

1. General

Introduction

1.1 State Public Sector Undertakings (SPSUs) consist of State Government Companies, Government Controlled other Companies and Statutory Corporations. SPSUs are established to carry out activities of commercial nature keeping in view the welfare of people and they occupy an important place in the economy of the State. As on 31 March 2022, there were 46 SPSUs in Rajasthan. Out of these 46 SPSUs¹, audit of 31 SPSUs is entrusted to the office of the Accountant General (Audit-II) Rajasthan. Besides, audit of four Autonomous Bodies (ABs) of Rajasthan is also entrusted to the office of the Accountant General (Audit-II) Rajasthan. A list of the SPSUs/ABs under the audit jurisdiction of this office is detailed in *Appendix-18*.

Audit mandate

1.2 The mandate for Audit by the Comptroller and Auditor General of India (CAG) is derived from Articles 149 and 151 of the Constitution of India and section 13 to 20 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). Principles and methodologies for various audits are prescribed in the Regulations on Audit and Accounts 2020, and the Auditing Standards, 2017 issued by the CAG. Accordingly, this office carries out audit of SPSUs and ABs under its audit jurisdiction.

Audit universe and coverage

1.3 During 2021-22, 1083 units pertaining to 31 SPSUs and four units pertaining to ABs were under audit universe of this office. Besides financial attest audit of these SPSUs/ABs, 218 units of SPSUs and two units of ABs were selected for compliance audit.

Compliance Audit Paragraphs

1.4 Part-II of this Report consists of four compliance audit paragraphs relating to five SPSUs². These compliance audit paragraphs were issued to the concerned Principal Secretary of the Government of Rajasthan as well as to the Head of concerned SPSUs. The compliance audit paragraphs were issued with the request to furnish replies within a period of two weeks from issue of the paragraphs. By the end of June 2024, replies on the four compliance audit

¹ 39 Government Companies, four Government Controlled other Companies and three Statutory Corporations.

² Jaipur Vidyut Vitran Nigam Limited (JVVNL), Ajmer Vidyut Vitran Nigam Limited (AVVNL), Jodhpur Vidyut Vitran Nigam Limited (JdVVNL), Rajasthan State Road Development and Construction Corporation Limited (RSRDCCL) and Rajasthan State Seeds Corporation Limited (RSSCL).

paragraphs have been received from the State Government and the same have been suitably incorporated in this Report. The total financial impact of the compliance audit paragraphs is ₹ 44.51 crore.

Follow up action on Audit Reports and Inspection Reports

1.5 The Report of the CAG is the product of audit scrutiny. It is, therefore, necessary that they elicit an appropriate and timely response from the executive. The Finance Department, GoR issued (July 2002) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/performance audits (PAs) included in the Reports of the CAG within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaire from the Committee on Public Undertakings (COPU). The GoR again reiterated (September 2022) its directions for submission of replies/explanatory notes in time.

No explanatory notes were pending till September 2022.

Audit observations noticed during audit and not settled on the spot are communicated through Inspection Reports to the Heads of respective SPSUs/ABs. The Heads of SPSUs/ABs are required to furnish replies to the Inspection Reports within a period of one month.

Inspection Reports issued upto 31 March 2022 pertaining to 31 SPSUs disclosed that 2760 paragraphs relating to 633 Inspection Reports involving monetary value of ₹ 58987.47 crore remained outstanding at the end of September 2022. Further, in case of ABs, 77 paragraphs relating to 13 Inspection Reports involving monetary value of ₹ 173.66 crore remained outstanding at the end of September 2022. SPSU and AB wise status of Inspection Reports and audit observations which remained outstanding as on 30 September 2022 is given in **Appendix-19**.

Further, during 2021-22, compliance audit of the selected units was conducted. During the year 84 Inspection Reports containing 472 paragraphs and one Inspection Report containing six paragraphs were issued for SPSUs and ABs, respectively. In order to expedite settlement of outstanding paragraphs, Audit Committees were constituted in 14 SPSUs.

During 2021-22, 38 meetings of the Audit Committees were held in respect of SPSUs wherein position of outstanding paragraphs was discussed with the respective Executive/Administrative Departments to ensure accountability and responsiveness.

Recovery at the instance of Audit

1.6 During the course of compliance audit in 2021-22, recoveries of ₹ 363.69 crore were pointed out to the Management of SPSUs/ABs. Further, recovery of ₹ 33.01 crore (₹ 0.31 crore against the recoveries pointed out during 2021-22 and ₹ 32.70 crore towards the recoveries pointed out in previous years) had been affected by SPSUs/ABs during the year 2021-22.

Status of placement of Separate Audit Reports of Autonomous Bodies in the State Legislature

1.7 The audit of accounts of four autonomous bodies in the State are under the jurisdiction of this office. As per prescribed time schedule, ABs are required to submit accounts of a financial year upto the 30th June of succeeding financial year. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Reports (SARs) and its placement in the Legislature is given in **Appendix-20**. Delay in submission of annual accounts by these four autonomous bodies ranged from six months to 102 months upto 31 December 2022. Delay in finalisation of accounts carries the risk of financial irregularities going undetected, and therefore, the accounts need to be finalised and submitted to Audit at the earliest.

Discussion of Audit Reports by Committee on Public Undertakings (COPU)

1.8 The status of discussion by the COPU on the Performance audit and Compliance audit paragraphs that appeared in Audit Reports (PSUs) as on 30 September 2022 was as under:

Table 1.1: Status of Performance audit and Compliance audit paragraphs appeared in Audit Reports vis-a-vis discussed by COPU as on 30 September 2022

Period of Audit Report	Appeared in Audit Report ³		Paragraphs discussed	
	Performance Audit	Compliance Audit	Performance Audit	Compliance Audit
2015-16	2	10	2	10
2016-17	1	10	1	7
2017-18	1	7	1	5
2018-19	1	9	-	1
2019-20	1	6	-	-
2020-21	-	3 ⁴	-	-

Source: Compiled based on the discussions by COPU on the Audit Reports.

³ Includes Performance audit and compliance audit paragraphs belonging to SPSUs under the audit jurisdiction of office of the Accountant General (Audit-II) Rajasthan.

⁴ These three paragraphs appeared in Report No. 1 of the year 2022 and received from office of the Accountant General (Audit-I) Rajasthan under restructuring.

Rajasthan State Seeds Corporation Limited

2.1 Working of Rajasthan State Seeds Corporation Limited

Rajasthan State Seeds Corporation Limited was incorporated in March 1978 with the main objective of production of certified seed and marketing it at reasonable price to the farmers. For this, it organises seed production programs through seed growers for more than 25 crops of cereals, oilseeds, pulses, cash crops etc.

During audit, it was observed that the performance of the Company as regards to distribution of breeder seeds and foundation seeds was not satisfactory as it could not distribute the entire quantity of the available seeds for multiplication during 2017-22. Further, production of certified seed, as envisaged in SRP and own targets, was not ensured in any season.

The Company did not evolve any system to monitor the delivery of expected yield by the seed growers. Besides, the Company did not ensure sowing as per seed production program.

The Company did not ensure proper utilisation of its processing plants as the utilisation ranged between 28.74 per cent and 46.09 per cent during 2017-22. Further, the Company could not ensure scientific and safe storage of the seeds which led to damage of seeds.

The targets for sale of seeds determined by the Company were not rational as the annual targets fixed remained in excess of the actual availability of seeds for the concerned year. Resultantly, the Company could not ensure achievement of its own targets for sale of seeds during 2017-22.

The Company could not distribute the entire targeted quantity of foundation/certified seeds under Seed Village Program (SVP) which not only defeated the very purpose of the Scheme but also deprived the farmers of the Scheme's benefits.

Introduction

2.1.1 Seed is a vital input for agricultural production and yield of crop is largely influenced by use of certified/quality seeds. The main objective of the Rajasthan State Seeds Corporation Limited (Company⁵) is production of certified seeds and their marketing at reasonable price to the farmers. The Company organises seed production programs through seed growers for more than 25 crops of cereals, oilseeds, pulses, cash crops etc.

⁵ Having infusion of share capital by the Government of Rajasthan (84 per cent), National Seeds Corporation Limited/NSCL (14 per cent) and Seed grower farmers of the State (two per cent).

Seed Production and Distribution Process

2.1.2 Breeder seeds constitute the basis of seed production process. Based on its requirement as per its seed production programme, the Company raises indents for breeder seeds to the Government of India. GoI designates specific units like agricultural universities for allocation of breeder seeds to the company. Breeder seeds are provided to the Company by these designated agricultural universities. The Company produces Foundation seeds from Breeder seeds⁶ through various registered seed growers, and thereafter Certified seeds⁷ from Foundation seeds. The process is narrated in the flow chart given below:



The Company executes agreement with seed growers wherein it allocates certain targets for production of seeds. Before harvesting of the Raw Seeds, Rajasthan State Seed & Organic Certification Agency (RSSOCA) inspects the fields of the seed growers and submits its report to the Company depicting the expected yield of Raw Seeds based on condition of the crop.

⁶ Breeder seed, a genetically pure seed, constitutes the basis of all seeds production and is used for producing foundation seed (having 99 per cent genetic purity) which is used for producing certified seed.

⁷ Certified seed (having 99 per cent genetic purity) is used for agricultural production for human consumption.

For sale of certified seeds, the Company has a distribution network *i.e.* own outlets, dealer, co-operative agencies and engages officials of Department of Agriculture.

Financial Status

2.1.3 The financial results of the Company for past five years ended on 31 March 2022 are given in the table below:

Table 2.1: Statement showing financial results for last five years ended on 31 March 2022

(Amount: ₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Income	266.32	296.37	232.44	271.09	278.44
Expenditure	264.63	286.36	223.60	256.96	253.48
Profit before tax	1.69	10.01	8.84	14.13	24.96
Profit after tax	1.08	7.13	6.41	10.50	17.79

Audit Objectives and scope

2.1.4 The present audit was conducted to evaluate whether:

- the targets for production of seeds were consistent with the State plan and were achieved efficiently;
- the Company ensured proper utilization of seed processing plants and scientific storage of seeds;
- the distribution and sale of seeds were ensured as per the prescribed targets;
- the Company had adequate share in sale of certified seeds to cater to the demand of the State;

The audit covered procurement, production and marketing of seeds during 2017-22 and involved scrutiny of records at the Head office of the Company as well as three⁸ Regional Offices (selected out of six Regional Offices) and six Plant Offices⁹ thereunder for detailed audit. Location wise position of Regional offices, Plant offices and Farms of the Company as on 31 March 2022 is given in **Appendix-21**.

Audit findings

2.1.5 The audit findings broadly cover the Company's performance as regards implementation of Seed Rolling Plan (SRP), Production Performance, Performance of Seed Processing Plants, Storage of seeds and Sales performance as discussed in the succeeding paragraphs.

⁸ Regional Offices at Udaipur, Mandore (Jodhpur) and Sriganganagar.

⁹ Plant Offices at Udaipur, Banswara, Mohangarh, Sumerpur, Hanumangarh and Suratgarh.

Planning

Seed Rolling Plan

2.1.6 Pursuant to provisions of the National Seed Policy (NSP) 2002, the GoR prepared (August 2017 and July 2019) the Seed Rolling Plan (SRP) for the State for 2017-18 to 2020-21 and 2021-22 respectively. The SRP included crop-wise and variety-wise quantity of certified seeds to be produced by the Company. Further, the NSP 2002 emphasized the need to make major efforts to enhance the Seed Replacement Rate (SRR)¹⁰ of various crops. The year-wise status of production target of certified seeds fixed in SRP vis-à-vis production targets of certified seeds finalized by the Company for 2017-22 is given below:

Table 2.2: Year-wise status of production targets fixed in SRP vis-à-vis production targets fixed by the Company during 2017-22

(Quantity: in lakh quintals)

Year	Targets fixed for production of certified seeds in SRP		Targets fixed by the Company for production of certified seeds		Variation in targets fixed by the Company and targets envisaged in SRP	
	Kharif	Rabi	Kharif	Rabi	Kharif	Rabi
2017-18	1.95	6.06	1.81	8.20	-0.14	2.14
2018-19	2.15	7.01	1.95	5.43	-0.20	-1.58
2019-20	2.17	7.21	2.91	5.44	0.74	-1.77
2020-21	2.43	7.49	3.66	12.65	1.23	5.16
2021-22	2.53	8.97	2.34	4.64	-0.19	-4.33

Source: Information provided by the Company.

Audit observed that the Company did not give cognizance to the SRP while fixing its annual targets. As can be seen from the table above, the production targets fixed by the Company were on the lower side as compared to targets envisaged in SRP during 2017-18 to 2021-22 except in Rabi (2017-18), Kharif (2019-20) and 2020-21 wherein the targets fixed by the Company exceeded the SRP projections.

In the Exit Conference (August 2024), the Government/Management accepted the facts and stated that they give priority to their seasonal seed production program over the SRP which is more relevant for annual production targets.

Thus, it is clear that the annual plan was framed without considering the GoI approved SRP. This defeated the very purpose of preparing the SRP which aimed to increase the SRR in the State.

¹⁰ It is the percentage of area sown out of total area of crop planted in the season by using certified/quality seeds other than the farm saved seeds.

Seed Replacement Rate

2.1.7 In order to achieve the food production targets of the future, NSP 2002 emphasised enhancing the Seed Replacement Rate (SRR). Accordingly, the State Agriculture Policy 2013 provided to make more efforts to achieve the SRR up to the optimum level *i.e.* 50 *per cent* from existing 27 *per cent* in Kharif season crops and 70 *per cent* from existing 33 *per cent* in Rabi season crops in the next ten years. The status of SRR achieved during the period 2017-18 to 2021-22 is given in the table below:

Table 2.3: Statement showing achievement of SRR during the period 2017-22

Season	2017-18	2018-19	2019-20	2020-21	2021-22
Kharif	18.05	18.87	20.82	17.92	19.89
Rabi	29.54	33.36	31.95	28.44	31.83
Average	24.93	27.75	27.62	23.88	26.64

Source: Information provided by the Company.

It could be seen from the table that there was no increase in the Seed Replacement Rate (SRR), as in Kharif season it remained between 17.92 *per cent* and 20.82 *per cent* whereas in Rabi season it remained between 28.44 *per cent* and 33.36 *per cent*. Audit observed that the Company failed to achieve the desired SRR and the SRR remained almost stagnant over the period of five years. This was mainly due to less availability of breeder seeds and not ensuring distribution of entire available seed as discussed in **Paragraph 2.1.8 and 2.1.9**.

The Company accepted (March 2024) the facts and stated that steps would be taken to increase the sales of certified seeds to improve the SRR.

Production performance

2.1.8 The production performance of the Company during the period 2017-22 is discussed in subsequent paragraphs.

Shortfall in production of certified seed

2.1.9 The production process of Certified seeds involves two stages *i.e.* multiplication of Breeder Seeds to Foundation Seeds and Foundation Seeds to Certified Seeds. To achieve the production of Certified seeds, availability of seeds and entire distribution thereof at both the stages is essential. The year-wise details of allocation, procurement and distribution of breeder seeds as well as availability and distribution of foundation seeds are given in **Appendix-22**. Against the target of production of 5.43 lakh quintals of Foundation Seeds, the Company could produce 2.17 lakh quintals during 2017-18 to 2021-22. The status of production of certified seeds vis-à-vis targets fixed by the Company and projections envisaged in SRP during the period 2017-22 were as under.

Table 2.4: Targets and achievements of production of certified seeds during 2017-2022

Year	Season	Targets for the Company as per SRP	Targets fixed by the Company	Actual Production	Shortfall		Percentage of shortfall to	
					Own target	SRP	Own target	SRP
		(Quantity: in lakh quintals)						
2017-18	Kharif	1.95	1.81	0.69	1.12	1.26	61.88	64.62
	Rabi	6.06	8.20	4.99	3.21	1.07	39.15	17.66
2018-19	Kharif	2.15	1.95	0.85	1.10	1.30	56.41	60.47
	Rabi	7.01	5.43	3.28	2.15	3.73	39.59	53.21
2019-20	Kharif	2.17	2.91	0.46	2.45	1.71	84.19	78.80
	Rabi	7.21	5.44	3.54	1.90	3.67	34.93	50.90
2020-21	Kharif	2.43	3.66	0.75	2.91	1.68	79.51	69.14
	Rabi	7.49	12.65	3.23	9.42	4.26	74.47	56.88
2021-22	Kharif	2.53	2.34	0.35	1.99	2.18	85.04	86.17
	Rabi	8.97	4.64	1.69	2.95	7.28	63.58	81.16

Source: Information provided by the Company.

It could be seen from the table above that the Company could not ensure production of certified seeds as envisaged under the SRP/own targets for seed production in any season during 2017-22. Resultantly, the actual production of certified seeds remained far below (29.20 lakh quintal) than the production envisaged in its own targets for the period 2017-22. The factors affecting the production performance as analysed by audit are discussed in **subsequent paragraphs from 2.1.10 to 2.1.13.**

The Government stated (March 2024) that generally 20 to 25 per cent of the raw seeds fail in laboratory testing and have to be rejected due to its under size. It stated that only 70 per cent of the targets set under seed production program are achieved.

However, as seen from the above table, the average percentage of actual production during 2017-18 to 2021-22 was only 40.44 per cent.

Availability and distribution of breeder and foundation seeds

2.1.10 The GoI allocates quantity of breeder seeds to be procured by the Company for each financial year. The Company is required to ensure procurement of the breeder seeds from the authorised agencies as per the quantity allocated by the GoI and to distribute the breeder seeds to the seeds growers based on the seed production program allocated and the agreement executed with them. After receipt of the breeder seeds, the seed growers produce and deposit foundation seeds to the Company as per the production program/agreement. Thereafter the foundation seeds are distributed among the seed growers to produce Raw seeds based on the seed production program allocated and the agreement executed with them. It could be seen from the **Appendix-22** that the Company did not take requisite steps to distribute the entire breeder seeds and foundation seeds available with it for multiplication to foundation and certified seeds respectively during the period 2017-18 to 2021-22. Resultantly, the undistributed balance of these seeds was carried forward for distribution in the next season. Out of such undistributed balance of breeder and foundation seeds, 827.18 quintals of breeder seeds and 35,250 quintals of foundation seeds were rejected during 2017-22 as these seeds were not fit for distribution. This further affected the production of foundation and certified seeds. Further, condemnation of 36,077 quintals of seeds¹¹ led to loss of 20.75 lakh quintals of certified seeds that could have been produced as per their prescribed multiplying factor during 2017-22.

The Government stated (March 2024) that monsoon affects sowing of crops in the State as agriculture is totally dependent on monsoon due to lack of irrigation facilities. It further assured to make efforts for 100 *per cent* utilization of breeder seeds in future.

However, the reply was silent on utilization of foundation seeds.

Yield from breeder seeds and foundation seeds

2.1.11 Rajasthan State Seeds & Organic Certification Agency (RSSOCA) conducts area inspections and after conducting final area inspection, which is conducted on maturity of the crop but before harvesting, it assesses the expected yield of seeds for the area under the plant office concerned. As per the seed grower's agreement, the seed growers were required to supply entire yield of seeds assessed by the RSSOCA after the final area inspection. The agreements further provided that the Company would levy penalty on the seed growers on non-deposit of seeds as per the expected yield assessed by the RSSOCA. Year wise status of yield from breeder seeds and foundation seeds distributed during 2017-22 is given in **Appendix-23**.

It could be seen that against the expected yield assessment of 4.92 lakh quintals of foundation seeds and 43.57 lakh quintals of certified seeds, the seed growers

¹¹ 827 quintals breeder seed and 35,250 quintals foundation seeds.

deposited 3.24 lakh quintals (65.83 *per cent*) of foundation seeds and 27.73 lakh quintals (63.65 *per cent*) of certified seeds during 2017-22. Thus, the Company could not ensure receipt of seeds from the seed growers as per the expected yield of seeds assessed by the RSSOCA. Resultantly, there was a shortfall of 1.68 lakh quintals of foundation seeds and 15.84 lakh quintals of certified seeds having collective value of ₹ 904.89 crore.

Audit observed that the Company did not place any system to monitor the actual production of seeds at the time of harvesting and resultant delivery of expected yield of seeds as per assessment of RSSOCA. The Company also did not initiate any penal action for the shortfall in deposit of seeds by the seed growers.

The Government stated (August 2024) that the quality and quantity of assessed seeds is affected by natural calamities like excessive rains, hailstorms etc. between last assessment and harvest. It further stated that during physical verification at the time of intake, the production is generally found lesser than the expected yield.

However, in view of huge difference between the expected production and the final intake, possibility of sale in the open market by the seed growers in lieu of high premium could not be ruled out.

During the Exit Conference, the Management/ Government assured to increase the percentage of physical inspections and align the premium with the market price to discourage the farmers from selling seed in the market.

Non-utilisation of Seed Production Area

2.1.12 The seed production program prepared by the Company contain season-wise targets for production of seeds as well as area to be sown. During allocation of the seed production program, the Company specifies the area to be sown by the seed growers in the agreement for both Foundation and Certified seeds. The Company also carried out the seed production program in its own farms area (384.40 hectare) through contractors as per the farm plan attached with the agreement concerned.

Non-achievement of targeted sown area

2.1.12 (i) Year-wise season-wise status of area targeted to be sown vis-à-vis area sown in actual during 2017-22 was as under:

Table 2.5: Year-wise season-wise status of area targeted to be sown vis-à-vis area sown in actual during 2017-22

(Area in hectare)

Year	Area targeted to be sown		Area sown in actual		Shortfall	
	Kharif	Rabi	Kharif	Rabi	Kharif	Rabi
By Seed Growers						
2017-18	29150	43248	17539 (60.17%)	34887 (80.67%)	11611 (39.83%)	8361 (19.33%)
2018-19	28562	30996	23506 (82.30%)	26756 (86.32%)	5056 (17.70%)	4240 (13.68%)
2019-20	38716	27184	20455 (52.83%)	25024 (92.05%)	18261 (47.17%)	2160 (7.95%)
2020-21	46205	56011	27516 (59.55%)	32042 (57.21%)	18689 (40.45%)	23969 (42.79%)
2021-22	31618	27656	20694 (65.45%)	17543 (63.43%)	10924 (34.55%)	10113 (36.57%)
By Own Farms						
2017-18	384.40	384.40	185.80 (48.34%)	347.25 (90.34%)	198.60 (51.66%)	37.15 (9.66%)
2018-19	384.40	384.40	270.60 (70.84%)	345.00 (89.75%)	113.80 (29.16%)	39.40 (10.25%)
2019-20	384.40	384.40	214.00 (55.67%)	329.20 (85.64%)	170.40 (44.33%)	55.20 (14.36%)
2020-21	384.40	384.40	188.00 (48.91%)	329.20 (85.64%)	196.40 (51.09%)	55.20 (14.36%)
2021-22	384.40	384.40	190.00 (49.43%)	293.20 (76.27%)	194.40 (50.57%)	91.20 (23.73%)

Source: Information provided by the Company.

Audit noticed that the Company decided the targets for ‘area to be sown’ on the basis of season-wise targeted production of seeds and crop-wise seed multiplication ratio. Audit observed that the Company did not take suitable measures to ensure sowing of the targeted area in any season.

Audit further observed that in case of own farm area, the Company could undertake the seed production program in area ranged between 48.34 per cent and 70.84 per cent for Kharif seasons and 76.27 per cent and 90.34 per cent for Rabi seasons during 2017-22. Thus, the Company could not ensure optimum utilization of its farms during Kharif seasons.

The Government stated (March 2024) that the actual sown area varies from the area allocated under production programs due to monsoon and other climatic factors.

During Exit Conference, the Government/Management stated that reluctance of the farmers to adopt new varieties of seeds and rejection of sown area due to incomplete documents contributed to lesser achievement of targeted sown area. It assured to take necessary steps to increase farmers’ awareness to achieve the targets of area to be sown.

Non-adherence to directions

2.1.12 (ii) The Company issued (February 2015) instructions to the Plant Managers to spread awareness about seed production programs among farmers by publishing press notes to attract them; to obtain certified copies of Jamabandi¹² from the seed growers; to give seed production program as per area shown in the Jamabandi and to monitor the seed production program effectively. The Managing Director of the Company further directed (February 2020) them to organize seed production awareness programs before start of the season. To monitor the seed production program, the Company also determined that 100 per cent, 25 per cent and 2 per cent physical inspection would be carried out by the Seed Officers (Production), Plant Managers and Regional Managers respectively and the field inspection report were to be kept in office record.

During scrutiny of records of the six¹³ selected Plant Offices, Audit observed that none of these Plant Offices initiated action to attract more seed growers towards seed production program. The directions given by the Managing Director were also not adhered to by any of these Plant Offices (except Plant Office, Hanumangarh which organized a program in March 2021). Further, three selected Plant Offices (Udaipur, Banswara and Sumerpur) allocated the seed production program without obtaining complete documents/details of 'Jamabandi'. Later, the RSSOCA rejected 5,251 hectares¹⁴ sown area (15.47 per cent of total 33,934 hectares¹⁵ sown area) of these three Plant Offices during 2017-22. The main reasons of rejecting the sown area were incomplete document/ details of 'Jamabandi' and extension of production programs for areas in excess of land showed in 'Jamabandi'. Further, the details of inspection carried out by the designated officers and field inspection reports were not maintained.

The Government stated (March 2024) that while allocating the seed production program, farmer seminars are organized by the plant offices and awareness is spread though newspapers and other media. It further stated that the seed production programs were allotted after obtaining 'Jamabandi' requisite documents.

The reply was incorrect as no documentary evidence was found in the selected plant offices as regards organizing farmer seminars and publicity through newspaper/other media. Besides, requisite documents related to 'Jamabandi'

¹² A document prepared by the revenue estate of the States which contains information about the ownership of land, area of land, ownership shares, rights associated with the land and other updates related to the land.

¹³ Suratgarh, Hanumangarh, Udaipur, Banswara, Sumerpur and Mohangarh.

¹⁴ Udaipur: Kharif season-771 hectare, Rabi season-588 hectare; Banswara: Kharif season-1423 hectare, Rabi season-656 hectare and Sumerpur: Kharif season-798 hectare, Rabi season-1015 hectare.

¹⁵ Udaipur: Kharif season-6477 hectare, Rabi season-3917 hectare; Banswara: Kharif season-8436 hectare, Rabi season-4951 hectare and Sumerpur: Kharif season-4242 hectare, Rabi season-5911 hectare.

were not ensured. Further, the reply was silent on the issue of carrying out field inspections and maintaining details thereof.

In the Exit Conference, the Government/Management stated that the State Government has now introduced Sathi portal for registration of seed growers wherein the requisite documents have to be uploaded at the time of registration.

Deficient database management

2.1.13 Seed growers are the backbone of the Company and therefore, it is imperative to manage the seed growers efficiently. Production Policy and Purchase Policy of the Company provided that the seed growers would be blacklisted and production program would not be given to them if they failed to deposit raw seed; failed beyond two times to deposit the foundation seeds produced from breeder seeds or seeds declared sub-standard; deposited seed other than seeds produced in seed production program; deposited raw seeds having mixture of unwanted plants; sublet seed production program; their seed sample failed twice in test.

Scrutiny of records at six selected Plant Offices during 2017-22 disclosed that the database management of seed growers was deficient as it did not contain details of registration, area sown, non-deposit of raw/foundation seed, sub-standard seed, sub-letting, seed sample test reports *etc.* of individual seed growers in previous years. Audit observed that in the absence of adequate database, the Plant Offices were not in a position to ensure compliance of policies. Audit further observed that in four¹⁶ selected Plant Offices, the agreements executed with the seed growers were deficient as the agreements did not contain the complete detail of the seed grower, seed crop and variety to be produced, type of seed (foundation/certified), land area for seed production program *etc.* Besides, the agreements were not duly signed by the seed grower/Company's representative/witnesses or all of them. These deficiencies indicated that while executing the agreements with the seed growers, the Plant Offices were not vigilant to ensure compliance with the provisions laid down in the production policy. Further, the Company did not evolve any mechanism to monitor execution of agreements with the seed growers.

The Company stated (March 2024) that the RSSOCA would implement the seed production program (from Kharif 2023) in the State through '*Sathi Portal*¹⁷' and therefore, all the production related activities would be performed online.

The reply was not satisfactory as it did not address the issues of executing deficient agreements with seed growers as well as non-maintenance of a database having sufficient details for identification of the defaulting seed growers during 2017-22.

¹⁶ Suratgarh, Hanumangarh, Udaipur and Sumerpur.

¹⁷ Portal launched by the GoI for monitoring of all the government/private seed producing institutions.

Recommendation 1: The Company may prepare an action plan for distribution of available seeds.

Recommendation 2: The Company may strengthen monitoring mechanism for production of certified seeds and to obtain the entire yield from seed growers.

Utilisation of Seed Processing Plants

2.1.14 To achieve the desired quality of seeds, the raw seeds received from seed growers and own farms are processed at the Processing Plants of the Company to remove the foreign particles¹⁸. As on 31 March 2022, the Company owned 24 seed processing plants¹⁹.

Year-wise capacity utilisation of seed processing plants during 2017-22 was as under:

Table 2.7: Capacity utilisation of seed processing plants during 2017-22

(In lakh quintals)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Processing capacity	19.44	20.09	20.74	20.74	20.74
Seeds processed	8.78	9.26	5.96	6.04	6.63
Percentage utilisation	45.16	46.09	28.74	29.12	31.97

Source: Information provided by the Company.

Audit observed that the Company could not utilise the Processing Plants to their optimum capacity during 2017-22 as the actual production of seeds fell short of targets. Further, the capacity utilisation rate, which was already on lower side, dropped significantly from 46.09 per cent in 2018-19 to 31.97 per cent in 2021-22. Non-utilisation of the Processing Plants upto their optimum capacity was mainly attributable to lack of initiation of action to attract more seed growers towards seed production program; lack of adequate seed production program in field areas; lesser sowing of area; poor production performance of own farms; failure to obtain entire production from seed growers etc.

The Company stated (March 2024) that it had revised (August 2023) the processing capacity from 20.74 lakh quintals to 12.58 lakh quintals by reducing the original processing capacity to 80 per cent and 60 per cent for plants older than five years and 10 years respectively.

¹⁸ Dust, chaff, other seeds, undersize and broken seeds etc.

¹⁹ Including two processing plants which were installed in September 2018 (Sultanpur, Kota) and February 2020 (Gudamalani, Barmer) but remained non-operational till March 2022.

Storage of seeds

2.1.15 Periodical assessment of condition of stored seeds; regular monitoring of relative humidity and temperature of each godown; and fumigation and spraying of insecticides at regular intervals is essential for safe storage and preservation of seeds.

Indian Minimum Seed Certification Standards 2013 prescribed validity of the seed certification for a period of nine months from initial certification, which could further be extended for a period of six months at each subsequent validation as long as the seed conforms to the prescribed standards. Further, a seed lot under certification was not to have apparent or visible evidence of damage by insects for seeds in excess of one *per cent* and 0.50 *per cent* for maize/legume seeds and other than maize/legume seeds respectively. The RSSOCA further provided (August 2020) that those seeds which had been carried over twice were not to be revalidated for the third time.

Audit noticed that the plant offices did not maintain the requisite records having information related to periodical assessment of condition of stored seeds; monitoring of humidity and temperature of godowns, fumigation and spraying of insecticides carried out during 2017-22. In absence of which audit could not ascertain whether the Company followed the prescribed storage procedure.

Scrutiny of records of six selected Plant Offices for the period 2017-22 disclosed that out of total 1,46,483 quintals of certified seeds, 44,789 quintals²⁰ of certified seeds (30.58 *per cent*) could not be revalidated during retesting of seeds. The RSSOCA did not revalidate these certified seeds during retesting due to various factors *viz.* dead seeds, poor germination, abnormal seedlings, insect damage *etc.* Additionally, in two²¹ of these six Plant Offices, the seeds had fungus infestation and living insects. Failure of seeds during revalidation in such high quantum indicated that the Company could not ensure scientific and safe storage of the seeds. As a result, a major part of seeds could not be revalidated for use in subsequent seasons.

The Company stated (March 2024) that the seeds failed due to poor germination and other technical reasons. During 2017-22, only 94.16 quintal seeds failed due to insect damage.

The reply was not based on the facts as the RSSOCA reports for retesting of 44,789 quintals of seeds examined by Audit in sample cases showed that 11,198.07 quintals of the failed seeds had not been revalidated due to insect damage beyond the prescribed norms. Further, improper storage conditions may lead to poor germination of seeds.

²⁰ Banswara: 6,108 quintal, Hanumangarh: 15,205 quintal, Mohangarh: 58 quintal, Sumerpur: 10,098 quintal, Udaipur: 4,659 quintal and Suratgarh: 8,661 quintal.

²¹ Banswara and Mohangarh.

Recommendation 3: The Company may ensure optimum utilisation of processing plants and scientific as well as safe storage of seeds to control failure of seeds during revalidation.

Sales performance

2.1.16 Seed is a vital input for agricultural production and yield of crop is largely influenced by use of certified/quality seeds. The Company sells seeds to the farmers at subsidy under different schemes of GoR/GoI as well as on full cost basis through own outlets, dealers and co-operative societies. Further, the Company also supplies seeds to different government departments²² for further distribution as Minikits and for carrying out block-level demonstration of crops.

Year-wise season-wise sales performance and share of Company in total distribution of seeds in the State during 2017-22 was as under:

Table 2.8: Targeted vis-a-vis actual sale of seeds and share in total distribution of seeds in the State during 2017-22

(Quantity: in lakh quintal)

Year	Season	Total seeds distributed in the State	Total seeds available with the Company	Target of sale of seeds fixed by the Company	Actual sale of seeds by the Company	Percentage of seeds sold against availability of seeds	Company's share in distribution of seed in the State (in %)
2017-18	Kharif	6.24	1.18	1.44	0.92		14.74
	Rabi	13.56	5.36	5.33	4.08		30.09
	Total	19.80	6.54	6.77	5.00	76.45	25.25
2018-19	Kharif	6.50	1.18	1.18	0.86		13.23
	Rabi	15.12	6.20	4.94	5.38		35.58
	Total	21.62	7.38	6.12	6.24	84.55	28.86
2019-20	Kharif	7.63	1.11	1.59	0.68		8.91
	Rabi	17.99	3.65	4.32	3.44		19.12
	Total	25.62	4.76	5.91	4.12	86.55	16.07
2020-21	Kharif	6.88	1.33	0.91	1.00		14.53
	Rabi	14.37	3.75	4.81	2.09		14.54
	Total	21.25	5.08	5.72	3.09	60.83	14.54
2021-22	Kharif	7.38	1.02	1.08	0.74		10.03
	Rabi	15.53	4.80	7.07	3.42		22.02
	Total	22.90	5.82	8.15	4.16	71.48	18.17

Source: Information provided by the Company and Rajasthan Agricultural Statistics published by the Commissioner of Agriculture, Rajasthan.

²² Department of Agriculture, Department of Horticulture and Tribal Area Development Department of the GoR.

Audit observed that during 2017-22 (except in 2018-19), the targets for sale of seeds determined by the Company were not rational as the annual targets fixed remained in excess of the actual availability of seeds for the concerned year. Resultantly, the Company could not ensure achievement of its own targets for sale of seeds during 2017-22.

Audit noticed that the GoR provided production subsidy (₹ 147.35 crore) and marketing subsidy (₹ 174.88 crore) to the Company during 2017-22. Audit, however, observed that despite availing subsidy worth ₹ 322.23 crore during 2017-22, the Company's share in total distribution of seeds ranged between 14.54 *per cent* and 28.86 *per cent* only. Further, the Company's share in total distribution of seeds had drastically declined to 16.07 *per cent* (2019-20) as compared to 28.86 *per cent* (2018-19).

Audit also observed that the Company was mainly dependent on sale of seed at subsidized rates and supply to Government departments as its share in sale of seeds in open market was only 12.17 *per cent* (₹ 133.52 crore) during 2017-22.

The Government stated (March 2024) that non-achievement of sale targets was mainly due to uncertainty of quantity of certified seeds available for sale at non-subsidized rate in open market. This uncertainty is caused because of the procedure of supply of subsidised seeds on priority as per demand of the Agriculture Department. Any delay or sudden change in demand of the department affects the availability of seeds for sale in the open market.

The Government further informed that it has now adopted 'new price structure and marketing policy' having concept of seed issue price and maximum retail price (MRP) which would motivate the private dealers to become authorised dealers of non-subsidised seeds.

The reply was not satisfactory as the Company could not ensure availability of seeds as per the targets fixed for sale of seeds.

In the Exit Conference, the Government/Management stated that the decline in sales was due to the discontinuation of subsidy on wheat. Further, the private seed producers in the market sell Truthful Labeled (TL) variety of seeds which are cheaper than the Certified seeds sold by the company. They, however, assured to take steps like incentivizing committed dealers (for open market sales), to increase their share in the sale of seeds in the state.

Business promotion and publicity

2.1.17 Business promotion and publicity play a vital role in sale of seeds in a competitive market. Audit noticed that the Company is facing tough competition in the market from various public sector and co-operative sector agencies, medium scale institutes and multi-national seed companies/big seed agencies. Hence, in order to popularise its own brand, the Company was required to undertake aggressive promotional activity.

Audit observed that the Company, despite facing tough competition in the market, did not prepare any action plan for business promotion and publicity of its own brand of seeds. During 2017-22, the Company belatedly issued (September 2021) its marketing policy for Rabi season, which also did not serve the purpose of business promotion and publicity. Further, out of total expenditure (₹ 1.68 crore) incurred on publicity of its own brand of seeds during 2017-22, the expenditure incurred on publicity through print media was ₹ 0.15 lakh only. Audit also observed that the Company incurred an expenditure of ₹ 7.17 lakh only on publicity during 2019-22 which may have affected its sale adversely.

Thus, adequate steps to popularise its brand of seeds and to increase awareness amongst farmers/dealers were not undertaken by the Company.

The Company assured (March 2024) to use print and electronic media in future for publicity of its seeds.

Other shortcomings

2.1.18 The other shortcomings of the Company which affected its performance are discussed below:

Implementation of Seed Village Program

2.1.19 Seed Village Program/ Beej Gram Yojana²³ (SVP) was implemented with the objective of improving the stock of farm saved seeds for enhancing crop production/ productivity by providing financial assistance to the farmers for distribution of foundation seeds/certified seeds as under:

- **Cereal Crops:** 50 per cent assistance for distribution of foundation seeds/ certified seeds required for 1 acre area per farmer.
- **Pulses, Oilseeds, Fodders and Green Manure Crops:** 60 per cent assistance of the cost of foundation seeds/ certified seeds required for 1 acre area per farmer.

The SVP was to be implemented in Rajasthan through the Company as well as other agencies²⁴. For distribution of seeds under the SVP, the Department of Agriculture, GoR prescribed certain targets for the Company for the period 2017-22.

Audit noticed that despite availability of sufficient quantity of seeds, the Company could not ensure distribution of targeted quantity of certain

²³ A program under Sub Mission on Seed and Planting Material (SMSP) from 2014-15 to 2017-18 which later became part of the revamped National Food Security Mission (NFSM) from 2018-19 onwards.

²⁴ State Department of Agriculture, State Agriculture Universities, Krishi Vigyan Kendras, National Seeds Corporation, State Farms Corporation of India, State Seeds Certification Agencies, Department of Seed Certification.

crop-seeds to the farmers during 2017-22. Season-wise crop-wise details of shortfall in distribution of seeds as against the targets fixed by the Department of Agriculture, GoR are given in **Appendix-24**. It could be seen from the Appendix that the Company could not distribute 1.17 lakh quintals of targeted quantity of seeds during 2017-22. Resultantly, the farmers were deprived of the benefits worth ₹ 25.20 crore as depicted in **Appendix-24**. Audit observed that due to non-achievement of laid down targets of distribution of seeds under SVP, the prime objective of implementation of SVP was defeated.

The Company stated (March 2024) that the targets are set considering the ideal circumstances whereas the distribution of seeds, however, takes place under actual and contemporary circumstances. Hence it is natural to achieve higher or lesser as against the prescribed targets due to one or the other factor. Further, considering priorities of a district, seeds reserved for one scheme is used under some other scheme also without compromising the availability of subsidised seeds to the farmers.

The reply was generalised as the Company did not mention any specific reasons for the significant shortfall which ranged upto 95 *per cent* of the targeted distribution of a crop in a year.

Collection of sale proceeds

2.1.20 The Company issued (August 2019) directions to its Plant Managers not to sell seed on credit basis. Thereafter, the Company also instructed time and again to recover the outstanding amount from dealers/Government departments. Further, the Purchase Policy as well as terms and conditions of agreement for appointment of authorized dealers also provided to supply the breeder/foundation seeds to seed growers and certified seed to authorized dealers on cash basis only.

Audit noticed that an amount of ₹ 101.37 crore was outstanding towards supply of seeds till March 2022. Of which, ₹ 96.71 crore was to be recovered from various Government departments²⁵ towards marketing subsidy, supply of seed for further distribution as '*minikits*' and carrying out block demonstration of crops. Audit, however, observed that the Company did not make adequate efforts towards recovery from the Government departments.

Further, the Plant Offices did not adhere to the directions as well as terms and conditions of the agreement. The Plant Officers not only supplied breeder/foundation seeds to the seed growers on credit basis but also allowed credit sale to authorized dealers. Resultantly as on 31 March 2022, an amount of ₹ 3.84 crore and ₹ 0.82 crore was lying outstanding against private dealers and farmers respectively.

²⁵ Department of Agriculture, Department of Horticulture, Department of Forest, Department of Panchayati Raj and Department of Watershed and Soil Conservation.

The Company accepted (March 2024) the audit observation and stated that the departments as well as seed growers/authorised dealers are being persuaded for clearing the outstanding dues. During the Exit Conference the management informed that only ₹ 24.65 crore including ₹ 5.31 crore against seeds pertaining to the period upto March 2017 is outstanding as on March 2024. The Company also assured to recover the outstanding dues and adhere to the relevant provisions in future.

Recommendation 4: The Company may take effective steps to ensure recovery of outstanding dues towards supply of seeds.

Jaipur Vidyut Vitran Nigam Limited, Ajmer Vidyut Vitran Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited

2.2 Lapses in consideration of fuel surcharge in assessment of electricity charges/civil liability

The electricity Distribution Companies²⁶ (DISCOMs) of Rajasthan face issues of ‘un-authorised use of electricity²⁷’/theft of electricity from time to time. Section 126 and Section 135 (read with Section 154) of the Electricity Act, 2003 provided for assessment of electricity charges/civil liability in cases of unauthorized use/theft of electricity. The DISCOMs vide notification dated 28 April 2008 designated the Junior/Assistant/Executive Engineers deployed in circle offices and sub-division offices (January 2004 and April 2008) as Assessing Officers to assess the electricity charges/ civil liability and to issue assessment orders to the person found having indulged in un-authorised use/theft of electricity. The assessment is to be done at a rate equal to twice the applicable rate of tariff for the actual period or a period of 12 months immediately preceding the date of inspection, whichever is lesser. The Rajasthan Electricity Regulatory Commission (RERC) in its Tariff Regulations 2019 allowed recovery of fuel surcharge on a quarterly basis from consumers towards unrecovered power purchase cost, the same was also to be considered as part of tariff while assessing the electricity charges/ civil liability in cases of unauthorized use/theft of electricity.

With a view to ascertain levy of fuel surcharge in assessment of electricity charges/ civil liability, Audit selected 30 vigilance offices of the three DISCOMs for detailed scrutiny and reviewed 11,428 Vigilance Checking Reports²⁸ (VCRs) filed by them during 2020-21²⁹ as depicted in **Appendix-25**.

Scrutiny of records (April 2022 to October 2022) of the selected offices disclosed the following lapses in consideration of fuel surcharge in assessment of electricity charges/ civil liability:

Issue of guidelines/ direction	Audit noticed that two DISCOMs (Ajmer and Jodhpur) did not issue any direction/guidelines for recovery of fuel surcharge in assessment of vigilance cases. Jaipur DISCOM issued (February 2020) guidelines which provided that in case of consumers whose rates of the fuel surcharge were already decided for last three quarters, fuel surcharge was to be assessed accordingly, and the fuel surcharge for the period for which fuel surcharge was not decided, was to be
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²⁶ Jaipur Vidyut Vitran Nigam Limited (Jaipur DISCOM), Ajmer Vidyut Vitran Nigam Limited (Ajmer DISCOM) and Jodhpur Vidyut Vitran Nigam Limited (Jodhpur DISCOM).

²⁷ “Unauthorised use of electricity” means the usage of electricity – (i) by any artificial means; or (ii) by a means not authorised by the concerned person or authority or licensee; or (iii) through a tampered meter; or (iv) for the purpose other than for which the usage of electricity was authorised; or (v) for the premises or areas other than those for which the supply of electricity was authorized.

²⁸ Jaipur DISCOM (3146 VCRs), Ajmer DISCOM (6959 VCRs) and Jodhpur DISCOM (1323 VCRs).

²⁹ By the end of 2021-22, DISCOMs determined/declared rates of fuel surcharge for the year 2020-21 only.

	<p>recovered provisionally on the basis of fuel surcharge decided for the last quarter. It further provided that final adjustment be made in the succeeding bills of the consumer after finalization of fuel surcharge of 4th quarter of assessment period.</p> <p>Audit observed that the Jaipur DISCOM did not ensure compliance of the guidelines/ directions as out of 3,146 VCRs, fuel surcharge was considered in 2,815 VCRs, whereas in remaining 331 VCRs, the assessments were made without considering fuel surcharge worth ₹ 1.93 lakh. Audit also observed that Jaipur DISCOM assessed the fuel surcharge by adopting the latest available rates on provisional basis but after finalization of fuel surcharge rate of succeeding quarters, it did not conduct any final adjustment in the succeeding bills of the consumers belonging to these VCRs. Reasons of non-adoption of consistent approach and conducting assessments without considering fuel surcharge in assessments were not found on records of the Jaipur DISCOM.</p>
Assessment without considering fuel surcharge	<p>Ajmer and Jodhpur DISCOMs</p> <p>Audit noticed that the selected offices of the Ajmer and Jodhpur DISCOMs did not consider fuel surcharge in assessment of electricity charges/ civil liability for the 6,959 VCRs and 1,212 VCRs³⁰ respectively which were filed during 2020-21. Resultantly, the fuel surcharge component worth ₹ 32.38 lakh and ₹ 22.37 lakh was not included in the assessment of electricity charges/civil liability for these VCRs in the Ajmer and Jodhpur DISCOM, respectively.</p> <p>Audit observed that since both the DISCOMs did not issue specific guidelines/ directions, fuel surcharge was not considered in the assessment of electricity charges/civil liability as per the provisions laid down in the Electricity Act 2003/Tariff Regulations 2019. Resultantly, electricity charges/civil liability against the 8,171 VCRs filed during 2020-21 were assessed without considering fuel surcharge worth ₹ 54.75 lakh.</p>
Assessment considering incorrect value of fuel surcharge	<p>Jaipur DISCOM</p> <p>In case of those 2,815 VCRs, where the Assessing Officers considered fuel surcharge in assessment of electricity charges/ civil liability, the Assessing officers did not adhere to the laid down formula and methodology for considering the fuel surcharge in assessment. Audit's observations in this regard as follows:</p> <ol style="list-style-type: none"> A. In 798 VCRs, the Assessing officers applied a rate equivalent to the applicable tariff rate of fuel surcharge instead of twice the applicable tariff rate of fuel surcharge. B. In case of 1,264 VCRs, the Assessing officers applied a common rate of fuel surcharge for the entire period of 12 months instead of applying the rate of fuel surcharge of relevant quarter. C. There were 746 cases that fall under both categories mentioned at A & B above.

³⁰ Except 111 VCRs pertaining to two offices *i.e.* AEN-Vigilance, Jodhpur District Circle (55 cases) and AEN-O&M, Baori of Jodhpur DISCOM (56 cases).

<p>D. In remaining 1,499 VCRs³¹, wherein the provisional assessment was done as per the guidelines, the applied rate of fuel surcharge was incorrect.</p> <p>Besides above deficiencies, the final assessment in all 2,815 cases was not carried out by the DISCOM. Due to all these lapses, the fuel surcharge was short-assessed by ₹ 1.62 lakh in 374 VCRs and over-assessed by ₹ 33.63 lakh in 2,441 VCRs.</p> <p>Jodhpur DISCOM</p> <p>Audit noticed that in case of 111 VCRs³² pertaining to two selected offices of the Jodhpur DISCOM, the Assessing Officers considered fuel surcharge in assessment of electricity charges/ civil liability. In these cases, the Assessing Officers adopted a rate equivalent to the applicable tariff rate for fuel surcharge of a particular quarter and applied it for the entire period instead of applying twice the applicable tariff rate on quarterly basis. Further, final adjustment of fuel surcharge was also not done in these cases. Resultantly, the fuel surcharge component in these cases was undercharged by ₹ One lakh.</p>
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In view of dissimilar practice, DISCOMs filed (November 2022) a petition to RERC for clarification on charging of fuel surcharge in cases of unauthorized use/theft of electricity. The RERC in its order reiterated (August 2023) to recover the fuel surcharge from consumers as well as non-consumers as prescribed in the Tariff order. The RERC also directed not to open the cases where the assessment had already been done earlier.

The failure of the DISCOMs to timely issue guidelines regarding recovery of fuel surcharge led to under-assessment of ₹ 59.30 lakh³³ and over-assessment of ₹ 33.63 lakh in selected offices. The possibility of incorrect assessment of fuel surcharge for the DISCOMs as a whole could be much higher.

The Government stated (October 2023) that the order of RERC is to be applied prospectively for the assessments to be made after issue of this order and the cases where assessment had already been done, are not to be reopened on the basis of this order. It further stated that the DISCOMs had issued necessary orders/directions for implementing the order of RERC.

The concept of levy of 'Fuel Surcharge' was already defined under the Tariff Regulations, 2014/2019 and hence, the clarification sought from RERC was unwarranted. The fact remained that DISCOMs failed to comply with the Tariff Regulation with regard to assessment of fuel surcharge in vigilance cases.

Recommendation 5: DISCOMs, to avoid the inaccuracies and to exercise necessary controls; may adopt automated assessment procedure for vigilance cases and integrate it with their billing system.

³¹ Total cases wherein the Assessing Officers considered fuel surcharge in assessment (2815) less cases discussed in A (798) and B (1264) plus cases covered both A and B (746) = 1499 VCRs.

³² AEN-Vigilance, Jodhpur District Circle (55 cases) and AEN-O&M, Baori (56 cases).

³³ ₹ 1.93 lakh + ₹ 54.75 lakh + ₹ 1.62 lakh + ₹ One lakh

Jaipur Vidyut Vitran Nigam Limited

2.3 Non-adherence to the Saubhagya Guidelines

The Company did not adhere to the Saubhagya Guidelines and thus had to bear the entire cost of ₹ 12 crore on installation of 100Wp capacity SPV.

To ensure electricity connections to all un-electrified households, Government of India (GoI) launched (11 October 2017) the Pradhan Mantri Sahaj Bijli Har Ghar Yojana (Saubhagya) and appointed the Rural Electrification Corporation Limited (REC) as the nodal agency for its operationalization. As per funding pattern of Saubhagya, the GoI was to contribute 60 per cent of the project cost in the form of grant and the Utility/ State was to contribute 10 per cent and 30 per cent of the project cost as their own funds and loans from banks/financial institutions respectively. Further, GoI also issued (20 October 2017) guidelines for Saubhagya which *inter alia* provided for installation of Solar Photo Voltaic based standalone systems (SPV) for un-electrified households located in remote and inaccessible villages/ habitations, where grid extension is neither feasible nor cost effective. Clause 2.6 of the Saubhagya guidelines provided for SPV having power packs of 200 to 300 Wp³⁴ (with battery bank) with a maximum of five LED light, one DC Fan, one DC power plug along with repair and maintenance for 5 years.

The Jaipur Vidyut Vitran Nigam Limited (Company) initially identified 8,758 households in 10 Circles/Districts to be electrified by installation of SPV. Accordingly, the Company prepared (April 2018) Detailed Project Report (DPR) for each Circle/District, wherein it kept provision for 250Wp SPV. Audit noticed that the Company did not have any contract in force for off-grid connectivity and hence it placed (5 September 2018) work order on Rajasthan Renewable Energy Corporation Limited³⁵ (RRECL) for installation of 8,758 SPV of 100 Wp capacity at the rate of ₹ 18,250 per SPV. The Company, however, did not seek approval of MoP/REC for the deviation in power capacity of the SPV from the Saubhagya Guidelines.

RRECL installed (upto March 2019) only 6,573 SPV of 100 Wp capacity for which the Company released (between September 2018 and January 2019) ₹ 12 crore to RRECL in six instalments and submitted (June 2019) the claim to REC for the same. Thereafter, the Company repeatedly requested (October 2019 and July 2020) REC to release the claimed amount. The REC, however, turned down (29 September 2021) the claim while approving the closure proposal submitted by the Company on 1 September 2021.

³⁴ Wp- The capacity of a solar installation is expressed in watt Peak.

³⁵ Another State Public Sector Undertaking implementing Decentralised Distributed Generation under DDUGJY.

Audit observed that Saubhagya Scheme was implemented by all the three DISCOMs³⁶ in the State. The other two DISCOMs provided SPVs to the beneficiaries as per the Scheme Guidelines and availed the grant of 60 *per cent* under the Scheme. However, the Company unilaterally assumed that installation of 100 Wp capacity SPV would also be eligible for grant under the Scheme which was incorrect. It also deprived the beneficiaries from the enhanced electricity capacity as envisaged under the Scheme.

The Government stated (June 2023) that off-grid electrification work through 100 Wp capacity SPV under other schemes was ongoing in RRECL and hence the work under Saubhagya was also awarded to RRECL on the same line. It further stated that the Ministry of Power (MoP), GoI had accorded (October 2018) approval for installation of 100 Wp SPV, as a special case, under DDUGJY keeping in view of the single dome type structure of huts in Rajasthan which have better insolation level. It also stated that the Company had saved ₹ 3.22 crore³⁷ on installation of 100 Wp capacity as compared to cost of installation of 200 Wp capacity SPV.

The reply was not acceptable as the Company placed the work order for lesser capacity SPV without obtaining prior concurrence of the MoP/REC and it also did not consult the other two DISCOMs. The Company's contention that a saving of ₹ 3.22 crore towards its contribution (40 *per cent*) on installation of 100 Wp capacity SPV is also incorrect, as these savings could only have been realised if REC had accepted the claim for 100 Wp capacity SPVs which was however rejected. As a result, the Company had to bear the entire installation cost of ₹ 12 crore for these SPVs and lost the opportunity to avail the grant available under the Scheme.

³⁶ Jaipur Vidyut Vitran Nigam Limited, Ajmer Vidyut Vitran Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited

³⁷ Company's contribution (40 *per cent*) in total cost of 6573 SPV of 200Wp less Company's contribution (40 *per cent*) in total cost of 6573 SPV of 100Wp (₹ 8.02 crore- ₹ 4.80 crore).

Rajasthan State Road Development and Construction Corporation Limited

2.4 Acceptance of fake Bank Guarantees

Absence of robust internal control mechanism led to acceptance of fake Bank Guarantees worth ₹ 6.86 crore. Resultantly, the Company could not ensure recovery of its toll dues of ₹ 6.72 crore.

Rajasthan State Road Development and Construction Corporation Limited (Company) amended (March 2019) its Toll Policy. Clause 11 of the Toll Policy 2019 provided that successful bidder shall submit 15 per cent of bid amount as performance security in the form of Bank Guarantee (BG)/Fixed Deposit Receipt/Demand Draft/Bankers Cheque of the Schedule Bank payable at Jaipur. Further, with a view to assess the genuineness of the BG provided by the contractors, besides framing rules, various directions have been issued from time to time, as given below:

Rajasthan Transparency in Public Procurement Rules, 2013 (RTPP Rules 2013)	Rule 42(9) Bid Security	The BG presented as bid security shall be got confirmed from the concerned issuing Bank.
Reserve Bank of India	Master Circular July 2004	The beneficiary of the BG should invariably obtain the confirmation from the concerned banks to ensure the genuineness of the BG as a measure of safety.
Central Vigilance Commission	Office Memorandum 31 December 2007	All the organisations streamline their system of acceptance of BGs from contractors to eliminate the possibility of acceptance of forged/fake BG. Also advised to evolve the procedure for acceptance of BGs.

The Company awarded (between September 2019 and December 2019) the work of collection of toll tax on two roads³⁸ to Shreya Enterprises, Allahabad (Contractor) at ₹ 8.27 crore and ₹ 38.35 crore respectively for a period of two years from the date of award. Against both the work orders, the contractor furnished (16 September 2019 and 10 December 2019) the Performance Security in the form of BG of ₹1.22 crore and ₹5.64 crore issued by the Union Bank of India (Bank), Mumbai through its Branches - Vasai West and

³⁸ (i) Slumber-Keer Ki Chowki and Debari-Kurawar-Bambora Road and (ii) Dabok-Mavli-Kapasan-Chittorgarh Road.

Darukhana, respectively. The Company executed (20 September 2019 and 13 December 2019) the agreements with the Contractor, according to which, the Contractor was required to deposit monthly installments of ₹ 0.33 crore and ₹ 1.52 crore respectively up to two years.

As the Contractor defaulted in payment of the installments and deposited partial amount of installments, the Company issued (between July 2020 and September 2021) several notices to the Contractor to clear the outstanding dues. Further, the postdated cheques submitted by the Contractor were also dishonored (between January 2020 and August 2021) due to insufficient balance. The Contractor, however, continued the toll collection work on both the roads. On being asked (July 2021) by the Company's Unit office, Udaipur to encash the BGs submitted by the Contractor, the Bank apprised (August/September 2021) that the aforesaid BGs were not issued by it. Thereafter, the Company withdrew (August 2021) the toll collection works from the Contractor and belatedly lodged (September 2022) the First Information Report (FIR) against the contractor for furnishing the fake BGs.

Scrutiny of records disclosed (November 2022) that the Company had not verified the BGs furnished by the Contractor for both the work orders. In case of the first work order, genuineness of the BG was confirmed on the basis of Bank's confirmation letter furnished by the Contractor. Further, in case of second work order, the BG was accepted on the basis of purported confirmation e-mail received from the Bank. Later, on approaching the Bank regarding aforesaid e-mail, the Bank stated (August 2021) that e-mail ID³⁹ whereby the Company had received the confirmation of genuineness of BG, was changed two years ago and hence, the same was not in use.

Audit observed that the Company did not devise any mechanism to ensure genuineness of the BGs furnished by the Contractors in spite of provisions stipulated in RTPP Rules 2013, RBI's directions and CVC guidelines. Further, in the instant cases wherein the Contractor furnished the BGs, the Company instead of verifying the genuineness from the issuing branch of the Bank immediately through asking a duplicate copy of the BG directly with a covering letter, simply relied upon the Contractor. Resultantly, the Company accepted fake BGs worth ₹ 6.86 crore. Audit also observed that the Company belatedly lodged (September 2022) an FIR against the Contractor and thereafter filed (November 2022) a civil suit for recovery of its dues. The matter with the Bank to initiate legal action for misusing its e-mail ID under the provisions of Information Technology Act-2000 and misuse of its letter head by the Contractor was also taken up belatedly (November 2022).

Thus, in the absence of robust internal control mechanism to ascertain the genuineness of the BGs, the Company not only accepted the fake BG but also


³⁹ cbsdarukhana@unionbankofindia.com

could not recover the outstanding dues of ₹ 6.72 crore⁴⁰ (calculated as on 31 March 2022).

The Company while accepting the facts stated (January 2024) that prior to September 2021, it had not issued specific guidelines for verification of the BGs. It further stated that recovery suit for outstanding toll dues had been filed in Commercial Court, Udaipur. Reply from the Government is awaited (June 2024).

The reply of the Management was not convincing as the Company belatedly filed civil suit against the contractor for recovery of dues, however it did not initiate any action against the defaulting/ delinquent contractor in such a serious issue of forgery. Also, the Company took up the matter with the Bank for misuse of its e-mail ID, letter head, seal and signature of the officials on the fake BGs with delay of more than one year. In the absence of internal control mechanism, the chances of fraud in issuing fake BGs by using the email ID, letter head of the Bank in other such contracts cannot be ruled out.

JAIPUR
The 22nd February 2025


(RAMAWATAR SHARMA)
Accountant General
(Audit-II), Rajasthan

Countersigned

NEW DELHI
The 24th February 2025


(K SANJAY MURTHY)
Comptroller and Auditor General of India

⁴⁰ ₹ 0.23 crore for Slumber-Keer Ki Chowki and Debari-Kurawar-Bambora Road and ₹ 6.49 crore for Dabok-Mavli-Kapasan-Chittorgarh Road.