CHAPTER VIII : GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

8.1 General

8.1.1 This chapter deals with the results of audit of Government Companies and Departmentally managed commercial undertakings.

8.1.2 Paragraphs 8.1.3 to 8.1.48 gives an overview of Government Companies and Departmentally managed Commercial undertakings and Paragraphs 8.2 to 8.7 deal with miscellaneous topics of interest.

Overview of Government Companies and Departmentally managed Commercial undertakings

Introduction

8.1.3 As on 31 March 2001 there were five Government Companies (three Working Companies and two non-working companies) and two Departmentally managed Commercial undertakings *viz.,* State Transport Services and State Trading Scheme as against same number of Government companies and Departmentally managed Commercial undertakings as on 31 March 2000 under the control of the State Government. The accounts of the Government Companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG) as per provisions of Section 619(2) of Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of Companies Act, 1956. The accounts of Departmentally managed Commercial undertakings are audited solely by the CAG under Section 13 of CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Working Government companies

Investment in working Government Companies

8.1.4 Total investment in three working Government Companies as on 31 March 2001 was Rs.11.63 crore (equity : Rs.8.42 crore; long term loans : Rs.3.01 crore and share application money : Rs.0.20 crore) as against total investment of Rs.11.62 crore (equity : Rs.8.25 crore and long term loan : Rs.3.37 crore) as on 31 March 2000 in three working Government companies.

8.1.5 The summarised statement of Government investment in the working Government Companies in the form of equity and loan is given in **Appendix-XXXVI**.

8.1.6 Although there was further investment totaling Rs.0.37 crore in equity (in two Companies) during 2000-01, the overall increase in total investment during the year was Rs.0.01 crore due to repayment of loan amounting to Rs.0.36 crore by one Company. As a result the debt equity ratio has decreased from 0.41:1 in 1999-2000 to 0.35:1 in 2000-01.

8.1.7 As on 31 March 2001, the total investment in working Government Companies, comprised 74.11 per cent of equity and 25.89 per cent of loan compared to 71 per cent and 29 per cent, respectively as on 31 March 2000.

Budgetary outgo, grants subsidies, and guarantees, waiver of dues and conversion of loan into equity

8.1.8 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues, and conversion of loans into equity by State Government to working Government companies are given in **Appendices – XXXVI and XXXVIII**.

8.1.9 The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from State Government to 3 working Government companies for the three years upto 2000-01 are given below :

Table – 8.1

(Amount : Rupees in crore)

Sl. No.	Particulars	1998-99		1999-2000		2000-2001	
		No. of Companies	Amount	No. of Companies	Amount	No. of Companies	Amount
1.	Equity capital outgo from budget	1	0.22	1	0.18	2	0.37
2.	Loans given from budget	-	-	-	-	-	-
3.	Grants/subsidy towards project/ programmes/ schemes	-	-	-	-	-	-
	Total outgo :-	**1**	**0.22**	**1**	**0.18**	**2**	**0.37**

8.1.10 During the year 2000-01, the Government had not given fresh guarantee for raising loans by working Government Companies. At the end of the year guarantees amounting to Rs.1.88 crore against one Government Company was outstanding. There was one case of default in repayment of guaranteed loans during the year. No guarantee commission was payable to the Government by the Government Companies.

Finalisation of accounts by working Government Companies

8.1.11 The accounts of the companies for every financial year are required to be finalised within six months from the end of relevant financial year under Section 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of financial year.

8.1.12 However, as could be noticed from **Appendix- XXXVII**, none of the three working Government Companies had finalised their accounts for the year 2000-01 within the stipulated period. During the period from October 2000 to September 2001, three working Government Companies finalised their accounts for earlier years.

8.1.13 The accounts of all the three working Companies were in arrears for periods ranging from 4 years to 7 years as on 30 September 2001 as detailed below :-

Table – 8.2

Sl. No	Year from which accounts are in arrear	Number of years for which accounts are in arrears	Number of working Government Companies	Reference to Sl. No. of Appendix-XXXVII
1.	1997-98	4	1	1
2.	1996-97	5	1	3
3.	1994-95	7	1	2

8.1.14 The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the Companies within prescribed period. Though the concerned administrative departments and officials of Government were appraised quarterly by the Audit regarding arrears in finalisation of accounts, no effective measures have been taken by the Government and as a result, the investments made in these Government Companies could not be assessed in audit.

Financial position and working results of working Companies

8.1.15 The summarised financial results of working Government Companies as per latest finalised accounts are given in **Appendix-XXXVII**.

8.1.16 According to latest finalised accounts of 3 working Government Companies, two Companies had incurred an aggregate loss of Rs.0.47 crore and one Company earned profit of Rs.4.91 crore.

Profit earning working Government Company and Dividend

8.1.17 The lone working Government Company which finalised its accounts for 1995-96 (Sl. No.3 of **Appendix-XXXVII**) had earned profit for two or more successive years. However, no dividend has been declared during the year. The State Government has not formulated any dividend policy.

Loss incurring working Government Companies

8.1.18 Of the two loss - incurring working Government Companies, one Company (Sl. No.1 of **Appendix-XXXVII**) had accumulated losses amounting to Rs.3.48 crore which has far exceeded its paid-up capital of Rs.1.43 crore.

8.1.19 Despite poor performance and complete erosion of paid up capital, the State Government continued to provide financial support to this Company. According to available information, the financial support so provided by the State Government to this Company by way of share capital contribution amounted to Rs.17.00 lakh during 2000-01.

Return on capital employed

8.1.20 As per the latest finalised accounts (upto September 2001) the capital employed* worked out to Rs.35.98 crore and total return⌖ thereon amounted to Rs.5.61 crore which is 15.60 **per cent** as compared to total return of Rs.8.64 crore (39.04 **per cent**) in the previous year/ (accounts finalised upto September 2000). The details of capital employed and total return on capital employed in case of working Government Companies are given in **Appendix-XXXVII**.

Non-working Government Companies

Investment in non-working Government companies

8.1.21 As on 31 March 2001, the total investment in two non-working Government Companies was Rs.2.01 crore (equity: Rs.0.42 crore and long term loan: Rs.1.59 crore) as against the same amount of investment in equity and loan in two non-working Government Companies as on 31 March 2000.

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* Capital employed represents net fixed assets (including capital work-in-progress) plus working capital except in case of Arunachal Pradesh Industrial Development and Financial Corporation Limited, where it represents a mean of aggregate of opening and closing balances of paid-up-capital, free reserves and borrowings (including refinance).

⌖ For calculating total return on capital employed, interest on borrowed fund is added to net profit/ substracted from the loss as disclosed in profit and loss account.

8.1.22 The plants of both the non-working Government Companies remained in-operative from December 1986 and July 1987 and all the employees had been retrenched. Although no budgetary support was extended during 2000-01 to the non-working Companies for disbursement of salaries and wages, the proposals of disposal of the Companies (including plant and machinery) were long pending with the Government.

8.1.23 As both the non-working Companies were under liquidation/closure under Section 560 of the Companies Act, 1956 for 6 to 7 years and substantial amount of investment of Rs.2.01 crore was involved in these Companies, effective steps need to be taken for their expeditious liquidation.

Finalisation of accounts of non-working Government companies

8.1.24 The accounts of two non-working Companies were in arrears from period ranging from 16 to 19 years as on 30 September 2001 as could be noticed from **Appendix-XXXVII**.

Financial position and working results of non-working Government companies

8.1.25 One non-working Government Company has not finalised its accounts since inception. The other non-working Company has so far finalised its accounts for one year, summarised financial results of which are as per finalised accounts given in **Appendix - XXXVII**.

8.1.26 The details of paid-up-capital, net worth, cash loss/cash profits and accumulated loss of one non-working PSU as per its only (latest) finalised accounts are given below :-

Table – 8.3

Year	Paid-up capital	Net worth	Cash loss (-)/ Cash profit (+)	Accumulated loss (-)/Profit (+)
	(Rupees in lakh)			
1984-85	13.50	11.95	(-) 0.73	(-) 1.55

Results of audit by Comptroller and Auditor General of India

8.1.27 During the period from October 2000 to September 2001, the audit of accounts of five Government Companies (working three and non-working two) were selected for review. The net impact of the audit observations as a result of review of the Government Companies were as follows :-

Table – 8.4

(Rupees in lakh)

Details		No. of accounts of Government Companies		Amount	
		Working	Non-working	Working	Non-working
i)	Decrease in profit	1	-	47.00	-
ii)	Increase in profit	-	-	-	-
iii)	Increase in loss	1	-	18.52	-
iv)	Decrease in loss	-	-	-	-
v)	Non-disclosure of material facts	1	-	122.77	-
vi)	Errors of classification	-	-	-	-

8.1.28 Some of the major errors and omissions noticed in the course of review of annual accounts of some of the above Companies are mentioned below:-

A. Arunachal Pradesh Industrial Development and Financial Corporation Limited (Accounts for 1996-1997)

8.1.29 The net loss for the year has been understated by Rs.18.52 lakh due to non-provision of penal interest on Government loan.

B. Arunachal Pradesh Forest Corporation Limited (Accounts for 1995-1996)

(i) The net profit for the year has been overstated by Rs.47.00 lakh due to exhibition of earlier year's lease rent as current year's income.

(ii) Sales included value of stocks and stores valuing Rs.86.96 lakh transferred to the lessee. The fact has not been disclosed.

Recommendations for improving performance or closure of Government Companies

8.1.30 Even after completion of five years of its existence, the turnover of one working Government Company, viz., Arunachal Pradesh Industrial Development and Financial Corporation Limited, had been less than Rs.5 crore in each of the preceding five years of latest finalised accounts. The Company also had been incurring losses for five consecutive years (as per latest finalised accounts) leading to negative net worth of Rs. 1.70 crore. In

view of poor turnover and continuous losses, the Government may either improve performance of above Government Company or consider its closure.

Response to Inspection Reports, Draft paras and reviews

8.1.31 Observations noticed during audit and not settled on the spot are communicated to the head of the Companies and concerned departments of State Government through Inspection Reports. The heads of the offices/companies are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Inspection Reports issued upto March 2001 pertaining to 8 Government Companies/Departmental Commercial Undertakings disclosed that 580 paragraphs relating to 112 Inspection Reports remained outstanding at the end of September 2001. Of these, 21 Inspection Reports containing 91 paragraphs had not been replied to for more than 4 (four) years. Department-wise break-up of Inspection Reports and Audit observations outstanding as on 30 September 2001 is given in **Appendix - XL**.

8.1.32 Similarly, draft paragraphs and reviews on the working of the Government Companies and Departmentally managed Commercial Undertakings are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was however observed that seven draft paragraphs (2 paragraphs clubbed under Para 8.2 infra) forwarded to the various departments during March to May, 2001 as detailed in **Appendix - XLI**, had not been replied to so far.

8.1.33 It is recommended that (a) the Government should ensure that procedure exists for action against officials, who failed to send replies to Inspection Reports/Draft paragraphs/reviews as per the prescribed time schedule, (b) action to recover loss/ outstanding advances/ overpayment in time bound schedule and (c) revamping the system of responding to the audit observations.

Position of discussion of Commercial Chapter of Audit Report by the Committee on Public Undertakings/Public Accounts Committee

8.1.34 The reviews/paragraphs of Commercial Chapter of Audit Reports pending discussion as on 31 March 2001 by the Committee on Public Undertakings (COPU) are shown below :-

Table – 8.5

Period of Audit Reports	Total number of Reviews/ Paragraphs appeared in Audit Report		Number of reviews/paragraphs pending discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1987-88	2	2	-	1
1988-89	-	3	-	1
1989-90	-	1	-	1
1990-91	1	1	-	-
1991-92	-	4	-	1
1992-93	1	1	-	-
1993-94	1	3	-	-
1994-95	-	5	-	2
1995-96	-	2	-	1
1996-97	-	5	-	2
1997-98	-	4	-	1
1998-99	1	4	1	4
1999-2000	1	4	1	4

8.1.35 During the year only one recommendation of PAC (37^{th} Report) pertaining to Industries Department relating to the Audit Report 1986-87 has been received.

Departmentally managed Government Commercial and quasi-Commercial undertakings

8.1.36 Though the State Transport Services and the State Trading Scheme (Central Purchase Organisation) of Transport and Supply Directorates are commercial in nature and are functioning as such, they have not been declared as commercial organisations by the Government (September 2001).

8.1.37 Preparation of proforma accounts of the State Transport Services for 2000-01 and of State Trading Scheme for 1999-2000 and 2000-01 was in arrear. The arrear in finalisation of accounts was last brought to the notice of the Government in October 2001.

8.1.38 The financial position, working results and operational performance of the State Transport Services for the three years upto 1999-2000 as per finalised accounts are given in **Appendix-XXXIX**.

8.1.39 During last 3 years upto 1999-2000, the State Transport Services had incurred operating losses varying from Rs.0.74 crore to Rs.2.04 crore and net losses varying from Rs. 10.58 crore to Rs.12.19 crore. As on 31 March 2000, the accumulated loss stood at Rs.81.38 crore which was 97.63 **per cent** of Government Capital of Rs.83.36 crore. As analysed in Audit, the reasons for incurring losses were attributable to high incidence of salaries and wages, poor operation of buses per day (average 89.96 to 99.07 Kilometers) and low occupancy ratio (45.68 to 58.75 **per cent**).

8.1.40 The working results of State Trading scheme for the three years upto 1998-99 as per finalised accounts are summarised below:

Table – 8.6

		1996-97	**1997-98**	**1998-99**
		(Rupees in lakh)		
A.	Income			
(a)	Sales	383.30	337.18	294.52
(b)	Increase(+)/decrease(-) of stock	(-)38.96	(+) 30.47	(+) 0.22
	Total 'A'	344.34	367.65	294.74
B.	Trading Expenses:			
(a)	Purchases	304.96	262.90	314.32
(b)	Packing materials	14.89	14.64	54.62
(c)	Establishment and contingent charges	157.47	195.79	195.84
(d)	Air dropping and godown losses	13.75	11.70	20.76
	Total – B	526.07	485.03	585.54
C.	Trading Profit (+)/ Loss (-) (A-B)	(-) 181.73	(-) 117.38	(-) 290.80
D.	Non-trading expenses – interest on Capital and audit fee (Provisions)	27.87	34.21	24.70
E.	Net profit (+)/Loss (-)	(-) 209.60	(-)151.59	(-) 315.50

8.1.41 With effect from September 1975, the selling price of each commodity was fixed by adding 30 per cent to cost price to cover the overhead charges.

8.1.42 During the three years upto 1998-99, the actual overhead charges, however, worked out to a higher percentage as shown below:

Table – 8.7

		1996-97	**1997-98**	**1998-99**
		(Rupees in lakh)		
1.	Overhead charges (items (b) and (c) of trading expenses)	207.36	210.43	250.46
2.	Cost of Procurement (opening stock plus purchases less closing stock)	343.92	232.43	314.10
3.	Percentage of overhead cost to cost of procurement (Percentage of 1 to 2)	60.29	90.54	79.74

8.1.43 The reasons for higher percentage of overhead charges to cost of procurement was attributable to high incidence of establishment and contingent charges which alone constituted 45.79 per cent, 84.24 per cent and 62.35 per cent of cost of procurement during the three years respectively.

Power (Electricity) Department

8.1.44 The Department has not prepared proforma accounts pending constitution of State Electricity Board. The matter was last taken up with the Chief Secretary in August 2001. Reply of the Government was awaited (October 2001).

8.1.45 The operational performance of the Department for the last three years upto 2000-2001 is given in **Appendix-XLII**.

8.1.46 The Auxiliary Consumption was excessively high ranging from 8.46 to 11.67 percentage to total power generated.

8.1.47 The transmission and distribution (T&D) losses were excessive ranging from 29.07 to 56.12 ***per cent*** to total power available for sale as against the norms of 15.5 per cent fixed by the Central Electricity Authority (CEA). During three years upto 2000-01, the excess T&D loss beyond norm was 139.98 MU or Rs.26.59 crore in financial terms.

8.1.48 During the three years upto 2000-01, the losses per unit sold was Rs.2.47, Rs.4.48 and Rs.6.27 respectively. The total expenditure during the period was Rs. 39.59 crore, Rs.52.49 crore and Rs. 57.82 crore respectively as against revenue of Rs. 14.95 crore, Rs.16.19 crore and Rs. 13.60 crore in respective years. The Department incurred losses amounting to Rs.24.64 crore, Rs.36.30 crore and Rs.44.22 crore during the three years upto 2001 respectively.

SECTION - B PARAGRAPHS
MISCELLANEOUS TOPICS OF INTEREST

TRANSPORT DEPARTMENT

Arunachal Pradesh State Transport Services

8.2 Misappropriation

Laxity in exercising prescribed check and control by the Station Superintendents in maintenance of cash book/subsidiary cash book facilitated misappropriation of Rs.5.73 lakh

8.2.1 All monetary transactions are to be entered in the Cash book as soon as they occur and attested by the Head of Office as token of check. The Cash book should be closed regularly and completely checked by Head of Office who should also verify the totalling of the Cash book or have this done by some responsible subordinate other than the writer of the Cash book and initial it as correct. As per GFR, CGA (Receipt & Payment) Rules and Central Treasury Rules, employment of contingent employees for handling of Cash should not be resorted to. At the end of day's transaction, denomination of Cash Chest should be recorded in the Cash book. Further, at the end of each month, the Head of Office should verify the Cash balance in the Cash Book and record a signed and dated certificate to that effect with proper analysis of Cash balance.

8.2.2 Test check (December 2000) of records of Station Superintendents of Namsai and Roing Stations under Arunachal Pradesh State Transport Services (APSTS) revealed that the Rules were not adhered to and there was laxity on the part of Station Superintendents in exercising these minimum checks. This resulted in misappropriation of Government money as indicated below:-

8.2.3 The responsibility for collection and remittance of traffic revenue as well as maintenance of subsidiary cash book of the station was entrusted by the Station Superintendent to a contingent employee. Audit scrutiny of traffic earning records relating to counter sale and way side collection records (i.e., challans) revealed that the contingent employee collected/received sale proceeds of Rs.95,126 from counter/way side ticket sales on 42 occasions between 25 April 1996 and 05 September 1998, but did not account for the same in the subsidiary cash book maintained by him.

8.2.4 Scrutiny of Cash book of Namsai Station also disclosed that prior to the date of handing over charge on 10 October 1998, the closing balance of cash as on 09 October 1998 was Rs.3,62,073. However, during transfer of charge the outgoing cashier physically handed over only Rs.8,663 to the new cashier who accepted the same. There were no reasons on record for the action of the relieving cashier but Rs.3,53,410 had been misappropriated.

8.2.5 The Station Superintendent, Roing temporarily appointed (June, 1998) a conductor to officiate as booking clerk from 16 June 1998 who did not account for revenues amounting to Rs.1,24,976 collected during the period from 16 June 1998 to 12 March 1999 from sale of tickets. In July 1999, Assistant Station Superintendent lodged an FIR with Roing Police Station for misappropriation of Government money by the officiating booking clerk who was placed under suspension in September, 1999.

8.2.6 The Station Superintendent, ‘Namsai’ in reply (February 2001) stated that the cases were resting with Government for enquiry whereas, in the case of ‘Roing’ no further development has been intimated.

8.2.7 The matters were referred to the Government in January 2001, replies of Government in both the cases are still awaited (December 2001).

SUPPLY DEPARTMENT

8.3 Loss due to unauthorised free distribution of rice

The Government sustained a loss of Rs.7.54 lakh for unauthorised distribution of rice (966.64 quintals) free of cost in excess over approved ceiling of Mengio CPO Centre

8.3.1 The Central Purchase Organisation (CPO) Scheme of the Department operates supply and distribution of essential commodities in interior places of the State on ‘no profit no loss basis’. The functioning of CPO Centre is controlled by the Deputy Commissioner (DC). The Director of Supply and Transport (DST), Naharlagun exercises checks and control over supply and distribution of commodities through accounts and other returns submitted by the respective Centres to the DST.

8.3.2 In August 1995, the State Government approved free distribution of 15 kilogram of rice per family per month for two months a year commencing from 1995-96 to 713 identified poor families under CPO Mengio Centre. Test check (July 2000) of monthly accounts of the Mengio Centre, however, revealed that as against authorised free distribution of rice totalling 427.80 quintals during 1995-96 and 1996-97, the centre allowed total free distribution of 1394.44 quintals during the said period. Thus, rice to the extent of 966.64 quintals valuing Rs.7.54 lakh (at issue rate of Rs.780 per quintal) had been unauthorisedly distributed free of cost in the Centre in excess over the approved ceiling.

8.3.3 On this being pointed out in audit, the DST while admitting the audit observation, stated (May 2001) that the DC, Ziro had been requested to intimate the actual position for fixing responsibility. Further development was awaited (May 2001).

8.3.4 The matter was also brought to the notice of the Government in September 2000; reply had not been received (December 2001).

8.4 Shortage of stock/Misappropriation

Lack of prescribed checks and control rendered misappropriation of 8875 SDM straps costing Rs.13.25 lakh possible in Rowriah Base Depot

8.4.1 Director of Supply and Transport (DST), Government of Arunachal Pradesh issued (January 1979) general guidelines for inspection of centers of Central Purchase Organisation (CPO). As per these guidelines the quarterly physical verification of all stores including ration items, Supply Dropping Equipments (SDEs)[⊗] and Packing Materials (PMs) are to be carried out meticulously by the Board of officials.

8.4.2 Test check (September 2000) of stock account of Rowriah Base Depot revealed that physical verification of stores for the quarter ended 30 September 1998 due on 01 October 1998 was not carried out, reasons for which were not on records. During physical verification of stock conducted belatedly in December 1998, shortage of 8875 new cotton SDM straps with buckles costing Rs.13.25 lakh at the rate of Rs.149.25 each was noticed and the same was subsequently confirmed by the Board in its proceeding (July 1999).

8.4.3 On this irregularity being pointed out in audit, the DST in reply (November 2000) intimated that the store keeper would be directed to deposit the misappropriated amount (Rs.13.25 lakh) to the Treasury within a period of 45 days failing which criminal case against the store keeper would be

[⊗] SDE means parachutes and other allied components such as VD Containers, Percussion head, SDM Set, SDM Spare, Container canvas, Manila Rope, Static Line, LCC Board, Shackle Chain, MK-VII Straps with or without buckles, Skid Board, etc.

registered stating inter alia that the development in the matter would also be reported in due course. In May 2001 the Department stated that the suspended store keeper did not deposit the amount and the criminal case was under registration by Government. No further progress in this regard has, however, been reported (September 2001).

8.4.4 Thus, the lackadaisical attitude on the part of the authority in exercising timely checks/control rendered it possible for the store keeper to misappropriate materials worth Rs.13.25 lakh.

8.4.5 The matter was also reported to Government in September 2000; reply has not been received (December 2001).

POWER DEPARTMENT

8.5 Idle outlay

Injudicious procurement of surplus stores without assessment of actual requirement resulted in idle outlay of Rs.44.52 lakh with consequent locking up of Government fund for over seventeen years

8.5.1 Scrutiny of stock accounts of Seppa Electrical Division in audit (September 2000) revealed that store materials valuing Rs.44.52 lakh procured (April 1984) by the erstwhile composite Bomdila Electrical Division was transferred to Seppa Electrical Division on its creation in March 1997. These materials had been lying idle in store (since inception) without any issue/use. No action was initiated by the Division/Department to transfer the materials to any needy Division. The Division has declared these items as unserviceable and surplus (August 2000). Thus, the procurement of materials without assessing the actual requirement resulted in idle stock with consequent locking up of funds to the extent of Rs.44.52 lakh for over 17 years since April 1984. No investigation was made by the Government to ascertain the reasons for placement of orders for surplus materials.

8.5.2 The matter was reported to the Government in December 2000; further development of the case had not been intimated (December 2001).

8.6 Unfruitful investment and locking up of funds

Locking up of Rs.74.46 lakh on two incomplete works with consequential loss of interest amounting to Rs.29.23 lakh

8.6.1 Public Works Manual provides that before execution of works Technical Sanctions (TS), Administrative Approval (AA) and Expenditure Sanction (ES) are required to be obtained from competent authority. In

November 1997, the Executive Engineer (EE), Electrical Transmission Division, Miao (renamed in August 2000 as Miao Electrical Division) submitted to Government through Superintending Engineer, Miao Electrical Circle, two proposals for construction of (a) 33 KV Express line from Miao to Namsai (42 Kms) at an estimated cost of Rs.144.49 lakh, and (b) 11 KV Distribution line from Namchik Check Post to Miao (25 Kms) at an estimated cost of Rs.66.02 lakh. While the proposal at (a) was returned (March 1998) by the Government as it lacked adequate details of cost and cost assessment, the proposal at (b) was rejected because a 33 KV line was already installed in the vicinity.

8.6.2 It was observed in Audit (October 2000) that without obtaining the required AA, TS and ES, the Division had incurred a total expenditure of Rs.59.77 lakh[♦] between April 1997 and February 1999 on express line works towards procurement of ACSR conductor, steel tubular poles, 11/33 KV connectors, etc. and construction of temporary buildings besides payment of wages. Similarly, a total expenditure of Rs.14.69 lakh[+] was also incurred by the Division between April 1997 and June 1998 for the work of construction of 11 KV line. As regards physical progress of works, only erection of poles in five Kms (out of projected 42 Kms) was completed during February–March 1998 in respect of express line and in respect of 11KV line only 147 poles were erected (as against 300 poles and stringing of conductor as per scope of work) upto March 1998 though the Division continued to resort to incurring of expenditures even thereafter. Therefore, the very purpose of construction of both the lines was defeated rendering the entire expenditure unfruitful. Besides this, the Government had incurred a minimum loss of interest amounting to Rs.29.23 lakh[@] worked out at Government average borrowing (ways and means advances/overdraft) rate of 11.30 to 13 per cent per annum on blocked fund.

8.6.3 In his reply (February 2001), the EE stated that the Division took up execution of works based on “Annual Operating Plan” of the Department in order to prevent lapse of fund.

8.6.4 Thus, execution of work unauthorisedly taken up in order to avoid lapses of fund resulted in locking up of an amount of Rs.74.46 lakh in incomplete works.

8.6.5 The matter was reported to Government in November 2000; their replies had not been received (December 2001).

♦ April 1997 – October 1997	Rs.12.70 lakh	+ April 1997 – October 1997	Rs.3.35 lakh
Nov 1997 – March 1998	Rs.35.42 lakh	Nov 1997 – March 1998	Rs 6.65 lakh
April 1998 – February 1999	Rs.11.65 lakh	April 1998 – February 1999	Rs.4.69 lakh
	Rs. 59.77 lakh		**Rs.14.69 lakh**
@ **Loss of interest**:	Rs.23.63 lakh	@ **Loss of interest**:	Rs.5.60 lakh

8.7 Unauthorised and unfruitful investment

Unauthorised investment made by the Naharlagun Electricity Division in absence of approval of the Government for computerisation of billing of electricity charges etc., rendered the expenditure of Rs.46.00 lakh unfruitful

8.7.1 In order to update the data base relating to electricity billing and revenue realisation at Sub-divisional and Divisional Offices, the Superintending Engineer (SE) AP Electrical Circle No. 1(E), Naharlagun submitted (December 1995) a scheme at an estimated cost of Rs.159.53 lakh for "computerisation of billing system in all sub-divisions and Divisions in AP by acquiring 386 and 486 Personal Computers"(PCs) to the Chief Engineer (Power), Itanagar for obtaining Administrative Approval (AA) and Expenditure Sanction (ES) from the Government.

8.7.2 Test check (August 1999) of records of the Executive Engineer (EE), Naharlagun Electrical Division, Nirjuli revealed that, the EE even before the proposal was submitted for approval of the Government, entered into two agreements in October 1995 and November 1995 with two firms. An agreement was executed with M/s HCL-Hewlett – Packard Limited, Calcutta for study, development and implementation of customised software for computerised billing system with delivery including installation and training programme for Power Department in AP. Another agreement was made with M/s Trade and Technology Private Limited, Dibrugarh, Assam for supply of 15 HC/PCL make computers - 9 for executive works station at 9 Divisional Offices and 6 for counter work station at 6 Sub-divisional offices based on acceptance of tenders at negotiated rates of Rs.7.50 lakh and Rs.31.37 lakh respectively. The EE paid Rs.24.31 lakh to these firms (Rs:7.50 lakh to the first firm in full during February-September 1996 and Rs16.81 lakh to the Second Firm in October 1996 for 14 PCs received in January 1996) besides incurring of further expenditure of Rs.21.69 lakh on various accounts[*] under the scheme even though not approved as yet (September 2001).

8.7.3 The division, however, instead of using the computers for the purpose of billing system, issued all the 14 computers worth Rs.16.81 lakh to 14 officers[✪] of the Power Department between January 1996 and May 1999. Interestingly, there was also nothing on records of the Division as evidence in

[*] (i) Food for 29 trainees : Rs.0.23 lakh in January 1997
(ii) Cost of Fans : Rs.11.92 lakh in March 1997
(iii) Repair/ Maintenance of DG sets : Rs.9.54 lakh in March 1998

[✪] Distribution of 14 Computers: 1 each to EE(E) Pasighat Electrical Circle-II; AE(E) S.L.D.C. Sub-division; Itanagar; AE Naharlagun Electrical Sub-Division, Sagalee; EE(E), Ziro; AE(E), Nirjuli Sub-Division; J.E.A.P. Bhawan, Delhi; EE(E) Naharlagun Division.; 2 each to the SE(E), APEC-I, Naharlagun and the Secretary, Power Department and 3 to the CE, Power Department support of any activity having been carried out with the firm 'A' for which payment of Rs.7.50 lakh was made.

8.7.4 On this being pointed out, the EE in reply (August 1999) while admitting the facts stated that the work appeared in the Annual Operating Plan was taken up in anticipation of AA/ES to avoid lapse of funds adding further that the energy consumption bills of consumers were still being prepared manually. Thus, the entire investment of Rs.46.00 lakh incurred by the EE arbitrarily proved to be unauthorised and unfruitful.

8.7.5 The matter was referred to the Government in October 1999; reply has not been received (December 2001).

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