

CHAPTER VI

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

6. GENERAL

This chapter deals with the results of audit of Government companies and Statutory Corporations. Paragraph 6.1 gives a general view of Government companies and Statutory Corporations and paragraph 6.2 deals with the miscellaneous topics of interest.

6.1 Overview of Government companies and Statutory Corporations

6.1.1 Introduction

Consequent on enactment of Bihar Reorganisation Act, 2000, the Bihar State was bifurcated and Jharkhand State was formed on 15 November 2000. One Government Company viz., Jharkhand Police Housing Corporation Limited and one Statutory Corporation viz. Jharkhand State Electricity Board were incorporated on 13.03.2002 and 20.03.2001 respectively.

The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit, conducted by the Comptroller and Auditor General of India as per provisions of Section 619 (4) of the Companies Act, 1956. The audit of Jharkhand State Electricity Board is conducted by Comptroller and Auditor General of India under Section 69(2) of the State Electricity (Supply Act) 1948.

6.1.2 Working Public Sector Undertakings (PSUs)

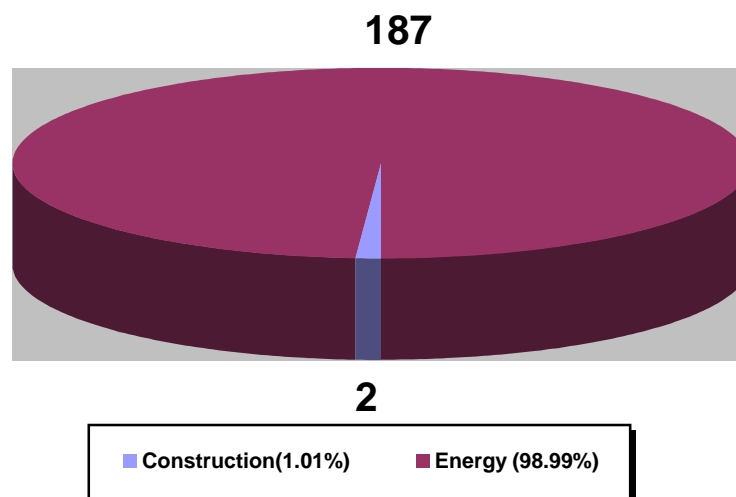
6.1.2.1 Investment in working PSUs

The total investment in two working PSUs (one Government company and one Statutory corporation) at the end of March 2002 was Rs 189 crore consisting of Rs 187 crore of loan and Rs 2 crore of share application money.

An analysis of investment in PSUs is given in the following paragraphs.

The investment (equity and long term loans) in various sectors and percentages thereof at the end of March 2002 are indicated in the following pie chart.

Sector-wise investment in working Government company and statutory corporation as on 31 March 2002



6.1.2.1 (i) Working Government company

Total investment in one working Government company at the end of March 2002 was rupees two crore as share application money.

As on 31 March 2002 the total investment in working Government company comprised 100 per cent in equity capital.

The total investment in one working Statutory corporation i.e. Jharkhand State Electricity Board was not available at the end of March 2002 due to non-apportionment of assets and liabilities between Bihar State Electricity Board and Jharkhand State Electricity Board.

6.1.2.1 (ii) Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to one working Government company and one working Statutory corporation for the year 2001-02 was as follows :-

(Rupees in crore)

	Number	Amount
Equity capital outgo from budget	1	2
Loans given from budget	1	187
Other grants/subsidy	Nil	30
Total outgo	2*	219

6.1.2.1 (iii) Finalisation of accounts by working PSUs

The accounts of the Government companies for every financial year are required to be finalised within six months from the end of relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956, read with Section 19 of Comptroller and Auditor General's (Duties, Powers and Condition of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of financial year. Similarly, in case of Statutory corporation, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

As per Section 210(4) of the Companies Act, 1956, the accounts of a company are to be laid in the first annual general meeting of the company within 18 months from the date of incorporation. The accounts of one Government company viz. Jharkhand Police Housing Corporation Limited was not due for finalisation. The accounts of Statutory corporation viz. Jharkhand State Electricity Board for 2001-02 was in arrear (May 2003).

6.1.3 Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

Committee on Public Undertakings (COPU) of the Jharkhand State was formed on 12 January 2003 comprising four members including Chairman.

The Draft paragraph pertaining to Jharkhand region appeared in the Audit Report (Commercial) upto 2000-01 had not yet been discussed in the COPU of Jharkhand State.

* These are the actual number of companies/corporations which have received budgetary support in form of equity, loans, grants and subsidy from the State Government during respective year.

SECTION B : PARAGRAPH

6.2 Miscellaneous topic of interest Statutory Corporation Jharkhand State Electricity Board

6.2.1 Loss of revenue

The Board allowed Rs 1.05 crore of revenue realisable by way of higher tariff on power supplied for induction furnaces to languish by not reviving the contract and not raising the revised bills for higher amounts.

The capacity of the induction furnace of BMC Metal Cast Ltd., Adityapur, a High Tension specified service user (consumer) was measured by a team of officers of the Board (February 2000) as per procedure and the melting capacity of the furnace was assessed as 610 Kg against 500 Kg declared by the consumer. The consumer was accordingly asked by the Electrical Superintending Engineer, Supply circle, Jamshedpur (February 2000), to execute a fresh agreement for 550 KVA contract demand, against the existing contract demand of 500 KVA chargeable under the new tariff regime for induction furnace (applicable from September 1999). While the consumer failed to come up with a fresh agreement, the Jharkhand State Electricity Board (JSEB) continued to bill the consumers at the unrevised contracted load at a lower rate. Under billing continues (January 2003) and this has already deprived JSEB of the revenue of the order of Rs 40.64 lakh. This brings to the fore not only a serious lapse in the compliance regimen, this also underscores the absence of system safeguards by which omissions of this nature could be detected and reviewed in time to avoid the wholly unwarranted drain on an important revenue source for such a long time while the consumers go on with production without paying for the power used at the prescribed rate. This has the effect of subsidizing a commercial activity without authority, at the expense of the Government. The initiative for a fresh agreement should be taken by the JSEB in all such cases and revised billing should commence from the month following the month of detection, while realisation of arrears and application of penal measures are pursued separately.

In yet another case the capacity of induction furnace of S. G. Multicast, Jamshedpur was found to be 3000 Kg (3 tons) instead of 2500 Kg. (2.5 tons) as declared, during verification of load by the vigilance team of the Board. Accordingly, the consumer was asked (October 1999) by the Electrical Superintending Engineer, Supply circle, Jamshedpur for execution of an agreement for 3 ton (1800 KVA) capacity, but the consumer neither executed fresh agreement nor did the JSEB take any action to revise the billing at 1800 KVA till December 2002 when the consumer reduced the capacity from 1800 KVA to 900 KVA. This reduction was not verified, yet revised bills were

issued for December 2002 at lower rate, while the higher rate, involving differential claim of Rs 64 lakh recoverable for the period April 2001 to December 2002 remained unattended. This indicates that the implementation of the system of revenue recovery of the JSEB favours the commercial consumer while its own claims are either not raised or remain unaddressed.

The matter was reported to the Board/Government (May 2002); their reply has not been received so far (December 2003).

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