CHAPTER VIII : GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

This chapter deals with the results of audit of Government companies and Statutory corporations. Paragraph 8.1 deals with general view of Government companies and Statutory corporations. Paragraph 8.2 contains a review on repair and maintenance of plant and machinery, equipment and transformers including procurement of transformers in Meghalaya State Electricity Board and Paragraphs 8.3 to 8.8 deal with topics of other interest.

8.1 Overview of Government Companies and Statutory Corporations

Introduction

8.1.1 As on 31 March 2002 there were 10 Government companies (all working, including four subsidiaries) and three Statutory corporations (all working) against the same number of working Government companies and working Statutory corporations as on 31 March 2001 under the control of the State Government. 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* provision of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as *per* provisions of Section 619 of the Companies Act, 1956. The audit of the Statutory corporations is conducted under the provisions of the respective Acts as detailed below :

Table 8.1

Serial number	Name of the Corporation	Authority for audit by the CAG	Audit arrangement
1.	Meghalaya State Electricity Board (MeSEB)	Section 69(2) of the Electricity (Supply) Act, 1948	Sole audit by CAG
2.	Meghalaya Transport Corporation (MTC)	Section 32(2) of Road Transport Corporations Act, 1950	Sole audit by CAG
3.	Meghalaya State Warehousing Corporation (MSWC)	Section 31(8) of the State Warehousing Corporations Act, 1962	Chartered Accountants and supplementary audit by CAG

Working Public Sector Undertakings

Investment in Working Public Sector Undertakings

8.1.2 The total investment in 13 Public Sector Undertakings (PSU) (10 Government companies and three Statutory corporations) at the end of March 2001 and March 2002 was as follows:-

Table 8.2

(Rupees in crore)

Year	Number of working PSUs	Investment in working PSUs			
		Equity	Share application money	Loan	Total
2000-2001	13	108.70	20.20	402.22	531.12
2001-2002	13	108.85	32.97	446.60	588.42

8.1.3 The analysis of investment in working PSUs is given in the following paragraphs.

Working Government Companies

8.1.4 Total investment in 10 working companies at the end of March 2001 and March 2002 was as followings:-

Table 8.3

(Rupees in crore)

Year	Number of working companies	Total investment in working companies			
		Equity	Long-term loans	Share application money	Total
2000-2001	10	71.70	30.87	20.20	122.77
2001-2002	10	71.85	36.20	32.97	141.02

8.1.5 The summarised financial results of working Government companies in the form of equity and loan are detailed in Appendix XXVII**.**

8.1.6 Main reason for increase in total investment was induction of equity by the State Government amounting to Rs.12.87 crore in four sectors *viz.* industrial development and financing, handloom and handicrafts, forest, and mining and increase of long term loans by Rs.5.34 crore obtained from other sources by three sectors *viz.* Industrial development and financing, watch assembling, and electronics.

8.1.7 As on 31 March 2002, the total investment of working Government companies comprised 74.33 *per cent* equity capital and 25.67 *per cent* loan as compared to 74.86 *per cent* and 25.14 *per cent* respectively as on 31 March 2001.

Note: Long-term loans mentioned in paragraphs 8.1.2 to 8.1.12 are excluding interest accrued and due on such loans.

Working Statutory Corporations

8.1.8 The total investment in three Statutory corporations at the end of March 2001 and March 2002 was as follows :-

Table 8.4

(Rupees in crore)

Name of Corporation	2000-2001		2001-2002	
	Capital	Loan	Capital	Loan
Meghalaya State Electricity Board (MeSEB)	-	357.98	-	393.38
Meghalaya Transport Corporation (MTC)	34.67	13.37	34.67	17.02
Meghalaya State Warehousing Corporation (MSWC)	2.33	-	2.33	-
Total	**37.00**	**371.35**	**37.00**	**410.40**

8.1.9 The summarised financial statement of Government investment in working Statutory corporations in the form of equity and loan is detailed in Appendix XXVII.

8.1.10 The increase in investment of working Statutory corporations during 2001-2002 (compared to 2000-2001) represented further investment towards loan by the State Government to Meghalaya State Electricity Board (Rs.34.40 crore) and to Meghalaya Transport Corporation (Rs.3.65 crore) and loans obtained by Meghalaya State Electricity Board from other sources (Rs.1 crore).

8.1.11 As on 31 March 2002, the total investment of working Statutory corporations comprised 8.27 *per cent* equity and 91.73 *per cent* of loan as compared to 9.06 *per cent* and 90.94 *per cent* respectively as on 31 March 2001.

8.1.12 Due to significant increase of long term loan of Meghalaya State Electricity Board and Meghalaya Transport Corporation, the debt equity ratio has increased from 10.04:1 in 2000-2001 to 11.09:1 in 2001-2002.

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

8.1.13 The details of budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government to working Government companies and working Statutory corporations are given in Appendices XXVII and XXIX.

8.1.14 The budgetary outgo (in the form of equity capital and loan) and grants/subsidies from the State Government to ten working Government companies and three working Statutory corporations for the three years up to 2001-2002 in the form of equity capital, loans, grants and subsidy is given below:-

Table 8.5

(Rupees in crore)

	1999-2000				**2000-2001**				**2001-2002**			
	Companies		**Corporations**		**Companies**		**Corporations**		**Companies**		**Corporations**	
	No.	**Amount**	**No.**	**Amount**	**No.**	**Amount**	**No.**	**Amount**	**No.**	**Amount**	**No.**	**Amount**
1.Equity	2	0.65	-	-	6	21.00	-	-	4	12.87	-	-
2. Loans	2	0.75	2	15.11	-	-	1	18.44	-	-	2	38.05
3. Grants	2	0.21	-	-	-	-	-	-	2	0.54	1	3.50*
4. Subsidy	1	0.01	2	11.50	2	0.31	2*	13.10*	1	0.01	1	11.00*
Total outgo	**6@**	**1.62**	**2@**	**26.61**	**6@**	**21.31**	**2@**	**31.54**	**6@**	**13.42**	**2@**	**52.55**

8.1.15 During the year 2001-2002, no fresh guarantee has been given by the State Government against loan raised by the PSUs. However, against the guarantees given by the State Government in earlier years, the guarantees outstanding and defaulted in repayment amounted to Rs.153.20 crore against one Government company (Rs.1.52 crore[c]) and one Statutory Corporation (Rs.151.68 crore[d]). Guarantee commission amounting to Rs.6.96 crore was due for payment by the concerned Government Company (Rs.0.02 crore) and the Statutory Corporation (Rs.6.94 crore) to the State Government.

Finalisation of accounts by PSUs

8.1.16 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, Powers and Conditions 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 corporations, their accounts are finalised, audited and presented to the Legislature as *per* the provisions of their respective Acts.

8.1.17 However, as could be noticed from Appendix XXVIII, none of the 10 working Government companies and out of three Statutory corporations one Corporation had finalised its accounts for the year 2001-2002 within the stipulated period.

8.1.18 During the period from October 2001 to September 2002, nine working Government companies finalised 14 accounts for previous years.

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* Represents subsidy against Rural Electrification losses to Meghalaya State Electricity Board and grants to Meghalaya Transport Corporation for operation of buses in uneconomic routes.

@ These are the actual number of Companies/Corporations which have received budgetary support in the form of equity, loans, grants and subsidy from the State Government during respective years.

[c] Meghalaya Mineral Development Corporation Limited.

[d] Meghalaya State Electricity Board.

8.1.19 The accounts of all the 10 working Government companies and two Statutory corporations were in arrears for periods ranging from one year to 14 years as on 30 September 2002 as detailed below:-

Table 8.6

Sl. No.	Number of companies/ corporations		Year from which accounts are in arrears	Number of years for which accounts are in arrears	Reference to Serial No of Appendix-XXVIII	
	Government companies	Statutory corporations			Government companies	Statutory corporations
1.	-	01	2001-2002	01	-	3
2.	04	-	2000-2001	02	1,4,9 & 10	-
3.	01	-	1998-99	04	5	-
4.	02	01	1997-98	05	2 & 3	2
5.	01	-	1996-97	06	7	-
6.	01	-	1994-95	08	6	-
7.	01	-	1988-89	14	8	-

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

Financial position and Working results of working PSUs

8.1.21 The summarised financial results of working PSUs (Government companies and Statutory corporations) as *per* accounts are given in Appendix XXVIII. Besides, statement showing financial position and working results of individual Statutory corporations for the latest three years for which accounts are finalised are given in Appendices XXX and XXXI respectively.

8.1.22 Out of 10 working Government companies and three Statutory corporations, eight companies and two corporations had incurred an aggregate loss of Rs.4.76 crore and Rs.29.37 crore respectively and the remaining two companies and one corporation earned aggregate profit of Rs.4.06 crore and Rs.0.10 crore, respectively.

Working Government companies

Profit earning working companies and dividend

8.1.23 Out of 10 working Government companies none of the companies have finalised their accounts for 2001-2002. Based on accounts finalised for previous years by September 2002, two companies earned an aggregate profit of Rs.4.06 crore and only two companies earned profit for two or more successive years. None of the profit earning working companies has declared dividend during the latest year's finalised accounts. The State Government has not formulated any dividend policy for payment of minimum dividend.

Loss incurring working Government companies

8.1.24 Of the eight loss incurring working Government companies, five Companies (Sl.No. 3,4,5,6 and 9 of Appendix XXVIII) had accumulated losses aggregating Rs.22.04 crore which had far exceeded their aggregate paid up capital of Rs.6.80 crore.

8.1.25 Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support (Rs.0.06 crore) to Meghalaya Handloom and Handicrafts Development Corporation Limited in the form of contribution towards equity, etc.

Working Statutory corporations

Profit earning working Statutory corporations and dividend

8.1.26 Only one Statutory corporation *viz*. Meghalaya State Warehousing Corporation which finalised accounts for 2000-2001 by September 2002 earned profit of Rs.0.10 crore but did not declare any dividend.

Loss incurring working Statutory corporations

8.1.27 The aggregate accumulated loss of two Statutory corporations (Sl. Nos. 1 & 2 of Appendix XXVIII) as *per* their latest finalised accounts was Rs.339.16 crore. During 2001-2002 the State Government had provided financial support aggregating Rs.52.55 crore to these Statutory corporations by way of loan (Rs.38.05 crore), and subsidy/grant (Rs.14.50 crore).

Operational performance of working Statutory corporations

8.1.28 The operational performance of the working Statutory corporations is given in Appendix XXXII. In Meghalaya Transport Corporation average kilometres covered *per* bus *per* day decreased from 179 in 1994-95 to 163 in 1996-97. Further, loss *per* kilometre increased from 588 paise in 1994-95 to 1092 paise in 1996-97.

Return on Capital Employed

8.1.29 According to financial statements for the latest accounting year as of September 2002, the capital employed[a] worked out to Rs.60.85 crore in 10 working companies and total return[b] thereon was Rs.1.86 crore which is 3.05 *per cent* as compared to negative return of (-) Rs.0.58 crore in the previous

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

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

year (accounts finalised up to September 2001). Similarly, the capital employed and total return thereon in case of working Statutory corporations as *per* the latest finalised accounts (up to September 2002) worked out to Rs.386.19 crore and Rs.15.99 crore (4.14 *per cent*), respectively against the total return of Rs.23.86 crore (6.08 *per cent*) respectively in previous year (accounts finalised up to September 2001). The details of capital employed and total return on capital employed in case of working Government companies and corporations are given in Appendix XXVIII.

Status of placement of Separate Audit Reports of Statutory Corporations in Legislature

8.1.30 All the Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the Comptroller and Auditor General of India have been placed in the Legislature by the Government.

Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

8.1.31 None of the Public Sector Undertakings (PSU) shares has been disinvested nor has any PSU been privatised, restructured, merged or closed.

Results of audit by Comptroller and Auditor General of India

8.1.32 During the period from October 2001 to September 2002, the accounts of five working companies and three corporations were selected for review. The net impact of audit observations as a result of review of PSUs was as follows:-

Table 8.7

Details	Number of accounts		Rupees in lakh	
	Government companies	Statutory corporation	Government companies	Statutory corporation
i) Decrease in profit	1	-	8.81	-
ii) Increase in profit	1	-	3.19	-

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

Errors and omissions noticed in case of Government companies

Mawmluh-Cherra Cements Limited (Accounts for 1999-2000)

8.1.34 (i) Current year's profit has been overstated by Rs.8.81 lakh due to non-provision of demand charges and transformer maintenance charges by MeSEB.

(ii) Net profit has been understated by Rs.3.19 lakh due to exhibition of capital expenditure (towards modernisation of Plant) as revenue.

(iii) Accumulated profit (Rs.7.51 crore) has been understated by Rs.0.53 crore due to non-provision of income-tax.

Errors and omissions noticed in case of Statutory corporations

(A) Meghalaya State Electricity Board (Accounts for 2000-2001)

8.1.35 The net loss for the year (Rs.20.13 crore) has been understated by Rs.2.53 crore due to short provision of interest liability on GPF (Rs.0.07 crore) and non-provision of (a) obsolete stock (Rs.0.20 crore) and (b) doubtful dues against outstanding energy bills (Rs.2.26 crore).

8.1.36 Capital works-in-progress (Rs.44.80 crore) has been understated by Rs.1.43 crore being value of materials issued to different works Divisions by Material Management Division during 1993-94 to 1999-2000 but not adjusted in works.

8.1.37 Inter Unit transfer (Rs.22.71 crore) under sundry receivables exhibited in accounts represents value of materials transferred from one unit to another but awaiting transfer to their proper heads of account for over 10 years. Due to abnormal delay in adjustment of the amounts to their final heads of accounts, cumulative loss/deficit, fixed assets, work-in-progress remained understated.

(B) Meghalaya Transport Corporation (Accounts for 1996-97)

8.1.38 Provision (Rs.9.75 crore) includes Rs.8.98 crore being Depreciation Renewal Reserve. In terms of Section 29 of Road Transport Corporation Act, 1950, the Corporation is required to deposit the fund under specific investment. No investment of fund has, however, been made. The statutory provision in this respect has not been complied with nor had the fact been disclosed.

Audit assessment of the working results of Meghalaya State Electricity Board

8.1.39 Based on the audit assessment of the working results of MeSEB for the three years up to 2000-2001[(a)] and taking into consideration the major irregularities and omissions pointed out in the SARs on the annual accounts of the MeSEB and not taking into account the subsidy/subventions receivable from the State Government, the net surplus/deficit and the percentage of return on capital employed of the MeSEB would be as given below :-

[(a)] SAR for 2001-2002 under process of finalisation.

Table 8.8

(Rupees in crore)

Serial number	Particulars	1998-99	1999-2000	2000-2001
1.	Net Surplus/(-)deficit as *per* books of accounts	(-) 23.29	(-) 20.65	(-) 20.13
2.	Subsidy from the State Government	9.50	9.30	10.25
3.	Net Surplus/(-)deficit before subsidy from the State Government(1-2)	(-) 32.79	(-) 29.95	(-) 30.38
4.	Net increase/decrease in net surplus/ (-)deficit on account of audit comments on the annual accounts of the MeSEB	(-) 2.95	(-) 3.98	(-) 2.53
5.	Net Surplus/(-)deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-) 35.74	(-) 33.93	(-) 32.91
6.	Total return on capital employed	5.86	6.34	12.56
7.	Percentage of total return on capital employed	1.72	1.79	3.52

Persistent irregularities and system deficiencies in financial matters of PSUs

8.1.40 The following persistent irregularities and system deficiencies in the financial matters of the two Statutory corporations had been repeatedly pointed out during the course of audit of their accounts but no corrective action has been taken by the PSUs so far.

(a) Meghalaya State Electricity Board

(i) Age wise analysis of receivables has not been made.

(ii) Subsidy Registers for Purchases, Advances etc. remained unreconciled with the Financial Books.

(iii) Stores Ledger remains incomplete and not reconciled with the Financial Ledger. Most of the stock holding units have not maintained Priced Stores Ledger.

(iv) Assets were not physically verified.

(b) Meghalaya Transport Corporation

(i) The details of opening balance, consumption and closing balances in respect of Stores, tyres and tubes were not furnished. The manner in which the value of above stocks and consumption were assessed has not been furnished to audit.

(ii) The opening and closing balances of stationery and forms and tickets were not assessed and accounted for.

(iii) Party wise ledger for Sundry Creditors has not been maintained.

(iv) Fixed assets have not been physically verified by the Corporation.

Recommendations for closure of PSUs

8.1.41 Even after completion of 16 to 20 years of their existence, the turnover of eight working companies and one working statutory corporation has been less than Rs.5 crore in each of the preceding five years of latest finalised accounts. Similarly six working companies had been incurring losses for five consecutive years (as *per* latest finalised accounts) leading to net negative net worth. In view of poor turnover and continuous losses, the Government may either improve performance of above six Government companies or consider their closure.

Response to Inspection Reports, Draft Paragraphs and Reviews

8.1.42 Audit observations noticed during audit and not settled on the spot are communicated to the head of PSUs and concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Inspection Reports issued up to March 2002 pertaining to 13 PSUs disclosed that 563 paragraphs relating to 161 Inspection reports remained outstanding up to July 2002. Of these, 34 Inspection reports containing 97 paragraphs had not been replied for more than 10 to five years. Department-wise break-up of Inspection reports and Audit observations outstanding as on 30 September 2002 is given in Appendix XXXIII.

8.1.43 Similarly, draft paragraphs and reviews on the working of the Government Companies and Statutory Corporations 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. Out of six draft paragraphs and one review forwarded to the various departments during April 2002 to June 2002, replies to five draft paragraphs and one review, as detailed in Appendix XXXIV, have not been received.

8.1.44 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 discussions of Commercial Chapters of Audit Reports by the Committee on Public Undertakings (COPU)

8.1.45 The status of discussion of reviews/paragraphs of Commercial chapter of Audit Reports pending discussion by COPU as on September 2002 are shown below:-

Table 8.9

Period of Audit Report	Total number of reviews and paragraphs appeared in Audit Report		Number of reviews and paragraphs pending discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1984-85	3	3	1	1
1985-86	1	3	-	3
1986-87	1	3	1	2
1987-88	1	4	1	3
1988-89	1	4	-	3
1989-90	1	4	-	3
1990-91	2	4	2	3
1991-92	1	4	1	3
1992-93	1	4	1	4
1993-94	1	4	-	4
1994-95	2	4	2	4
1995-96	1	4	1	4
1996-97	1	4	1	4
1997-98	1	4	1	4
1998-99	1	2	1	2
1999-2000	2	7	2	7
2000-2001	2	4	2	4

8.1.46 Between July 1985 and April 1997, the COPU had presented 12 Reports (including three Action Taken Reports) before the State Legislature.

619-B Companies

8.1.47 There was one company covered under section 619-B of the Companies Act, 1956. The table given below indicates the details of paid-up capital and working results of the company based on the latest available accounts.

Table 8.10

(Rupees in crore)

Name of Company	Year of accounts	Paid up Capital	Investment by			Profit (+)/ Loss (-)	Accumu-lated Profit (+)/ Loss (-)
			State Govern-ment	Govern-ment Compa-nies	Others		
Meghalaya Phyto Chemicals Limited	1984[(a)]	0.75	…	0.54	0.21	(-) 0.66	(-) 2.20

[(a)] Calendar year

SECTION 'A' : REVIEW

POWER DEPARTMENT

MEGHALAYA STATE ELECTRICITY BOARD

8.2 Repair and maintenance of plant and machinery, equipment and transformers including procurement of transformers in Meghalaya State Electricity Board

Highlights

Abnormal increase in expenditure on repairs and maintenance during 1997-98 and 1999-2000 due to adjustment of prior period expenditure is attributable to lack of co-ordination between Accounts and Technical Departments of the Board thereby distorting the true picture of financial affairs of the Board.

(Paragraphs 8.2.5 to 8.2.8)

Against 'planned outage', no norm was fixed by the Board. Due to frequent breakdown of "Runner" of two units of Stage III Power Station, there was a generation loss of 101.30 million units of power with consequential revenue loss of Rs.9.85 crore against total 'forced outage' of 388 days, besides further generation loss of 125.5 million units and revenue loss of Rs.18.65 crore against forced outage of 5 Power Stations.

(Paragraphs 8.2.11 & 8.2.12)

Delay in delivery of 134 transformers by the suppliers and receipt of another 46 transformers in defective condition adversely affected distribution of power leading to loss of revenue of Rs.2.75 crore.

(Paragraphs 8.2.15 & 8.2.16)

As a result of imbalancing of load, 1330 transformers were received in the workshop for repair during 1997-98 to 2001-2002 involving avoidable expenditure of Rs.1.31 crore.

(Paragraph 8.2.19)

Due to repairing of transformers in the workshop below the target of 360, the trend of average cost of repairs inclusive of establishment overhead was on the increase from year to year. Moreover, 110 transformers had

to be repaired twice within a very short period ranging between one and 19 months mainly due to poor workmanship of the workshop resulting in avoidable loss of Rs.16.70 lakh.

(Paragraph 8.2.20)

Due to delay in completion of overhauling work of four units of Umtru Power Project, the Board incurred a revenue loss of Rs.0.52 crore.

(Paragraph 8.2.30)

Due to wastage of water from the Kyrdemkulai reservoir, the Board suffered an avoidable loss of Rs.31.97 crore during five years till March 2001.

(Paragraph 8.2.33)

Introduction

8.2.1 Power generated by Meghalaya State Electricity Board (MeSEB) in five hydel projects[(a)] with installed capacity of 185.20 MW is transmitted through eight grid sub-stations and distributed through ten distribution divisions. Total investment on plant and machinery and equipment in power system of the Board had increased from Rs.218.04 crore in 1996-97 to Rs.282.87 crore in 2000-2001. Huge investment has been made in these assets and for their satisfactory performance for optimum generation, uninterrupted power supply and to maximise revenue, it is imperative that their maintenance is properly scheduled and carried out in the most effective manner.

Organisational set up

8.2.2 Maintenance and upkeep of the Power generation stations, Sub-stations and other distribution outlets is carried out through the staff and officers under control of Chief Engineer (Generation) and Chief Engineer (Distribution) respectively. The capital maintenance of the damaged equipment like transformers is under the control of Superintending Engineer (Generation) and disposal of obsolete equipment is under the control of Additional Chief Engineer (Material Management).

Scope of audit

8.2.3 The topic on repair and maintenance of machineries and equipment of MeSEB was last reviewed and mentioned in Paragraph 8.8 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1991 –

(a)
(i) Umtru Hydro Electric Project (4 x 2.8 MW)
(ii) Umiam Stage I Project (4 x 9 MW)
(iii) Umiam Stage II Project (2 x 9 MW)
(iv) Umiam Stage III Project (2 x 30 MW)
(v) Umiam Stage IV Project (2 x 30 MW)

Government of Meghalaya. The Review has not been taken up for discussion by COPU.

8.2.4 The records relating to repairs and maintenance of plant and machinery, equipment and transformers including procurement of transformers for five years from 1996-97 to 2000-2001, as maintained in Board's Head Office, Shillong, five generation divisions (two at Sumer, one at Byrnihat and two at Kyrdemkulai) and two Transformer Maintenance and Repairing Sub-divisions at Sumer were test checked during February - April 2002. The points noticed in the course of audit are discussed in succeeding paragraphs.

Expenditure on repairs and maintenance

8.2.5 The expenditure on repair and maintenance of plant and machinery, hydraulic work and on lines and cables for last five years up to 2000-2001 was as under:

Table 8.11

(Rupees in lakh)

Year	Plant and machinery	Hydraulic work	Lines and Cables (inclusive of transformers)	Total
1996-97	216.49	18.51	299.41	534.41
1997-98	133.19	42.41	910.45	1086.05
1998-99	121.70	21.93	411.23	554.86
1999-2000	227.56	19.38	528.31	775.25
2000-2001	139.30	17.30	548.21	704.81
Total	**838.24**	**119.53**	**2697.61**	**3655.38**

8.2.6 From the above table it may be seen that in 1997-98 expenditure on account of hydraulic works and lines and cables increased substantially compared to its previous year.

Table 8.12

(Rupees in lakh)

Year	Cash expenditure	Adjustment of expenditure of earlier years	Total
1997-98	88.16	822.29	910.45
1996-97	77.54	221.87	299.41
Increase	**10.62**	**600.42**	**611.04**

8.2.7 It may be seen that during 1997-98 cash expenditure increased by Rs.10.62 lakh while adjustment of expenditure (Rs.6 crore) against earlier years contributed extensively towards increase of total expenditure (Rs.6.11 crore) under this head. Similarly in the year 1999-2000 total increase of expenditure under lines and cable amounted to Rs.1.17 crore compared to the previous year while increase in cash expenditure was only Rs.34.46 lakh. The increase in adjustment related expenditure of earlier years amounted to Rs.0.83 crore.

8.2.8 Thus, practice of prior period adjustments of such a huge magnitude is attributable to non-confirmation/delay in timely confirmation by the user divisions/departments to the transfer debits raised by the despatching divisions/departments.

Maintenance of Plant and machinery of Power Stations including station auxiliaries

8.2.9 The Board had not fixed any norm for planned outage including maintenance of turbine generating sets (TG sets) of the power stations. An analysis of year-wise outages during the period from 1996-97 to 2000-2001 revealed the following:-

Table 8.13

Year	Available hours for generation (in lakh)	Outage (Shutdown)		
		Planned	Forced	Total
		(in lakh hours)		
1996-97	1.23	0.01	0.03	0.04
1997-98	1.23	0.02	0.09	0.11
1998-99	1.23	0.09	0.03	0.12
1999-00	1.23	0.005	0.01	0.015
2000-01	1.23	0.01	0.02	0.03
Total	**6.15**	**0.135**	**0.18**	**0.315**
Percentage of actual outages to available generation hours		2.20	2.93	5.12

8.2.10 In the absence of norms fixed for periodical maintenance of generating units, the basis for planned outage of 0.135 lakh hours reckoning 2.20 *per cent* of available generation hours during the period from 1996-97 to 2000-2001 could not be verified in audit, nor was its justification explained to audit by the Board.

8.2.11 Mention was made in Paragraph 8.8.5.1(ii) of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1991 regarding generation loss (142.24 million units) with consequential revenue loss of Rs.7.11 crore attributable to outages for 600 days up to May 1989 due to frequent troubles of the Runner despite its substitution by a spare Runner at a cost of Rs.44.79 lakh (1985). Further scrutiny revealed that the runners of 2 units (Unit I and Unit II) of Umiam Stage III Power station, supplied by BHEL and commissioned in 1979 continued to give frequent troubles even thereafter. During the period between May 1989 and May 1999 repair work was carried out by outside agencies as well as by the Board's workshop seventeen times at a total expenditure of Rs.41.19 lakh. The outage for 388 days due to troubles in runners and repair thereof had also resulted in further generation loss of 101.30 million units of power with potential loss of revenue Rs.9.85 crore (Appendix XXXV). No records could be shown to Audit to suggest that the Board had ever investigated the root cause of such chronic troubles nor took up the matter with BHEL to find a permanent solution.

8.2.12 Besides the above, in all the five power stations, loss due to forced outage during the period from 1996-97 to 2000-2001 was to the tune of 125.5 million units with potential loss of revenue to the extent of Rs.18.65 crore (Appendix XXXVI). The forced outage occurred due to various reasons amongst which leakage of water, oil or air in different parts of the TG sets, shaft seal leakage, heavy vibration of the turbine set, line fault, shut-down of pen stock etc., were noticed as frequent. It was observed in audit that these recurring troubles had occurred due to lack of routine maintenance of the TG sets and it's accessories.

Transformers

8.2.13 Transformer is a static equipment used for stepping up or stepping down voltage in transmission and distribution of electricity. Power is usually generated at a very low voltage (11 KV to 15.75 KV) and is then stepped up (132 KV to 220 KV and 400 KV) through power transformers for transmission to the load centres. At the receiving sub-stations, the voltage is brought down by using step down transformer for supplying to the various consumers. The transformers used at the generating station and in the high voltage sub-stations (known as transmission system) are called power transformers, while transformers used in distribution system are called distribution transformers. Power is distributed to the consumers through transmission and distribution lines having voltage ranging from 440 volts to 132 KV.

Procurement of transformers

8.2.14 Annual requirement of distribution transformers mainly for replacement are assessed by the Chief Engineer (Generation and Transmission) on the basis of indents placed by the Divisions. Purchase of transformers is done by the Additional Chief Engineer (Material Management) as *per* recommendation of the purchase committee and approved by the Board. Annual requirement, placement of purchase order, *vis-a-vis*, annual receipt of the same for the period from 1996-97 to 2001-2002 are detailed below :

Table 8.14

Particulars	1996-97	1997-98	1998-99	1999-2000	2000-2001	2001-2002	Total
Requirement	234	252	113	481	410	541	2,031
Purchase order placed	223	239	112	477	408	540	1,999
Received	233 (including past demand)	239	13	477	369	462	1,793
Distribution	Not available	246	119	392	400	551	1,708

8.2.15 Out of receipt of 1,793 transformers, 46 numbers were received in defective condition. Rectification and repair of the defects though done by the suppliers at their cost, the Board could not productively use the assets due to non-performance of those repaired transformers. As a result, the Board could not transmit 6.69 million units valued at Rs.0.87 crore.

8.2.16 Further, during the period between April 1996 and March 2001, four suppliers had made delay in delivery of transformers in 97 cases out of 167 purchase orders placed with them. Test check of 14 cases of such purchase orders revealed that due to delay ranging from 10 to 187 days in receiving delivery of 134 transformers, the Board had to suffer loss of revenue of Rs.1.88 crore (Appendix XXXVII) even after recovering meagre amount of penalty of Rs.2.66 lakh. Delays were attributed by the suppliers to Management's failure in maintaining timely payments to them.

Performance, repair and maintenance of transformers

8.2.17 According to Schedule-VII of the Electricity Supply Act, 1948, the normal life of transformers having capacity of 100 KVA and above is considered as 35 years, whereas for others it is 25 years. The Board, however, did not maintain even the history card for each transformer detailing therein the name of the supplier, date of purchase, capacity of voltage rate, date of issue, date of installation, date of energisation period, normal life of the transformer, etc. In absence of maintenance of the history card, total number of transformers in service at the beginning of each year, failure of transformers within the guaranteed period and beyond the guaranteed period in each year, average working life of a transformer during the period from 1996-97 to 2001-2002 could not be verified in audit. Although the Board had laid down a maintenance schedule for the transformers (regarding inspection frequency, items to be inspected, inspection notes and action required on inspection findings) the maintenance schedule was not followed in practice. Out of ten distribution divisions, records of six divisions were test checked. Total position of those divisions regarding transformers in service at the beginning of each year, receipt of transformers in each year, failure within the guaranteed period (18 months from the date of supply or 12 months from the date of energising, whichever is earlier) as well as beyond the guaranteed period during the period from 1996-97 and 2000-2001 are detailed below:-

Table 8.15

	1996-97	**1997-98**	**1998-99**	**1999-2000**	**2000-2001**
Transformers in service at the beginning of the year	1,416	1,374	1,369	1,270	1,299
Received during the year	95	111	75	179	226
Total	**1,511**	**1,485**	**1,444**	**1,449**	**1,525**
Transformers failed within the guaranteed period	1	1	2	3	1
	1,510	**1,484**	**1,442**	**1,446**	**1,524**
Failed beyond guaranteed period	136	115	172	147	132
In service at the end of the year	1,374	1,369	1,270	1,299	1,392
Percentage of failure of transformers (beyond guarantee) on number of the same in service at the close of the year	9.90	8.40	13.54	11.32	9.48

8.2.18 From the above it is observed that during the period from 1996-97 to 2000-2001 annual failure of transformers (beyond guaranteed period) ranged between 115 and 172. Failures of the transformers were attributed by the Board to imbalancing of load, i.e., transformers were either over loaded or under loaded as seen from comparison between connected load and load capacity of the transformers (Appendix XXXVIII) and poor workmanship of the repairing workshop of the Board.

8.2.19 As a result of imbalancing of load, 1,330 transformers were received in the workshop for repair during the period from 1997-98 to 2001-2002, out of which 862 transformers were repaired during the said period at a cost of Rs.1.31 crore (Appendix XXXIX). No instructions have been issued to control the transmission load within the permissible limit to avoid recurrence of such imbalancing of load.

8.2.20 Further, out of total receipt of 1,330 transformers, 110 transformers had to be repaired twice as these had failed within seven days from their dates of re-commissioning and between one and nineteen months from their first repair. The user divisions cited poor workmanship of the workshop as the reason behind premature failure of the transformers. Thus, due to improper repair of 110 transformers, the Board had incurred avoidable loss of Rs.16.70 lakh[(a)]. The Management stated that workshop was not fully equipped except in case of petty damages and the Executive Engineer of the work centre division was asked (September 1997) to investigate the cause of the frequent failure of repaired transformers, however, no follow up action was noticed in this regard.

Work-Centre

8.2.21 The repair of damaged transformers is carried out mainly by the departmental workshop also called as "Work-Centre". Monthly target for repair of transformers in the departmental Workshop as laid down by the competent authority was 30 transformers, i.e., 360 was the annual target. During the last five years since 1997-98 transformers received and repaired, cost of repair as well as establishment cost are detailed in the table shown in Appendix XXXIX.

8.2.22 Audit observations on the work-centre's performance are:

(A) Actual less than the target:

8.2.23 Except in 1999-2000, number of transformers actually repaired in each year were much less than those of year's receipt and far below the annual target of 360. On this being pointed out, the Management attributed the

[(a)] Average cost of repair being (Rs.130.90 lakh ÷ 862) x 110 i.e. Rs.0.15186 lakh x 110 or Rs.16.70 lakh.

shortfall in achievement to complex nature of job. The reply is not tenable as the Management had laid down the target after taking into consideration of such constraints which were already in their knowledge.

8.2.24 Average cost of repair *per* transformer inclusive of establishment cost had progressively increased since 1997-98 though cost *per* unit (excluding establishment cost) was static for the first three years, and had decreased slightly during 2000-2001 and 2001-2002. Thus during last five years, repairing cost of transformers increased due to repair of fewer numbers of transformers leading to ever increasing trend in overhead expenditure on establishment.

(B) Delay in repairing transformers:

8.2.25 During the period between January 1997 and June 2001 the workshop received 57 transformers with capacity varying between 10 KVA to 2,500 KVA from different divisions for repair. All these transformers have been lying unattended to. The Management attributed the failure of the Workshop having not been fully equipped except for cases of repair for petty damage.

Shortage of material

8.2.26 Out of 57 transformers, received in February 1998, only two oil tanks had been lying at the workshop. No investigation was conducted regarding these missing transformers nor was their loss value assessed.

Modernisation of plant and machinery

8.2.27 The hydro electric projects of MeSEB were commissioned as follows:-

1. Umtru Hydro Electric Project in 1957
2. Umiam Stage I Hydro Electric Project in 1965
3. Umiam Stage II Hydro Electric Project in 1970
4. Umiam Stage III Hydro Electric Project in 1979
5. Umiam Stage IV Hydro electric Project in 1992

8.2.28 The service life of the hydraulic turbine/generator greatly differs from equipment to equipment depending on the operating condition, maintenance condition and design condition, but on an average it is to be 25 to 30 years. As in March 2002, Turbine Generation (TG) sets of (i) Umtru Hydro Electric Project (four units more than 44 years old), (ii) Umiam Stage I Project (four units more than 36 years old) and (iii) Umiam Stage II Project (two units more than 31 years old) had outlived their normal life of working and (iv) two TG sets in the case of Stage-III Project were also on the verge of crossing their working life. During the period from 1996-97 to 2000-2001, the plant load factor (Plant's efficiency) of the three Power Stations (Stage-I, Stage-II and

Stage-III) had ranged between 24.84 and 41.67 only against the plant load factor ranging between 56.74 and 73.36 in the case of Umtru Hydro Electric Project in which case the four units of TG Sets were thoroughly overhauled during September 1996 to July 2000. Thus, not planning for preventive maintenance/overhaul (including renovation/modernisation) in time resulted in decrease in power generation and increase in maintenance cost.

Overhauling of Umtru Hydro Electric Project

8.2.29 Unit-wise major overhauling of the project (four Units) was taken up by the Board in September 1996 and completed in July 2000 through 11 contractors. Unit-wise date of commencement, target date *vis-a-vis* actual date of completion, expenditure, delay in commissioning and loss of generation with consequential revenue loss are detailed in Appendix XL. In the case of each unit there was delay in completion of the overhauling work and commissioning of the unit. This resulted in loss of generation of power, as each of the four units of Umtru Power Station had failed to achieve the monthly target as laid down by Central Electricity Authority (CEA). Delay in completion and commissioning of the unit was attributable to some problems like thrust bearing, excessive vibration of the TG sets and failure of stator air cooler that cropped up even after overhauling, which were, however, rectified by the contractors at their own cost as *per* terms of letter of intent. The delay in commissioning of the unit was also attributed to delay in shut down of the unit and lack of co-ordination among the different executing agencies.

8.2.30 Thus, due to delay in completion of work, the Board had to forego the potential revenue to the extent of Rs.0.52 crore (Appendix XL).

Assets not in use

(i) Loss due to delay in disposal of assets

8.2.31 Some assets not in use having written down value of Rs.20.68 lakh as *per* accounts of 2000-2001 have been lying in different field areas since 1995-96. As *per* recommendation (January 2001) of the Condemnation Committee, tender was invited for disposal of some of the above stated assets valued at Rs.10.09 lakh (reserve price of the Board). Following approval (July 2001) of the Board, a local private firm out of three was invited in August 2001 to take disposal of the same at a value of Rs.4.80 lakh being the highest offer. Due to delay in disposing the assets the Board lost the opportunity of higher cash flow.

(ii) Non disposal of the damaged transformers

8.2.32 Chairman, MeSEB had constituted a committee in June 2000 with one Superintending Engineer and two Executive Engineers and directed them to assess the value of the damaged transformers lying since long at Um-Sumer and Sumer. The committee submitted it's report in July 2001 assessing that 34 transformers valued at Rs.1 lakh and 130 transformers valued at Rs.3.34 lakh had been lying at Um-Sumer and Sumer respectively. The transformers were so old that computation of value of each had to be done taking into consideration of their metallic weight (in Kg) of mild steel and aluminium contents in each. However, the transformers were not disposed of till date, while the Management should have initiated steps for disposal long ago.

Avoidable loss of generation of power due to wastage of water

8.2.33 Kyrdemkulai reservoir is the main source of supply of water for generation of power at Umiam Stage III (2 x 30 MW) and Umiam Stage IV (2 x 30 MW) power stations. This reservoir is inter-connected to the Nongmahir reservoir through a link tunnel. Stage III & Stage IV power stations get water directly from Nongmahir reservoir. The trash-rack at the intake of the link tunnel had been choked heavily due to huge quantity of debris coming therein from the upstream catchment and is required to be cleaned daily as a continuous process throughout the year as *per* standing recommendation of the Superintending Engineer (Investigation & Design) of MeSEB. But irregular and intermittent cleaning of trash-rack had resulted in reduction of discharge of water drastically into Nongmahir reservoir from the link tunnel, while excess water of Kyrdemkulai reservoir had to be released a number of times during last five years by opening the radial gates. Due to wastage of water generation of power was less with lower PLF, leading to potential loss of revenue of Rs.31.97 crore during 1996-97 to 2000-2001 (Appendix XLI).

Conclusion

8.2.34 To sum up, there was failure on the part of the Board to ensure regular/routine maintenance of the TG sets of the power stations as well as the transformers in service in the field. In the case of TG sets, Board did not prepare any schedule so far stipulating norms for the routine maintenance purpose and in the case of transformers, they did not implement the scheduled norms in practice. As a result, forced outage was the regular feature of the TG sets resulting in loss of generation and consequential loss of revenue. Again, due to frequent failure of the transformers, uninterrupted power supply could not be ensured. Board needs to formulate guidelines/issue instructions to ensure optimum utilisation of these productive assets and reduce the frequency of outages.

8.2.35 The above matters were reported to Government in June 2002; replies have not been received (November 2002).

SECTION 'B' : PARAGRAHPS

INDUSTRIES DEPARTMENT

MAWMLUH-CHERRA CEMENTS LIMITED

8.3 Unfruitful expenditure

Unfruitful expenditure of Rs.27.27 lakh on consultancy services undertaken by one consultant (HCPL) due to non-performance of executing contractors (CIL/SCL) in respect of modernisation and expansion of Cement Plant.

8.3.1 The Mawmluh-Cherra Cements Limited (MCCL) is having three units of wet process Kiln in its factory for production of clinker to be further processed to get final product of cement.

8.3.2 Test check (February 2002) of records of the MCCL revealed that the Company received an offer (August 1999) from M/S Cement India Limited (CIL), (a private manufacturer), Dibrugarh for conversion of its Kiln-3 from wet process to semi-dry process with a view to increasing its production capacity from 340 tonnes *per* day (tpd) to 1,000 tpd under 'Modernisation and Expansion Scheme of MCCL's Cement Plant'. The management appointed (November 1999) M/S HOLTEC Consulting Private Limited (HCPL) of Delhi (selected from the list of Cement Manufacturer's Association) for preparation of a feasibility report at a lump sum fee of Rs.2 lakh (besides reimbursement of actual expenses, without any ceiling, on travelling, lodging and other related costs) for appraisal and evaluation of CIL's proposal to safeguard the interests of the Company. In the feasibility report the consultants had recommended appointment of a reputed consultant for basic engineering and overall supervision of project execution.

8.3.3 The Board on the recommendations of a sub-committee, without inviting competitive offers, appointed (June 2000) M/S HCPL as consultant for basic engineering and overall supervision of Agreement with CIL/SCL at a fee of Rs.45 lakh (besides reimbursement of actual expenses, without any limit, on travelling, lodging and other related costs). The Company entered into two agreements on 22 December 2000 *viz.* Main agreement and Execution agreement. The 'Main Agreement' was executed with CIL/Saurastra Cements Limited (SCL) to provide its expertise for upgrading the existing plant capacity for a period of 15 years together with market responsibility for extra production after such expansion and to provide to the owner assured returns. The 'Execution Agreement' was entered into with SCL for engineering supply, erection and commissioning activities of Kiln 3 to be completed within 24 months from the date of signing of the agreement. Subsequently Management terminated (30th July 2001) Main Agreement/Execution Agreement with CIL/SCL as they failed to satisfy the primary condition of furnishing security, guarantee, etc. CIL/SCL obtained stay order in September 2001 against termination of the contract. Matter is still pending before the High Court.

8.3.4 The Company (MCCL) till January 2002 paid to M/S HCPL an amount of Rs.27.27 lakh towards consultancy fees and other related items.

8.3.5 This position obtained due to failure of the Management to:

(a) ascertain *prima-facie*, from CIL/SCL whether such projects were executed by them in the past and if so, performance achieved thereof;

(b) ensure compliance by the main contractors before entering into consultancy agreement with the HCPL;

(c) not carrying out independently a prudent, preliminary technical feasibility.

8.3.6 The matter was reported to the Government/Management in April, May and August 2002; final reply has not been received (November 2002).

MINING AND GEOLOGY DEPARTMENT

MEGHALAYA MINERAL DEVELOPMENT CORPORATION LIMITED

8.4 Operational loss and blockage of fund with interest liability

Project implemented at a cost of Rs.4.25 crore without exploring its viability remained inoperative resulting in operational loss (Rs.0.90 crore), blockage of fund (Rs.4.25 crore) with an annual interest burden (Rs.0.40 crore) on loan money.

8.4.1 The Meghalaya Mineral Development Corporation Limited (MMDCL) without conducting any preliminary survey proposed (June 1991) to set up a coal depot at Mawsmai to undertake trading of coal produced by the miners of the State. In October 1992 a consultant firm was engaged for preparation of a techno-economic feasibility report. The firm submitted (April 1993) the report with a capital cost estimate of Rs.4.86 crore projecting annual net surplus ranging between Rs.12.26 lakh and Rs.0.66 crore up to the tenth year of operation through hiring out of coal storage plots. The projections were based in anticipation of maximum transportation from the existing coalfields at Jaintia to the proposed coal depot site at Mawsmai, Jorabat. It was also assumed that the proposed site would gradually grow to its total capacity within a short spell of time by diversion of coal, unloaded and traded at Beltola (Assam) to proposed depot at the rate of 30 *per cent* in the first year to 60 *per cent* in the third year. The depot with 74 storage units, two weigh bridges and one canteen was commissioned (December 1999) at a cost of Rs.4.25 crore financed out of share capital of Rs.1.92 crore contributed by the State Government and loan of Rs.2.33 crore bearing interest at the rate varying from 17 to 20.5 *per cent per* annum obtained (July 1997 to April 1999) from HUDCO in eight instalments against Government guarantee.

8.4.2 Test check (February 2002) of records of MMDCL revealed that the Company invited tenders (April 1999 and October 1999) for allocation of storage units, leasing out weigh bridges and canteen. Only 32 storage units out of 74 could be allocated and two weigh bridges and the canteen were leased out. The MMDCL received Rs.26.09 lakh (Advance rent during December 1999 to February 2000: Rs.6.94 lakh; Security deposit forfeited during 2000– 2001 : Rs.19.15 lakh). The lease agreements were terminated in April 2000 on the ground that the Depot remained totally inoperative as the lessees failed to transact coal at the Depot and pay the lease rent from March 2000 onwards. The Company incurred operational expenditure of Rs.1.16 crore (including interest of Rs.1 crore on HUDCO loan) during 1999-2000 to 2001-2002 sustaining a net loss of Rs. 0.90 crore (Rs.1.16 crore – Rs. 0.26 crore) up to March 2002, besides committed annual interest liability of Rs.39.61 lakh (on HUDCO loan of Rs.2.33 crore) computed at the minimum rate of 17 *per cent*.

8.4.3 Further, in apprehension of the Depot becoming non-operational, the Management approached (November 2000) the State Government (Mining and Geology Department) with the proposal to offer the Coal Depot to the Industries Department of the Government with all liabilities and for payment of due compensation to the Company at assessed value of Rs.5.83 crore. There has been no response from the Government till date.

8.4.4 The assumptions made in the feasibility report were not based on any background papers and survey regarding likelihood of traders coming to the proposed site. Thus, implementation of an unviable project based on unrealistic assessment of ground realities resulted into loss of Rs.0.90 crore besides blockage of entire fund (Rs.4.25 crore) and annual interest burden of

Rs.39.61 lakh on loan of Rs.2.33 crore against which the State Government stood guarantor.

8.4.5 The matter was reported to the Management and to the Government in February and April 2002. While the Management had confirmed (July 2002) the non-functioning of the Coal Depot, no reply from the Government had been received so far.

POWER DEPARTMENT

MEGHALAYA STATE ELECTRICITY BOARD

8.5 Loss due to pilferage of power

Absence of adequate measures to prevent theft of energy by six alloy industries, resulted in pilferage of 1.35 MU of energy valuing Rs.24.30 lakh.

8.5.1 Mention was made in paragraph 8.2.8.4 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2000 about the loss of Rs.7.86 crore due to theft of energy during May 1997 to December 1999 by six industrial consumers by way of direct tapping of three 33 KV feeders of the Board emanating from 132/33 KV, 20 MVA Sub-Station at Umtru Power House.

8.5.2 Test check (July 2001) of records of the Chief Engineer (Generation and Transmission), Shillong further revealed that 52.15 million units (MU) of Power was injected into these feeders during June 2000 to March 2001 whereas actual quantum of energy metered at the six consumers' end was 42.46 MU registering loss of 9.69 MU of energy (18.58 *per cent*) as against 8.34 MU at the maximum rate of 16 *per cent* as *per* normal transmission loss assessed (December 1999) by the Board. The pilferages became possible due to failure of the Board to initiate effective steps to arrest recurrence of pilferages of energy.

8.5.3 On this being pointed out in audit, the Chief Engineer stated in reply (March 2002) that the audit observation had been noted and requisite steps were taken to arrest such loss by way of surveillance of the industries, replacement of old meters, etc. But, the fact remains that there was continual occurrence of pilferage over and above the maximum allowable range. Thus, due to failure to take adequate measures to prevent theft of energy by these industrial consumers, the Board suffered a further loss of 1.35 MU (excluding loss of 8.34 MU considering it as normal loss @ 16 *per cent* of the units injected into the feeder) of energy (9.69 MU – 8.34 MU) valuing Rs.24.30 lakh at the tariff rate of Rs.1.80 *per* unit.

8.5.4 The matter was reported to the Government in April 2002; replies had not been received (November 2002).

8.6 Loss of revenue

Improper billing/waiver led to loss of revenue to the tune of Rs.14.05 lakh.

8.6.1 (a) Terms and conditions (T&C) of the Board for supply of Power *vide* clause 22.3.3.2 *ibid* provided that in case of defective/stopped meter, consumption of energy shall be determined by taking into account the average consumption of energy during the preceding three months.

8.6.2 It was observed in audit (January 2002) that the Executive Engineer (Rev), Khasi Hills Division, Shillong raised the energy bills of one High Tension consumer (M/S MCCL) for May and June 2000 (during which the meter was found defective), based on the average monthly consumption of 13,06,480 units during three months from July to September 2000 succeeding to the month of June 2000 instead of 15,79,973 units being the average consumption during the preceding three months (February to April 2000). Resultantly, the Board raised short bill on a total quantum of energy to the extent of 5,46,986 units for May and June 2000 sustaining a loss of revenue of Rs.9.85 lakh at the rate of Rs.1.80 *per* unit.

8.6.3 On this being pointed out in audit (January 2002) the divisional authority replied (March 2002) that the bills were raised as *per* the directives from Member (Technical) of the Board. The reply is not tenable as the decision of the Member (Technical) was in violation of the standing terms and conditions stipulated by the Board for supply of energy in such cases.

8.6.4 (b) As *per* clause 31.2.1 of the T&C, read with clause 11 of the Tariff Schedule, delayed payment surcharge (DPC) at the rate of 2 *per cent* on the outstanding amount of energy bills is to be levied for non payment of bills within due date. As *per* clause 31.5 of the T&C, no consumer shall be entitled to claim exemption from payment of such charges. Further, as *per* clause 32 of the T&C as modified by the Board in May 2001 the outstanding amount as on the date of disconnection along with DPC for the entire period of disconnection of power supply till the date of reconnection shall be payable by the consumer.

8.6.5 It was, noticed in audit (December 2001) of Jowai Revenue Division that the DPC to the tune of Rs.4.20 lakh for the entire period of disconnection (September 1998 to June 2001) of power supply from a consumer (M/S LSP Cold Retread Tyre Service) was waived (August 2001) by the Member (Technical), MeSEB in violation of the aforesaid provisions.

8.6.6 Thus due to incorrect and improper decision of the Member (Technical), the Board suffered a revenue loss of Rs.14.05 lakh though there was no such authorisation to the Member (Tech) either in approved tariff of the Board effective from November 1999 or in the delegation of financial power of the Board nor was there any specific order authorising the Member (Tech) to waive such dues.

8.6.7 The matters were reported to the Board and to the Government in January, February and April 2002; their replies have not been received (November 2002).

8.7 Loss due to theft

The Board suffered loss of Rs.0.51 crore due to theft of assets consequent on withdrawal of security personnel from the Sonapani project site.

8.7.1 Sonapani Power Station, the first small hydro electric project in the entire North East Region was commissioned in 1922 by erstwhile Shillong Hydro Electric Company with an installed capacity of 2 x 100 KW. Subsequently, the installed capacity was enhanced to 1,510 KW between 1928 and 1960. MeSEB had taken over the unit in 1977 as a closed unit and submitted a proposal to the Ministry of Non-Conventional Energy Sources (MNES), Government of India for renovation and modernisation (R&M) of Sonapani Hydro Project as heritage project under the Grants-in-aid scheme. The Board decided (September 1997) to keep the implementation of Sonapani Hydel Electric Project in abeyance till receipt of fund from the MNES.

8.7.2 On 11 June 1999, a team of four officers and two staff of MeSEB visited Sonapani Power Station and found that plant and machinery, hydraulic works, lines and cables and all building parts like corrugated sheets, etc. valued at Rs.51.12 lakh had been lost due to theft. Scrutiny of records revealed that all the security personnel of the Board had been withdrawn since October 1997 and since then the power station had been kept totally unmanned. FIR was filed on 12 June 1999 at the nearest police station. The Board's enquiry committee in its report dated 06 September 1999 had suggested for re-deployment of security personnel for guarding of the left out assets, but reason for withdrawing the security personnel since October 1997 was not on record, especially when the Board was expecting fund from MNES for renovation of the project. Due to the injudicious decision of withdrawing security personnel from the site, the Board had to suffer a substantial loss (Rs.51.12 lakh).

8.7.3 The matter was reported to the Government in June 2002; replies have not been received (November 2002).

8.8 Short billing

Short billing resulted in non-realisation of revenue of Rs.24.65 lakh coupled with loss of Rs.6.41 lakh on account of non-levy of surcharge for delayed payment besides loss of interest amounting to Rs.8.41 lakh.

8.8.1 As *per* tariff structure of the Board, demand charges for 'High Tension Industrial Power Consumers' (HTIPC) were to be assessed and billed on the (i) maximum demand established during the month, or (ii) 80 *per cent* of the highest demand established during the preceding 11 months, or (iii) 75 *per cent* of the contract demand, or (iv) not lower than 50 KW/60 KVA, whichever is the highest. The applicable tariff to this category of consumers *per* KVA *per* month was Rs.85 up to October 1999 and Rs.100 from November 1999 for 'demand charges' and Rs.5 *per* KVA *per* month for 'transformer maintenance charge'.

8.8.2 As *per* agreement (April 1996), the contract demand of a HTIPC consumer (M/S Mawmluh-Cherra Cements Limited) was 7,000 KVA for 1996-97, 7,500 KVA for 1997-98, and 8,000 KVA from 1998-99 onwards. Scrutiny (January 2001) of records of the East Khasi Hills (D) Division of the Board revealed that during the period from April 1997 to December 2000, the Division continued to serve bills for 'demand charges' and 'transformer maintenance charges' to the aforesaid consumer based on 7,000 KVA. As a result, there was short billing of Rs.24.65 lakh on account of monthly 'demand charges' of Rs.22.70 lakh on 24,855 KVA which fell short of maximum established norm of 75 *per cent* of contract demand and transformer maintenance charge of Rs.1.95 lakh being the variation between the actual dues and the amount billed.

8.8.3 The Division regulated the subsequent bills from January 2001 onwards as *per* the tariff on this being pointed out in audit (January 2001) and also stated that the statement of arrear bill for Rs.24.65 lakh had been sent to the consumer. However, it was noticed in audit (April 2002) that no such bill was prepared/served as reported (April 2002) by the Division. The Board had, therefore, not only incurred loss of interest of Rs.8.41 lakh till date (March 2002) on account of short billing to the tune of Rs.24.65 lakh worked out at average borrowing rate of 12.5 *per cent per* annum for the period till March 2002, but also sustained a loss of Rs.6.41 lakh on account of 'Delayed Payment Surcharge' not being levied for the period from March 2001 to March 2002.

8.8.4 The matters were reported to Government in May 2002; reply has not been received (November 2002).

(N. R. Rayalu)

Shillong — Principal Accountant General (Audit)

The — Meghalaya, Arunachal Pradesh and Mizoram

Countersigned

New Delhi — **(Vijayendra N. Kaul)**

The — Comptroller and Auditor General of India