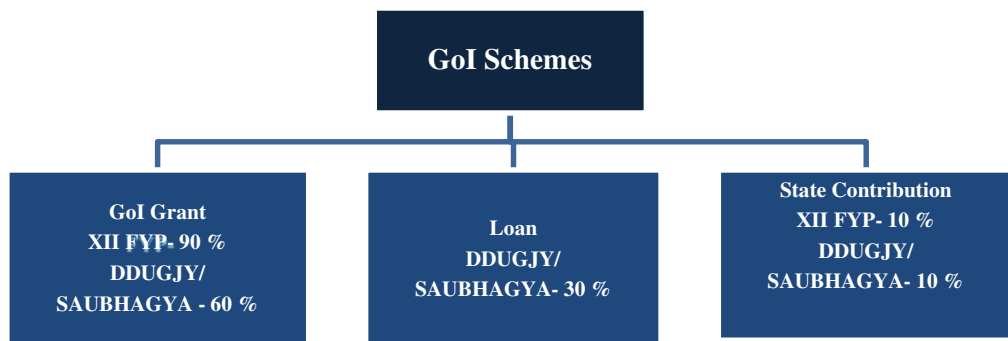


# 6 Financial Management

## 6.1 Financial Status of RE Scheme

Financing of rural electrification can be classified in two categories, viz., schemes financed by the Government of India and schemes financed by the Government of Jharkhand. Flow of funds under GoI schemes has been depicted in **Chart 6.1**:

Chart 6.1: Flow of funds in respect of GoI sponsored rural electrification schemes



### 6.1.1 GoI schemes

Project cost approved by the Ministry of Power (MoP), share of funds to be received (GoI/GoJ/Loan), release of funds there against and fund utilised as of June 2020 is given in **Table 6.1 and 6.2**:

Table 6.1: Scheme-wise project cost and its share components

(₹ in crore)

Name of the Scheme	Project cost	Share of Funds		
		GoI	Loan	GoJ
RGGVY (XII FYP)	1,260.92	1,134.83	126.09*	
DDUGJY	3,722.12	2,233.27	1,116.64	372.21
SAUBHAGYA	887.11	532.26	266.14	88.71
<b>Total</b>	<b>5,870.15</b>	<b>3,900.39</b>	<b>1,382.78</b>	<b>587.01</b>

\* To be arranged by the State (own resources / loan).

Table 6.2: Scheme-wise funds received from GoI/GoJ/Loan and its utilisation

(₹ in crore)

Name of the Scheme	Funds released				Funds utilized
	GoI	Loan	GoJ	Total	
RGGVY (XII FYP)	921.60	102.42	145.51	1,169.53	1,148.44
DDUGJY	2,236.07	1,090.35	837.50	4,163.92	3,856.16
SAUBHAGYA	142.90	Nil	86.84	229.74	33.45 <sup>97</sup>
<b>Total</b>	<b>3,300.57</b>	<b>1,192.77</b>	<b>1,069.85</b>	<b>5,563.19</b>	<b>5,038.05</b>

(Source: Data furnished by JBVNL)

<sup>97</sup> ₹ 107.31 crore had been transferred to ESCs

It was observed that:

- The RGGVY (XII FYP) scheme was sanctioned (August 2014) for 17 districts. Works valued ₹ 1,351.76 crore were awarded (February 2016 to May 2016) to nine contractors for completion within 24 months. The cost was increased (between July 2017 and February 2018) to ₹ 1,610.99 crore due to increase in scope of work after field survey.
- Similarly, DDUGJY was sanctioned (August 2015) for all the 24 districts of the State. Works valued ₹ 4,163.12 crore were awarded (March 2017 to September 2017) to 12 contractors for completion within 24 months. The contract price was revised (November 2018) to ₹ 5,245.63 crore due to introduction of GST and increase in the quantity and scope of work after field survey.

Works under RGGVY (XII FYP) and DDUGJY were not complete (June 2020).

### 6.1.2 State schemes

Funds received and utilised under State schemes as of June 2020 is detailed in **Table 6.3**.

**Table 6.3: Scheme-wise funds received and utilised against the approved project cost**  
(₹ in crore)

Name of the Scheme	Project cost	Funds Received	Funds utilised
AGJY	150.00	100.00	74.63
TMKPY	117.00	100.00	1.38
JSBAY	2,664.54 <sup>98</sup>	900.36*	570.50 <sup>99</sup>
<b>Total</b>	<b>2,931.54</b>	<b>1,100.36</b>	<b>646.51</b>

\* Release was combined for JSBAY rural and urban.

(Source: Data furnished by JBVNL)

### 6.2 Extra expenditure on Project Monitoring Agency (PMA)

JBVNL appointed (August 2016) RECPDCL as PMA till November 2018 for projects to be executed in 17 districts under RGGVY (XII FYP) at a consultancy cost of ₹ 11.95 crore which was to be paid in phases<sup>100</sup>.

Audit observed that the works of RGGVY (XII FYP) were not completed (June 2020) due to delay mainly on the part of JBVNL in appointing vendors for supply of materials, in approval of Guaranteed Technical Parameters of electric equipment, in approval of drawings of electrical set-up, in material

<sup>98</sup> The total project cost of JSBAY was ₹ 5,127.56 crore including ₹ 2,084.93 crore for JSBAY rural and ₹ 579.61 crore for metering and new agricultural connection.

<sup>99</sup> Excluding ₹ 146.97 crore for JSBAY urban.

<sup>100</sup> Forty five *per cent* of the contract value on pro-rata basis with payments to TKCs, 45 *per cent* in 27 equal monthly installments of the contract period and remaining 10 *per cent* on closure of the works.

inspection, in providing land to TKCs etc. JBVNL extended the contract period of PMA upto September 2019 at a cost of ₹ 19.93 lakh per month. Thus, JBVNL had incurred extra avoidable expenditure of ₹ 1.99 crore for the period from December 2018 to September 2019. The contract of PMA had been extended (June 2021) from October 2019 to September 2020 with additional tentative cost of ₹ 1.44 crore which would increase with further extension.

Management/Department stated (May/October 2021) that extension of contract and consequent increase in cost was due to increase in volume of work.

The contention of JBVNL that there was increase in volume of work is not acceptable as only 10,752 villages were electrified and 2,71,670 BPL connections were released RGGVY (XII Plan) against the scope of work of 18,092 villages and 4,71,971 BPL connections in the DPRs. Further, JBVNL as well as TKCs were responsible for delay of the works which necessitated the extension granted to PMA.

### 6.3 Undue benefit to contractors due to non-deduction of TDS

As per section 194 C (1) of the Income Tax Act 1961, any person responsible for paying any sum to any resident (contractor) for carrying out any work (including supply of labour) in pursuance of a contract, shall deduct an amount equal to two *per cent* where the payment is being made or credit is being given to a person other than an individual or a Hindu Undivided Family.

Audit noticed that though JBVNL awarded single turnkey contracts to TKCs, the contract value was divided in two parts *viz.*, supply and erection for price. During payment to TKCs, JBVNL did not deduct TDS on the supply part though it was the part of the contract and was linked with erection. As such, supply portion was also to be considered for deducting tax at source (TDS).

Subsequently, the Income Tax Department (ITD) served (October 2017) notice to JBVNL for remitting ₹ 36.64 crore as TDS against 17 RE projects and five projects under Restructured Accelerated Power Development Reform Programme (RAPDRP). JBVNL accepted (November 2017) short-deduction of TDS amounting to ₹ 9.79 crore<sup>101</sup> including owing to non-deduction of TDS on supply portion and deposited ₹ 1.96 crore<sup>102</sup> as 20 *per cent* of ₹ 9.79 crore and applied to the Deputy Commissioner of IT for rectification of demand.

<sup>101</sup> RE- ₹ 7.32 crore and RAPDRP- ₹ 2.47 crore.

<sup>102</sup> ₹ 1.46 crore from RE fund and ₹ 49.48 lakh from RAPDRP fund.

Thus, JBVNL extended undue financial benefit to contractors to the extent of at least ₹ 7.32 crore by not/short deducting TDS from the bills.

Management/Department in its reply (May/October 2021) accepted the audit observation and stated that the IT Department in its show cause notice had mentioned that JBVNL was obliged to deduct Income Tax on entire contract value as the contract was composite.

#### **6.4 Interest repayment to REC at higher rate on loan component under DDUGJY.**

As per loan agreement, interest on the loan provided by REC was chargeable to JBVNL as per the category<sup>103</sup> at the rate prevailing on the date of each disbursement, subject to interest reset as per REC's latest loan policy. The applicable interest rate was with three year reset and quarterly rest basis subject to the following conditions:

- If REC's lending rate for JBVNL falls below 9.5 *per cent*, the applicable interest rate shall be REC lending rate for JBVNL without any rebate;
- If REC's lending rate for JBVNL falls between 9.5 *per cent* to 11.50 *per cent*, the applicable interest rate shall be 9.5 *per cent*; and
- If REC's lending rate for JBVNL goes above 11.50 *per cent*, a rebate of 1.50 *per cent* for DDUGJY projects shall be applicable on REC lending rate for JBVNL.

Further, as per tripartite agreement (November 2016) between REC, GoJ and JBVNL, REC was to release funds directly to JBVNL on behalf of GoJ and if any loan was availed from REC, GoJ undertook to repay the loan along with interest and other charges to REC as per terms of sanction.

- Audit noticed that REC approved (November 2017) a loan of ₹ 1,103 crore to JBVNL for implementing DDUGJY. Out of this, ₹ 1,090.35 crore was disbursed (between December 2018 and June 2020) to JBVNL. REC charged interest of 9.5 *per cent*, 10 *per cent* and 10.75 *per cent* per annum on loan to JBVNL against admissible interest of 9.5 *per cent* as per the loan agreement as REC lending rate for JBVNL never exceeded 11.50 *per cent* since December 2018.

However, JBVNL never raised the matter of charging of higher interest at the rate of 10 *per cent* and 10.75 *per cent* with REC and paid (upto March 2020) ₹ 110.32 crore<sup>104</sup> against the claim of ₹ 113.20 crore for the period from December 2018 to June 2020 as interest which included excess interest of ₹ 1.17 crore (**Appendix VII**). Further, as GoJ did not

<sup>103</sup> REC categorised the State sector utilities in categories viz., A+, A, B and C for defining the applicable interest rates for each category.

<sup>104</sup> Including delay charges of ₹ 9.23 lakh.

provide funds for payment of interest, JBVNL paid ₹ 110.32 crore from DDUGY funds to avoid penal interest. Further, GoJ paid (December 2020) ₹ 54.60 crore including ₹ 94.71 lakh as penalty.

- DDUGJY works stipulated for completion between April 2019 and September 2019 as per LoI were incomplete as of May 2020. AT&C loss was also 28.69 *per cent* against the targeted 15 *per cent* in 2018-19. In the absence of complete metering and energy accounting, JBVNL was unable to claim appropriate subsidy from GoJ. Thus, JBVNL could not achieve any condition of REC required for conversion of loan into additional grant under DDUGJY and as such was not in a position to get the benefit of conversion of 50 *per cent* (₹ 558.32 crore) of loan into additional grant.

While accepting (May/October 2021) the audit observation, Management/Department stated that matter has been raised with REC for clarification.

### **6.5 Interest on Mobilisation Advance**

As per REC advisory (22 August 2016), interest rate on mobilisation advance should not be less than the SBI base rate in case of contracts executed for DDUGJY.

Audit noticed that JBVNL charged interest ranging between 8.65 *per cent* and 9 *per cent* on mobilisation advance granted during February 2018 to February 2020 which was lower than the SBI base rate which ranged between 8.95 *per cent* to 9.1 *per cent*. As a result, JBVNL short realised interest of ₹ 25.95 lakh from TKCs.

While accepting (May/October 2021) the audit observation, Management/Department stated that calculation of interest on mobilisation advance is being reviewed in the light of audit observation and the short realised amount will be recovered from upcoming bills.

### **6.6 Irregular retention of interest earned on mobilisation advance**

As per scheme guidelines of RGGVY (XII FYP) and DDUGJY, interest earned on capital subsidy/grant was to be remitted to MoP at least once in a quarter as capital subsidy/grant provided under DDUGJY was GoI funds and utilities were only the custodian of the funds.

Further, Rule 230 (8) of General Financial Rules (GFR) 2017 envisage that all interest or other earnings against grants-in-aid or advances (other than reimbursement) released to any grantee institution should be mandatorily remitted to the Consolidated Fund of India immediately after finalisation of the accounts. Such advances should not be adjusted against future releases.

Audit observed that JBVNL earned interest of ₹ 41.62 crore<sup>105</sup> on mobilisation advance of ₹ 404.46 crore<sup>106</sup> given to TKCs engaged in RGGVY (XII FYP) and DDUGJY during 2016-17 to 2018-19 including interest of ₹ 33.07 crore<sup>107</sup> on GoI grants used for providing mobilisation advance. However, JBVNL did not remit the interest earned on GoI grants to MoP.

While accepting (May/October 2021) the audit observation, Management/Department stated that final calculation of the interest would be made at the time of closure of the projects and will be settled accordingly.

### **6.7 Non-deduction of royalty**

As per Rule 55 of the Jharkhand Minor Mineral Concession Rules (JMMC) 2004, work contractors are required to purchase minor minerals only from authorised lessees/permit holders. It further provides for submission of affidavits in form 'O' and particulars in form 'P' by the work contractors to the Works Department indicating therein details of sources of purchase of minerals, price paid and quantity procured along with bills.

Audit noticed that JBVNL did not insist on submission of affidavits and particulars in forms 'O' and 'P' respectively from TKCs with bills in support of procurement of royalty paid minor minerals viz., sand, bricks, chips etc., used in civil works carried out under RE schemes like DDUGJY, RGGVY (XII FYP) etc., as the LoI did not contain the material statement for civil construction. JBVNL also did not deduct any royalty from their bills.

Audit further noticed that out of 44 PSSs, 24 PSSs were constructed in the seven test-checked districts. Examination of Material statement for only the boundary wall and control room of a PSS in Giridih district (Package IV) constructed under DDUGJY revealed non-deduction of royalty of ₹ 10.63 lakh against chips, sand and bricks utilised in the work. Based on this calculation, JBVNL did not deduct royalty of at least ₹ 2.55 crore against the 24 completed PSSs.

The Management/Department stated (May/October 2021) that correspondence have been made with contractors for submitting forms 'O' and 'P' and necessary decision would be taken after analysis of their submission.

*To sum up, JBVNL did not ensure timely completion of works related to RGGVY (XII FYP) resulting in avoidable expenditure of ₹ 3.43 crore on the Project Monitoring Agency (PMA) upto September 2020.*

*JBVNL failed to complete works within the stipulated time, keep AT&C losses within the prescribed limit of 15 per cent by 2018-19 and claim*

<sup>105</sup> ₹ 18.56 crore under XII FYP and ₹ 23.06 crore under DDUGJY.

<sup>106</sup> ₹ 63.38 crore under XII FYP and ₹ 341.08 crore under DDUGJY.

<sup>107</sup> ₹ 17.11 crore under XII FYP and ₹ 15.96 crore under DDUGJY.

*admissible revenue subsidy from GoJ in the absence of metered and billed power consumption. Thus, JBVNL would not be able to avail the benefit of conversion of 50 per cent of loan valued at ₹ 558.32 crore into additional grant.*

*REC charged interest of 9.5 per cent, 10 per cent and 10.75 per cent per annum on disbursed loan (₹ 1,090.35 crore) to JBVNL against admissible interest of 9.5 per cent as per the loan agreement. Thus, JBVNL paid excess interest of ₹ 1.17 crore for the period from December 2018 to June 2020.*

*TKCs were charged interest on mobilisation advance below the prevailing SBI base rate during February 2018 to February 2020 resulting in short realisation of ₹ 25.95 lakh.*

*JBVNL earned interest of ₹ 41.62 crore on mobilisation advance of ₹ 404.46 crore given to TKCs including interest of ₹ 33.07 crore on GoI grants used for providing mobilisation advance. However, JBVNL did not remit the interest earned on GoI grants to MoP.*

