00 crore. Out of the remaining PSUs, four PSUs had no profit or loss for the year 2014-15 while two PSUs did not submit annual accounts since inception. Further, out of 48 PSUs, 16 PSUs incorporated during 2006-07 to 2013-14 did not commence their business activities till 2014-15. The purpose of incorporation of these PSUs was, therefore, defeated. The Government should take appropriate action to commence business activities of these PSUs.

The major contributors to profit were Rajasthan State Industrial Development and Investment Corporation Limited (₹ 247.27 crore), Rajasthan State Mines and Minerals Limited (₹ 205.44 crore) and Rajasthan Rajya Vidyut Prasaran Nigam Limited (₹ 184.49 crore). The heavy losses were incurred by electricity companies, *i.e.* Ajmer Vidyut Vitran Nigam Limited (₹ 4842.99 crore), Jaipur Vidyut Vitran Nigam Limited (₹ 4734.57 crore), Jodhpur Vidyut Vitran Nigam Limited (₹ 4146.12 crore) and Rajasthan Rajya Vidyut Utpadan Nigam Limited (₹ 2636.92 crore).

Quality of accounts

The quality of accounts of PSUs needs improvement. Out of 47 accounts finalised during October 2014 to 30 September 2015, the Statutory Auditors gave qualified certificates on 21 accounts, disclaimer on two accounts and adverse certificates on four accounts. There were 65 instances of non-compliance of Accounting Standards by the PSUs.

Arrears in accounts and winding up

Fourteen working PSUs had arrears of 26 accounts as on 30 September 2015. Among non-working PSUs, two PSUs had three accounts in arrears. The Government may take a decision regarding winding up of the non-working PSUs.

Coverage of this Report

This Report contains nine compliance audit paragraphs and two Performance Audits *i.e.* on 'Computerisation of commercial activities by Rajasthan State Ganganagar Sugar Mills Limited' and 'Follow up audit of the 'Performance Audit on Redressal of Consumer Grievances by Jaipur Vidyut Vitran Nigam Limited' involving financial effect of ₹ 39.90 crore.

2. Performance Audit relating to Government Companies

Follow up audit of the 'Performance Audit on Redressal of Consumer Grievances by Jaipur Vidyut Vitran Nigam Limited' and Performance Audit (IT) on Computerisation of Commercial activities by Rajasthan State Ganganagar Sugar Mills Limited were conducted.

2.1 Follow up audit of the 'Performance Audit on Redressal of Consumer Grievances by Jaipur Vidyut Vitran Nigam Limited'

The Performance Audit on Redressal of Consumer Grievances by Jaipur Vidyut Vitran Nigam Limited was incorporated in the Report (Commercial) of the Comptroller and Auditor General of India, Government of Rajasthan for the year ended 31 March 2008. The follow up audit was undertaken to review the status of implementation of recommendations made by Audit and Committee on Public Undertakings (COPU) and to assess the performance of the Company in redressal of consumer grievances during the period 2010-11 to 2014-15. The findings of follow up audit disclosed that there was not much improvement in documentation of complaints as per Rajasthan Electricity Regulatory Commission (RERC) directions and there was delay in redressal of consumer grievances. Further, the recommendations made by Audit and COPU and assurances given to COPU in Action Taken Notes were not fully implemented by the Company.

Documentation of the complaints

The complaints were neither registered in the prescribed format nor classified on the basis of nature and urgency with which they were required to be redressed. The sub-divisions (except the call centre at Jaipur) did not assign a unique number to each complaint. Further, the compilation of data of various complaints as per classification was not done. The information submitted to the RERC for the years 2010-11 to 2013-14 was not correct. The Company disclosed redressal of 18.85 lakh complaints (102.39 *per cent*) against receipt of 18.41 lakh complaints (including pending complaints of 2009-10). The returns submitted to the RERC were not based on supporting evidences and basic documentation.

Interruption in power supply

Complaints (31.56 *per cent*) were not resolved within the stipulated time as per the data compiled by the call centre. There was wide variation between the information reported to the RERC and information compiled at the call centre. The complaints redressed within stipulated time period as submitted to the RERC ranged between 81.93 (2010-11) and 93.77 *per cent* (2013-14) while the performance as per information compiled by the call centre ranged between 55.00 (2010-11) and 80.57 *per cent* (2013-14). The service providers did not provide quality service to the consumers as complaints were not resolved within the stipulated time. Further, 'SMS' were sent to only 10.39 *per cent* consumers after rectification of faults though the 'SMS' pack was activated by the Company timely.

Failure of Distribution Transformers (DTs)

The percentage of failed DTs with respect to total DTs installed in the Company ranged between 12.35 and 13.21 during 2010-11 to 2013-14. On an average 12.85 *per cent* of the installed DTs failed during four years ending March 2014. In Jaipur District Circle (JPDC), 12.35 *per cent* of the DTs failed during 2010-14. The position of Jaipur City Circle (JCC) was better where the failure rate (3.43 *per cent*) was much below the average failure rate of the Company. The Company, however, did not maintain record of the number of consumers affected on account of failed DTs as required under RERC Regulations. In JPDC, 64.74 *per cent* DTs failed within guarantee period during 2010-14 but the Company did not analyse reasons for such higher failure rate. The procedure of replacement of burnt/defective transformers in agricultural category was not adhered to by any of the sub-divisions of JPDC. The Company did not report any case of delay to the RERC in replacement of failed transformers beyond 72 hours but test check of records disclosed delay in replacement of transformers beyond the stipulated time period.

Voltage Fluctuations and Defective/stopped meters

The sub-divisions did not maintain any record relating to registration and redressal of voltage fluctuation complaints. The sub-divisions also did not send any information for further submission to the RERC. In absence of any information relating to registration and redressal of voltage fluctuation complaints, the performance of the Company on this account was not ascertainable. The Company registered a high percentage (30.68 *per cent* during 2010-14) of consumers having defective meters which were not replaced within the prescribed time period of two months. The sub-divisions did not maintain the record of defective meters and the consumers billed on average basis for more than two months in the format prescribed by the RERC. The meter failure reports in A-30 form were not prepared to assess the probable causes of failure of meters in large numbers.

Grievances relating to bills

The sub-divisions did not maintain the records of complaints relating to energy bills in the format prescribed by the RERC. There was no inter-linking between receipt of grievance, action taken by the concerned sub-divisions in redressal of grievance and the total time taken in final resolution of the grievance. The Company, therefore, failed to provide any assurance that complaints were redressed within the stipulated time period. Average bills were issued to consumers in more than two billing cycles and delay ranged between 119 and 1147 days in allowing credit to the consumers on account of wrong billing. The JCC and JPDC did not provide five *per cent* rebate to the consumers who were issued average bills for more than two billing cycles.

Release of connections/agricultural connections

The yearly performance reports submitted to the RERC for the period 2010-11 to 2013-14 mentioned 'no delay' in release of connections in JCC and JPDC. However, in JPDC there was delay in issue of demand note ranging between one and 407 days in 71.68 *per cent* cases beyond the prescribed period of 21 days. Further, there was delay ranging between one and 451 days against the prescribed period of 45 days in 30.82 *per cent* cases in release of connections after deposit of demand note. In JCC, the demand note in 5.88 *per cent* cases was issued with delay ranging between one and 145 days and connections were released with delay ranging between one and 391 days in 13.16 *per cent* cases after deposit of demand note. The pace of release of agricultural connections was slow as the Company was able to release only 0.99 lakh new connections during 2011-15 and 1.48 lakh applications were pending as on December 2014. The applications for the connections released during 2011-15 pertained to the period upto March 2009.

Performance report submitted to the RERC and Standards of Performance 2014

The Company did not send quarterly reports to the RERC during 2010-11 to 2014-15 as per Regulations 2003. The yearly reports were also submitted with delay ranging between four and 16 months. Further, the yearly reports were not based on any supporting evidence and basic documentation as the concerned Engineer neither compiled the information in the prescribed format nor sent daily, weekly and monthly reports. The Company did not submit return to the RERC for the half year ending 31 March 2015 as per Standards of Performance 2014. Further, the sub-divisions had not yet (September 2015) commenced preparation and compilation of records in the prescribed formats. The performance of the Company on different parameters, therefore, could not be commented upon.

Awareness generation among consumers

The field offices did not comply with the directions issued (November 2003) by the RERC for registration and redressal of complaints and wide publicity thereof. The complete address of the complaint center for various nature of complaints and complete addresses and telephone numbers of the Grievance Redressal Forums were neither publicised through print/radio/tv media nor printed on electricity bills or displayed at the sub-division offices.

Grievance redressal cum settlement forums

The sub-divisional forum was not functional at Bassi sub-division. In Sanganer and Badpeepali sub-divisions, the forums were almost non-functional as only one and four cases respectively were received and settled during 2010-11 to 2014-15. The cases were settled beyond stipulated time period due to slackness in the concerned offices and considerable time taken in sending cases by the subordinate offices to controlling offices.

2.2 Performance Audit (IT) on Computerisation of Commercial activities by Rajasthan State Ganganagar Sugar Mills Limited

Rajasthan State Ganganagar Sugar Mills Limited (Company) was incorporated (1 July 1956) as a wholly owned Government company with the main objectives to manufacture sugar from sugarcane and sugar beet and to trade in sugar, sugarcane, sugar beet and molasses; produce and raise sugar cane, sugar beet and other crops; and carry on the business as distillers, manufacturers and dealers in Rectified Spirit, Country Liquor and Indian Made Foreign Liquor.

The Excise Department, GoR outsourced (June 2010) the work of Integrated IT Services to M/s Trimax IT Infrastructure & Service Limited, Jaipur (Service provider) at a cost of ₹ 8.21 crore. The Service provider was to implement an integrated IT system in the Excise Department, Rajasthan State Beverages Corporation Limited and Rajasthan State Ganganagar Sugar Mills Limited (Company).

The electronic data for the year 2013-14 and 2014-15 was collected and was analysed through Computer Assisted Audit Techniques using Interactive Data Extraction and Analysis software.

Analysis of the data disclosed serious flaws in the IT system which led to sale of country liquor on dry days, acceptance of duplicate permit numbers, challans numbers and other deficiencies.

General Controls

The Company did not have an IT policy and IT security policy as regards to security of IT assets (software, hardware and databank). In absence of IT security policy, modifications made in the data base relating to the retailers, depot location, any deletion or editing in invoice and challan, *etc*. by the outsourced agency were not subjected to any supervisory review periodically to ensure that the changes were authorised by the competent authority. There was no business continuity/disaster recovery procedure to avoid any untoward incident. Disaster recovery site at State Data Center Jaipur was not set up by the service provider. Further, the system was also deficient with respect to physical and logical security.

System Design Deficiencies

The billing software was not designed in a robust manner to ensure validation of input advice and output results as per the business rules. Our analysis disclosed that the design deficiencies and inadequate input controls led to irregularity in approval of label and sale of country liquor without testing.

Mapping of business rules

The integrated system lacked mapping of business rules in accordance with the Excise Act/Rules which not only led to violation of the Excise Act/Rules but also statutory violation in sale of country liquor/issue of permit on dry days/election dates and sale of country liquor beyond working hours and on non-working days.

Input Control and Validation Checks

Input control minimises the possibilities of error or irregularities in computerised systems due to incorrect or irregular input. Input control and validation checks were deficient and the system accepted the same permit and challan numbers more than once. There were instances of sale of liquor beyond the validity of permit or without permit, acceptance of cash from the licensees in violation of policy, discrepancies in material inward slip, short receipt of quantity of country liquor against the ordered quantity and irregular change of retailers' depot, etc.

Internal Controls

The existence of an adequate system of internal control minimises the risk of errors and irregularities. Our analysis disclosed that the internal control mechanism was deficient and it led to sale of unapproved brand of country liquor, illegal transactions and non-reconciliation of Company's data with the database of the Excise Department.

Recommendations

The Performance Audit includes recommendations for formulating and implementing a clear and comprehensive IT policy and its periodical review according to the business environment; carrying out suitable modifications in the system design to avoid any statutory violation as regards to issue of permit and sale of liquor on dry days; capturing the location of depot, quantity of active/inactive stock and date of bottling to ensure timely testing of country liquor; ensuring mapping of business rules in accordance with the provisions of the Excise Act/Rules; building adequate input controls and validation checks to overcome the deficiencies and strengthening the internal control mechanism to ensure proper monitoring of the sale of country liquor and reconciliation of Company's data with the data of Excise Department to avoid any leakage of revenue.

3. Compliance Audit Observations

Compliance Audit observations included in this Report highlight deficiencies in the management of Public Sector Undertakings, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature.

Loss of ₹ 19.04 crore due to non-compliance with rules, directives, procedures, terms and conditions of contract in six cases.

(Paragraphs 3.1, 3.3, 3.4, 3.5, 3.7 and 3.9)

Loss of ₹ 18.18 crore due to non-safeguarding of financial interests of the organization in three cases.

(Paragraphs 3.2, 3.6 and 3.8)

Gist of some important Audit observations is given below:

Jaipur Vidyut Vitran Nigam Limited purchased compact fluorescent lamps at higher rates despite lower rates offered by two firms and thereby incurred avoidable excess expenditure of Government funds of ₹ 2.20 crore.

(Paragraph 3.2)

Rajasthan State Industrial Development & Investment Corporation Limited and Rajasthan State Mines and Minerals Limited made irregular contribution of ₹ 3.42 crore to the Employees' Provident Fund towards leave encashment.

(Paragraph 3.4)

The Central Reservation Office, New Delhi of **Rajasthan Tourism Development Corporation Limited** did not adhere to the provisions of Reservation and Cancellation Policy for luxury trains. Further, delay in taking action against the defaulter general sales agent (Luxury Holidays) caused non-recovery of the booking amount of ₹ 13.17 crore besides loss of interest of ₹ 1.85 crore.

(Paragraph 3.6)

Chhabra Thermal Power Project of Rajasthan Rajya Vidyut Utpadan Nigam Limited did not achieve the power generation targets set by the Central Electricity Authority (2011-13) and Rajasthan Electricity Regulatory Commission (2011-15) due to low Plant Load Factor as a result of high incidence of outages and shortage of coal during various months. There was excess consumption of coal due to higher Station Heat Rate than the RERC norms; excess auxiliary consumption than RERC norms; and unloading of rakes beyond permissible time limit attracting demurrage charges from Railways.

(Paragraph 3.7)

The coal import agreements entered into by **Rajasthan Rajya Vidyut Utpadan Nigam Limited** mentioned incorrect methodology of computation of delivered cost of imported coal which led to irregular payment of education cess and secondary & higher education cess of ₹ 95.84 lakh on clean energy cess.

(Paragraph 3.8)

Rajasthan State Warehousing Corporation failed to augment the desired storage capacity in the State under Private Entrepreneurs Guarantee Scheme 2008 due to lack of monitoring and proper action against the defaulter contractors/private entrepreneurs. The godowns were also not constructed as per the specifications provided by the Food Corporation of India in Model Test Form and delay in construction caused loss of guaranteed storage charges and supervision charges.

(Paragraph 3.9)