सत्यमेव जयते

Report of the Comptroller and Auditor General of India on Public Sector Undertakings

for the year ended 31 March 2015

झारखण्ड सरकार

Government of Jharkhand

Report No. 2 of the year 2016

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Comptroller and Auditor General of India
on
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Preface

This Report deals with the results of audit of Government companies of Jharkhand for the year ended 31 March 2015.

The accounts of Government Companies (including companies deemed to be Government companies as per the provisions of the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act 1956 and Sections 139 and 143 of the Companies Act, 2013. The Accounts certified by the Statutory Auditors (Chartered Accountants) appointed by the CAG under the Companies Act are subject to supplementary audit by officers of the CAG and the CAG gives his comments or supplements the reports of the Statutory Auditors. In addition, these companies are also subject to test audit by the CAG.

Reports in relation to the accounts of a Government Company or Corporation are submitted to the Government by the CAG for laying before State Legislature of Jharkhand under the provisions of Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those, which came to notice in the course of test audit during the year 2014-15 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports; matters relating to the period subsequent to 2014-15 have also been included, wherever necessary.

The Audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Overview

Overview

1. Functioning of State Public Sector Undertakings

Audit of Government companies is governed by Section 139 and 143 of the Companies Act, 2013. As on 31 March 2015, the State of Jharkhand had 18 Government Companies (all working). The accounts of Government companies are audited by Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG). These accounts are also subject to supplementary audit conducted by CAG.

Audit of Jharkhand State Electricity Board (JSEB), an erstwhile statutory corporation, for which CAG was the sole auditor was governed by the Electricity Act, 2003. JSEB had been re-organised (January 2014) in to four power sector Government companies. However, JSEB had finalised its accounts for the year 2013-14 (upto 05.01.2014) during 2014-15.

The working PSUs employed 7023 employees as on 31 March 2015. The PSUs (including JSEB) registered a turnover of ₹ 3205.87 crore as per their latest finalised accounts as of September 2015.

(Paragraphs 1.1 and 1.3)

Investment in PSUs

As on 31 March 2015, the investment (Capital and Long term loans) in 18 PSUs was ₹ 1784.33 crore. It decreased by 65.65 *per cent* from ₹ 5195.28 crore in 2010-11 due to the reason that assets and liabilities of erstwhile JSEB had not been transferred to its successor companies as per Jharkhand State Electricity Reform Transfer Scheme, 2013 and they formed part of residuary assets and liabilities to be retained by the State Government.

Out of total investment in PSUs, 11.32 *per cent* was towards Capital and 88.68 *per cent* was towards Long-term loans. Power sector accounted for 94.35 *per cent* of the total investment in 2014-15. The Government contributed ₹ 2903.79 crore towards equity, loans and grants/ subsidies during 2014-15.

(Paragraphs 1.6, 1.7 and 1.8)

Arrears in Accounts

Eighteen PSUs had arrears of 57 accounts as of September 2015. The extent of arrears was one to nine years. The PSUs need to set targets for the work relating to preparation of accounts with special focus on clearance of arrears.

(Paragraph 1.10)

Performance of PSUs

During the year 2014-15, six PSUs earned profit of ₹ 32.01 crore and six PSUs (including JSEB) incurred loss of ₹ 4518.94 crore as per their latest finalised accounts. Remaining seven PSUs did not finalise their first accounts. The losses were mainly incurred by JSEB and Tenughat Vidyut Nigam Limited to the extent of ₹ 3950.07 crore and ₹ 556.59 crore as per their latest finalised accounts for the years 2013-14 and 2007-08 respectively.

(Paragraph 1.15)

Quality of Accounts

Out of nine accounts finalised by Government companies during October 2014 to September 2015 the Statutory Auditors had given unqualified certificates for three accounts and qualified certificates for six accounts. Similarly on the accounts of JSEB, an erstwhile Statutory corporation, for the period 2013-14 finalised during the year CAG had given qualified certificate. The audit reports of Statutory Auditors appointed by CAG and the supplementary/sole audit of CAG indicate that the quality of accounts needs to be improved.

(Paragraphs 1.18 and 1.19)

Coverage of this Report

This Report contains one Performance Audit, one IT Audit and five paragraphs involving financial effect of ₹ 45.55 crore.

(Paragraph 1.24)

2.1 Performance Audit on "Working of Jharkhand Tourism Development Corporation Limited"

Introduction

The Jharkhand Tourism Development Corporation Limited (Company) was incorporated as a wholly owned Government Company in March 2002 with the main objective of promoting tourism in the State of Jharkhand by establishing and managing hotels, tourist complexes (TCs) and tourist information centres (TIC) *etc*. The Company manages six hotels, three TCs and had leased out two hotels, four TCs, two tourist cottages and a ropeway.

Besides this, the Company was entrusted (March 2012 and March 2015) 35 properties by the Department of Tourism (Department), Government of Jharkhand (GoJ) and three properties were received at the time of creation of the State to operate and maintain under Public Private Partnership (PPP) mode. The Company also executes the tourism infrastructure development works planned by the Department.

A Performance Audit was conducted to assess the performance of the Company during 2010-15 covering various aspects such as financial management, hotel services, operations through PPP mode, leasing of assets, infrastructural development works, transport services and internal control mechanism. Following are the main audit findings:

Financial management

- During 2010-11 to 2014-15, the utilisation of available funds ranged between 3 to 44 *per cent* of funds received from Government of India and 7 to 85 *per cent* of funds received from the State Government due to delay in execution of infrastructure development works.

(Paragraph 2.1.6.1)

- The Company failed to collect service tax from its customers/lessees during the period from October 2007 to March 2013. As a result, the Company had to pay service tax of ₹ 43.35 lakh from its own resources.

(Paragraph 2.1.6.3)

Tourism policy and planning

- Due to belated approval of tourism policy 15 years after the creation of the State and non preparation of long term plans by the Department/Company, development of tourism in the State could not be ensured in a planned manner.

(Paragraph 2.1.7)

Self managed hotels and tourist complexes

- The occupancy of the self-managed hotels of the Company ranged between 21 *per cent* to 35 *per cent* which was significantly lower than the all India average occupancy of 60 *per cent* to 62 *per cent* during 2010-11 to 2013-14. The main reasons for low occupancy were poor condition of buildings of hotels, lack of basic amenities, lack of qualified man power and inadequate marketing of hotels.

(Paragraph 2.1.8.2)

Operations through Public private partnership (PPP)

- Out of 38 properties (Hotels, Tourist complexes, Tourist information centres etc.) received by the Company for operation and maintenance on PPP mode, the Company could not operationalise 35 properties due to non-selection of Authorisees and delays in execution of authorisation agreements, submission of DPRs and upgradation work by the Authorisees.

(Paragraph 2.1.9.1)

- The Authorised operator of Hotel Birsa Vihar, Ranchi had defaulted in payment of licence fee resulting in outstanding dues of ₹ 37.17 lakh, but the Company neither levied penal interest nor terminated the agreement as per terms of the agreement.

(Paragraph 2.1.9.4)

Leased out assets

- Lessees of tourist complexes Sheetal Vihar at Barhi and Aranya Vihar at Hazaribagh had defaulted in payment of lease rent and the Company could not recover service tax, penal interest for delayed payment and cost of defects due to its failure to get bank guarantee renewed. Further, the Company could not levy interest on delayed payment of lease rent on the lessee of Ropeway, Deoghar as the clause of delayed payment interest was not incorporated in the agreement.

(Paragraphs 2.1.10.2 and 2.1.10.5)

Infrastructural development activities

- Construction of tourist complexes at Jamshedpur and Daltonganj were delayed due to change in scope of work, delay in payment of contractors' bills and delay in execution by the contractors. The tourist complex at Jamshedpur was lying idle as the building was defective and tourist complex at Daltonganj could not be operatioanalised due to delayed handing over of the building by the contractor.

(Paragraphs 2.1.11.1 and 2.1.11.2)

- Banquet hall, Food Court, Health Club and Tourist Cottage were constructed at Urwan at a cost of ₹ 5.25 crore without considering the past poor performance of already existing tourist complex which resulted in injudicious expenditure and idling of these assets.

(Paragraph 2.1.11.4)

Internal control and monitoring mechanism

- The Company had no internal audit wing and had not prepared operating manuals. The Company had also not conducted physical verification of fixed assets.

(Paragraph 2.1.13)

2.2 IT Audit on "Systems for Collection of Baseline Data and Applications for Energy Accounting at Jharkhand Bijli Vitran Nigam Limited under the R-APDRP"

Introduction

With focus on actual demonstrable performance in terms of sustained reduction in Aggregate Technical and Commercial (AT&C) losses and establishment of reliable automated systems for collection of accurate base line data, the Ministry of Power (MoP), Government of India (GoI) launched (December 2008) Restructured Accelerated Power Development and Reforms Programme (R-APDRP) through adoption of Information Technology (IT) in the areas of energy accounting.

The project was to be completed within three years from the date of sanction by MoP. The funds were to be provided as loan through Power Finance Corporation (PFC) which would be converted into grant of GoI only after completing the project within the prescribed time line. In Jharkhand, MoP sanctioned ₹ 225.72 crore in September 2009 for implementation of R-APDRP in 30 project towns.

We conducted an IT audit of Systems and Applications established under R-APDRP and analysed the data, assessed various controls built therein to ensure security, accuracy, completeness and reliability of data. Following are the main audit findings:

Financial position

- Out of total ₹ 75.96 crore received as loan from PFC and ₹ 65.11 crore received as loan from Government of Jharkhand (GoJ) during 2009-2015, only ₹ 56.95 (77 *per cent*) and ₹ 15.94 crore (24 *per cent*) respectively were utilised as on September 2015. The under utilisation of funds was mainly due to delay in execution and non-achievement project milestones.

(Paragraph 2.2.6)

Planning and implementation of IT infrastructure

- As of October 2015, only 17 out of 30 project towns have been declared 'Go-live' as against the extended timeline of September 2015 for completion of the project. Further, IT system and applications were not fully operational even after lapse of four and half years of initiation of the project. The main reasons for delay in completion of the project were delay in appointment of IT Implementing Agency (ITIA), incomplete asset mapping and consumer indexing by ITIA, inadequate manpower and deficient Detailed Project Reports (DPRs).

More than 60 *per cent* of installed Feeder/Distribution Transformer/Boundary meters were either defective or not transmitting data to the Data Centre. As such objective of complete energy accounting was defeated.

(Paragraph 2.2.7.1)

• The work of Annual Maintenance Contract (AMC) and on-site support for Data Centre (DC) and Data Recovery Centre (DRC) was not awarded after October 2014. As a result, ITIA had stopped (February 2015) operations at DRC due to non working of DG sets, CCTV system, AC systems, electrical equipments etc. Absence of proper maintenance and deficiency in the infrastructure poses serious threat to the security of the systems, servers and data.

(Paragraph 2.2.7.4 (ii))

• The Company prepared DPRs in-house and submitted (August 2009) to PFC before appointment of the IT Consultant. Due to deficient DPRs, the actual quantities and cost of items increased up to 158 *per cent* and 295 *per cent* respectively during execution. The increased quantities and cost are yet to be approved by PFC.

(Paragraph 2.2.7.5)

Observations on Application Software

• The IT application lacked input and validation controls to ensure capturing all meter-data from installed Feeder/Distribution Transformer/Boundary meters in the system. As a result day-wise meter transmission reports in case of 4513 out of 6793 meters were missing for days ranging between two to 1460 days thereby defeating the objective of complete energy accounting.

(Paragraph 2.2.8.1)

• The Company had no documented backup and restoration policy. As such, there was risk of accidental loss of data which may not be retrievable in absence of such policies.

(Paragraph 2.2.8.2)

• As the Company could not achieve the objective of 100 *per cent* metering of consumers, existing un-metered consumers in R-APDRP project area led to generation of erroneous AT&C loss reports.

(Paragraph 2.2.8.3)

3. Transaction Audit Observations

Transaction audit observations included in the Report highlight deficiencies in the management of Public Sector Undertakings involving serious financial implications. The irregularities pointed out are broadly of the following nature:

Loss of ₹ 2.98 crore in two cases due to non-compliance with rules, directives, procedures, terms and conditions of contracts.

(Paragraphs 3.1 and 3.3)

Irregular expenditure of ₹ 21.70 crore in one case due to defective/deficient planning.

(Paragraph 3.2)

Non-realisation of revenue of ₹ 2.05 crore and loss of ₹ 1.28 crore in two cases due to inadequate/deficient monitoring.

(Paragraphs 3.4 and 3.5)

Gist of important audit observations in respect of transaction audit paragraphs are given below:

Non-claiming of refund of tax deducted at source due to late filing of income tax returns by Jharkhand Hill Area Lift Irrigation Corporation Limited resulted in loss of ₹ 44.82 lakh.

(Paragraph 3.1)

Irregular expenditure of ₹ 21.70 crore was incurred by Jharkhand Urja Utpadan Nigam Limited and Tenughat Vidyut Nigam Limited in executing the drilling and exploration work through two agencies declared unqualified in the tender.

(Paragraph 3.2)

Jharkhand Bijli Vitran Nigam Limited incurred avoidable expenditure of ₹ 2.53 crore due to non-adherence to the provisions of the contract.

(Paragraph 3.3)

Jharkhand Bijli Vitran Nigam Limited failed to realise revenue of ₹ 55.15 lakh due to non-billing of the consumers as per applicable High Tension Services tariff.

(Paragraph 3.4)

Incorrect application of multiplying factor in billing of High Tension (HT) consumers by Jharkhand Bijli Vitran Nigam Limited resulted in undue benefit to the consumers and non-realisation of revenue of ₹ 2.05 crore with consequential loss of interest of ₹ 73.17 lakh.

(Paragraph 3.5)

Chapter-I

CHAPTER – I

1. Functioning of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) are State Government companies or Statutory Corporations established to carry out activities of commercial nature while keeping in view welfare of people and occupy an important place in the State economy. As on 31 March 2015 in the State of Jharkhand, there were 18 unlisted Government companies[1] (all working) and no statutory corporation. During the year 2014-15, one PSU (Jharkhand Urban Infrastructure Development Company Ltd.) was incorporated whereas none was closed down.

Jharkhand State Electricity Board (JSEB), an erstwhile Statutory Corporation, was re-organised (January 2014) into four Government companies viz. (i) Jharkhand Urja Vikas Nigam Limited (JUVNL) (ii) Jharkhand Urja Utpadan Nigam Limited (JUUNL) (iii) Jharkhand Urja Sancharan Nigam Limited (JUSNL) and (iv) Jharkhand Bijli Vitran Nigam Limited (JBVNL). The erstwhile JSEB had finalised its accounts for the year 2013-14 (upto 05.01.2014) during the year 2014-15.

The State PSUs registered a turnover of ₹ 3205.87 crore and incurred loss of ₹ 4486.93 crore as per their latest finalised accounts as of September 2015. These include turnover of ₹ 2128.70 crore and loss of ₹ 3950.07 crore of erstwhile JSEB as per its latest finalised accounts for the year 2013-14. The turnover of State PSUs was equal to 1.62 *per cent* of State Gross Domestic Product (GDP) for 2014-15. They had 7023 employees as at the end of March 2015.

Accountability framework

1.2 The process of audit of Government companies is governed by respective provisions of Section 139 and 143 of the Companies Act, 2013 (Act). According to Section 2(45) of the Act, Government company means any company in which not less than 51 *per cent* of the paid up share capital is held by Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company.

Further, as per sub-Section 7 of Section 143 of the Act, the CAG may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section

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[1] (i) Jharkhand State Forest Development Corporation Limited (JSFDC) (ii) Jharkhand Hill Area Lift Irrigation Corporation Limited (JHALCO) (iii) Jharkhand Industrial Infrastructure Development Corporation Limited (JIIDCO) (iv) Jharkhand Police Housing Corporation Limited (JPHCL) (v) Greater Ranchi Development Agency Limited (GRDA) (vi) Jharkhand Silk Textile and Handicraft Development Corporation Limited (JHARCRAFT) (vii) Jharkhand State Mineral Development Corporation Limited (JSMDC) (viii) Tenughat Vidyut Nigam Limited (TVNL) (ix) Karanpura Energy Limited (KEL) (x) Jharkhand Tourism Development Corporation Limited (JTDC) (xi) Jharkhand State Beverages Corporation Limited (JSBCL) (xii) Jharkhand State Food & Civil Supplies Corporation Limited (JSFCSCL) (xiii) Jharkhand State Minorities Finance Development Corporation (JSMFDC) (xiv) Jharkhand Urja Vikas Nigam Limited (JUVNL) (xv) Jharkhand Urja Utpadan Nigam Limited (JUUNL) (xvi) Jharkhand Urja Sancharan Nigam Limited (JUSNL) and (xvii) Jharkhand Bijli Vitran Nigam Limited (JBVNL) (xviii) Jharkhand Urban Infrastructure Development Company Ltd.

139, if considers necessary, by an order, cause test audit to be conducted of the accounts of such company and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, shall apply to the report of such test Audit. An audit of the financial statements in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Statutory Audit

1.3 The financial statements of the Government companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by Statutory Auditors, who are appointed by CAG as per the provisions of Section 139 (5) or (7) of the Act. They shall, under Section 143 (5) of the Act, submit a copy of the Audit Report to the CAG which, among other things, includes financial statements of the Company. These financial statements are also subject to supplementary audit conducted by CAG within sixty days from the date of receipt of the Audit Report under the provisions of Sections 143 (6) of the Act.

Audit of the Jharkhand State Electricity Board (JSEB), an erstwhile statutory corporation, for the period upto its re-organisation (January 2014) in to four Government companies was governed by the Electricity Act, 2003 and CAG was the sole auditor.

Role of Government and Legislature

1.4 The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors of the Board are appointed by the Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government companies and Separate Audit Reports in case of Statutory corporations are placed before the Legislature under Section 394 of the Act or as stipulated in the respective Acts. The Audit Reports of CAG are submitted to the Government under Section 19A of the CAG's (Duties, Power and Conditions of Service) Act, 1971.

Stake of Government of Jharkhand

1.5 The State Government has financial stake in its PSUs of mainly three types:

- **Share Capital and Loans-** In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.
- **Special Financial Support-** State Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees-** State Government also guarantees the repayment of loans with interest availed by the PSUs from financial Institutions.

Investment in State PSUs

1.6 As on 31 March 2015, the investment (capital and long-term loans) in 18 PSUs was ₹ 1784.33 crore as per details given in **Table 1.1**.

Table 1.1: Total investment in PSUs

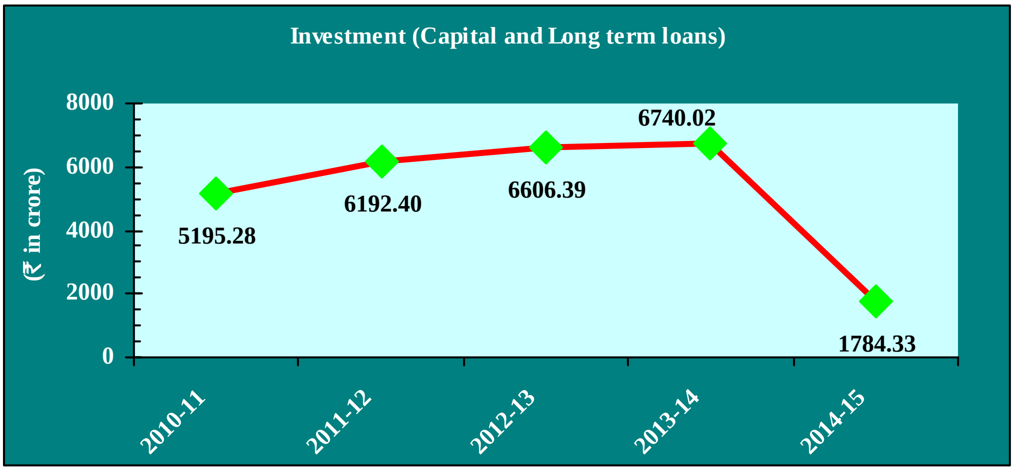
(₹ in crore)

Type of PSUs	Government companies			Statutory corporation			Grand Total
	Capital	Long term Loans	Total	Capital	Long term Loans	Total	
Working PSUs	202.00	1582.33	1784.33	-	-	-	1784.33
Non-working PSUs	-	-	-	-	-	-	-
Total	**202.00**	**1582.33**	**1784.33**				**1784.33**

(Source: Data compiled from the information furnished by the company)

This total investment consisted of 11.32 *per cent* towards capital and 88.68 *per cent* in long term loans. The investment has decreased by 65.65 *per cent* from ₹ 5195.28 crore in 2010-11 to ₹ 1784.33 crore in 2014-15 (as shown in graph below) mainly due to decrease in investment in power sector as discussed in paragraph 1.7.

Chart 1.1: Total investment in PSUs



1.7 The sector wise summary of investment in the State PSUs as on 31March 2015 is given in **Table 1.2.**

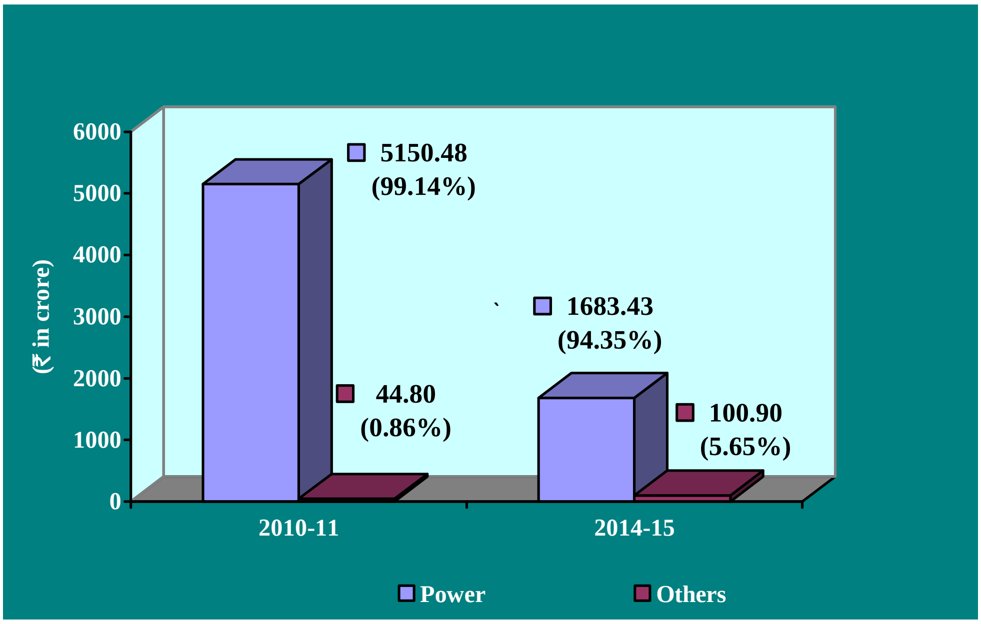
Table 1.2: Sector-wise investment in PSUs

Name of Sector	Government companies		Statutory corporation	Total Investment (₹ in crore)
	Working	Non-Working	Working	
Power	1683.43	-	-	1683.43
Manufacturing	15.60	-	-	15.60
Agriculture & Allied	13.80	-	-	13.80
Service	10.50	-	-	10.50
Infrastructure	61.00	-	-	61.00
Total	**1784.33**	-	-	**1784.33**

(Source: Data compiled from the information furnished by the company)

The investment in significant sectors and percentage thereof at the end of 31 March 2011 and 31 March 2015 are indicated below in the **Chart 1.2**.

Chart 1.2: Sector wise investment in PSUs



The thrust of PSU investment was mainly in the power sector which however decreased from 99.14 *per cent* to 94.35 *per cent* during 2010-11 to 2014-15. The investment in power sector was ₹ 5150.48 crore in 2010-11 which decreased to ₹ 1683.43 crore in 2014-15 only for the reason that assets and liabilities of erstwhile JSEB had not been transferred to its successor companies as per Jharkhand State Electricity Reform Transfer Scheme, 2013 and they formed part of residuary assets and liabilities to be retained by the State Government.

Special support and returns during the year

1.8 The State Government provides financial support to PSUs in various forms through its annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies in respect of State PSUs for three years ended 2014-15 are given in **Table 1.3**.

Table 1.3: Details regarding budgetary support to PSUs

(₹ in crore)

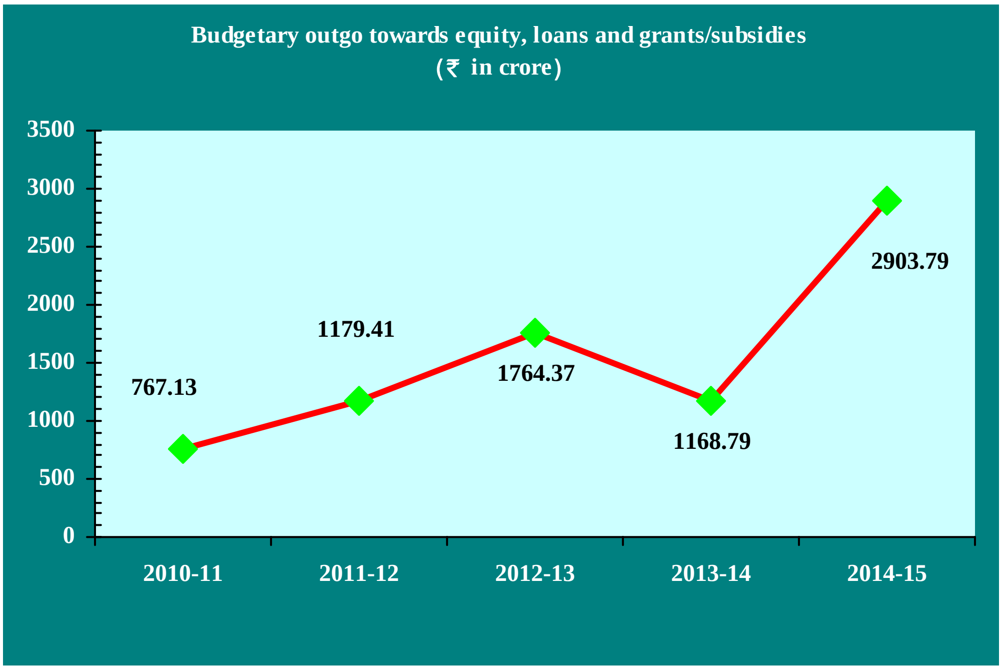
Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs[2]	Amount
1.	Equity Capital outgo from budget	3	15.00	4	20.65	5	9.25
2.	Loans given from budget	2	561.70	1	175.34	3	782.54
3.	Grants/Subsidy received	3	1187.67	2	972.80	2	2112.00
4.	**Total outgo (1+2+3)**		**1764.37**		**1168.79**		**2903.79**

(Source: Data compiled from the information furnished by the company)

[2] Total outgo for seven PSUs (GRDA, JIIDCO, JTDC, JHALCO, JUIDCO, JUSNL and JBVNL).

The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past five years are given in **Chart 1.3**.

Chart 1.3: Budgetary outgo towards Equity, Loans and Grants/Subsidies



The budgetary outgo increased from ₹ 1168.79 crore in 2013-14 to ₹ 2903.79 crore in 2014-15 mainly because of higher loans (₹ 99.56 crore), grant and subsidy (₹ 2106.63 crore) provided to Jharkhand Bijli Vitran Nigam Limited and loans (₹ 679.48 crore) provided to Jharkhand Urja Sancharan Nigam Limited during the year.

Reconciliation with Finance Accounts

1.9 The figures in respect of equity and loans outstanding as per records of State PSUs should agree with that of the figure appearing in the Finance Accounts of the State. In case the figures do not agree, concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2015 is stated in **Table 1.4**.

Table 1.4: Equity and loans outstanding as per finance accounts vis-a-vis records of PSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	57.80	201.95	144.15
Loans	8075.40	4599.74	3475.66

(Source: Data compiled from the information furnished by the company)

Audit observed that the differences occurred in respect of ten[3] PSUs and the differences were pending reconciliation since 2001-02. The Accountant General had taken up (the latest being in August 2015) the issue with the Principal Secretary to Finance Department of the Government of Jharkhand

[3] GRDA, JHARCRAFT, JHALCO, JSBCL, JSEB, JSFCSCL, JSMFDC, JUVNL, JUIDCO and TVNL.

and the PSUs to reconcile the differences after examination but no measures were initiated in this regard. The Government and the PSUs should take concrete steps to reconcile the differences in time-bound manner.

Arrears in finalisation of accounts

1.10 The financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year i.e. by September end in accordance with the provisions of Section 96 (1) the Companies Act, 2013. Failure to do so may attract penal provisions under Section 99 of the Act. Similarly, in case of the erstwhile statutory corporation (JSEB), accounts were finalised, audited and presented to the Legislature as per the provisions of the Electricity Act, 2003.

The **Table 1.5** below provides the details of progress made by working PSUs in finalisation of accounts as of 30 September 2015.

Table 1.5: Position relating to finalisation of accounts of working PSUs

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
1.	Number of Working PSUs	12	13	14	18	18
2.	Number of accounts finalised during the year	12	8	20	14	10
3.	Number of accounts arrears	46	52	45	45	57[4]
4.	Number of Working PSUs with arrears in accounts	12	13	14	14	18
5.	Extent of arrears (numbers in years)	1 to 17	1 to 16	1 to 13	1 to 9	1 to 9

(Source: Data compiled from the information furnished by the company)

It can be observed that the number of accounts in arrears of the PSUs had increased over the years from 46 accounts in respect of 12 PSUs in 2010-11 to 57 accounts in respect of 18 PSUs in 2014-15. Out of 45 accounts in arrears as of 30 September 2014 only 10 accounts were finalised during the current year. No PSU had finalised their accounts for the year 2014-15 as of 30 September 2015.

The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within stipulated period. The concerned administrative departments were informed regularly during 2010-11 to 2014-15. In addition, attention of the Chief Secretary, Government of Jharkhand and Principal Secretary, Finance Department was also invited (August 2015) by the Accountant General for liquidating the arrears of accounts. However, no improvement was noticed.

1.11 The State Government had invested ₹ 4068.29 crore (equity: ₹ 30.40 crore, loans: ₹ 908.48 crore, grants: ₹ 3129.41 crore) in seven PSUs during the year for which accounts have not been finalised as detailed in **Annexure 1.1**. In the absence of finalisation of accounts and their subsequent audit, it could not be ascertained whether the investments and expenditure incurred were properly accounted for or that the purpose for which the amount was invested

[4] Including four arrear accounts (2013-14) of power companies viz. JUVNL, JUUNL, JUSNL and JBVNL incorporated on 16 September 2013.

was achieved. Thus, Government's investment in such PSUs remained outside the control of State Legislature.

Placement of Separate Audit Reports

1.12 The position depicted below shows the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2015) on the accounts of Statutory Corporation in the Legislature as detailed in **Table 1.6**.

Table 1.6: Status of placement of SARs in Legislature

Sl. No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Present Status
1.	Jharkhand State Electricity Board	-	2001-02	20.08.2010	Present status for placement of the SARs was not communicated by the Government
			2002-03	07.02.2011	
			2003-04	07.03.2011	
			2004-05	07.06.2011	
			2005-06	09.11.2011	
			2006-07	15.12.2011	
			2007-08	31.01.2012	
			2008-09	30.03.2012	
			2009-10	30.03.2012	
			2010-11	26.04.2012	
			2011-12	22.05.2013	
			2012-13	26.08.2014	

Impact of non-finalisation of accounts

1.13 As pointed out above (para 1.10 to 1.11), the delay in finalisation of accounts may result in risk of non-detection of fraud and leakage of public money apart from violation of the provisions of the relevant Statues. In view of the above state of arrears of accounts, the actual contribution of PSUs to the State GDP for the year 2014-15 could not be ascertained and it was also not reported to the State Legislature.

It is, therefore, recommended that:

- The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.
- The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.

Performance of PSUs as per their latest finalised accounts

1.14 The financial position and working results of PSUs are detailed in **Annexure 1.2**. A ratio of PSUs turnover to State GDP shows the extent of PSU activities in the State economy. **Table 1.7** below provides the details of working PSUs turnover and State GDP for a period of five years ending 2014-15.

Table1.7: Details of PSUs turnover vis-à-vis State GDP

(₹ in crore)

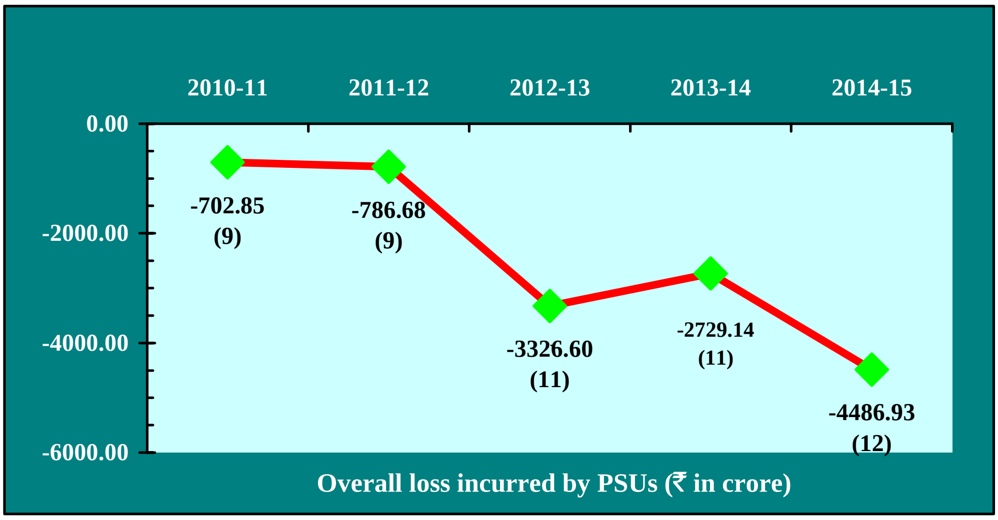
Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Turnover[5]	1442.90	2139.72	2563.86	3065.85	3205.87
State GDP[6]	127281.05	135617.43	151654.70	172772.61	197514.31
Percentage of Turnover to State GDP	1.13	1.58	1.69	1.77	1.62

(Source: Data compiled from the information furnished by the company)

The percentage of turnover of the PSUs to the State GDP declined from 1.77 in 2013-14 to 1.62 in 2014-15, also there was an increase in the ratio during the current year as compared to 2010-11.

1.15 Overall losses incurred by the State PSUs during 2010-11 to 2014-15 are given **Chart 1.4**.

Chart 1.4: Loss of State PSUs



(Figures in brackets show the number of PSUs in respective years)

During the year 2014-15, six PSUs earned profit of ₹ 32.01 crore and six PSUs (including JSEB) incurred loss of ₹ 4518.94 crore as per their latest finalised accounts. Remaining seven[7] PSUs did not finalise their first accounts. The main contributors to profit were Jharkhand State Mineral Development Corporation (₹ 13.09 crore), Jharkhand State Forest Development Corporation (₹ 7.56 crore), Jharkhand Police Housing Corporation Limited (₹ 3.90 crore) and Greater Ranchi Development Agency (₹ 3.57 crore).The heavy losses were incurred by JSEB (₹ 3950.07 crore) and Tenughat Vidyut Nigam Limited (₹ 556.59 crore) as per their latest finalised accounts for the year 2013-14 and 2007-08 respectively.

[5] Turnover as per latest finalised accounts as on 30 September 2015. It includes turnover of JSEB also.
[6] The figures of State GDP were taken at the current prices (new series) as of June 2015.
[7] KEL, JUVNL, JUUNL, JUSNL, JBVNL, JSFCSCL and JUIDCO

1.16 Some other key parameters of PSUs are given in **Table 1.8**.

Table 1.8: Key Parameters of State PSUs

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Return on Capital Employed	-	-	-	-	-
Debt	5050.68	6022.30	6435.29	6540.97	7736.75
Turnover	1442.90	2139.72	2563.86	3065.85	3205.87
Debt/Turnover Ratio	3.5:1	2.81:1	2.51:1	2.13:1	2.41:1
Interest payment	194.75	477.72	600.02	875.62	812.61
Accumulated losses	(-) 1646.52	(-) 6385.11	(-) 9437.93	(-) 12298.80	(-) 16755.73

(Above figures pertain to State PSUs as per latest finalised accounts as of 30 September 2015 except debt the figures of which was as of 31 March 2015)

During 2010-11 to 2014-15, there was no return on capital employed as the PSUs suffered losses. Further, the debt has increased from ₹ 5050.68 crore in 2010-11 to ₹ 7736.75 crore in 2014-15 mainly on account loans sanctioned to State power companies. The accumulated losses increased consistently from ₹ 1646.52 crore in 2010-11 to ₹ 16755.73 crore in 2014-15. This indicated poor operational performance of the PSUs.

1.17 The State Government had not formulated any dividend policy under which PSUs are required to pay a minimum return on the paid up share capital contributed by the State Government. As per their latest finalised accounts, six PSUs earned an aggregate profit ₹ 32.01 crore but did not declare any dividend.

Accounts Comments

1.18 Eight Government companies forwarded their nine audited accounts to AG during 01 October 2014 to 30 September 2015. Of these, seven accounts of six companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts may be inferred from details of aggregate money value of comments of CAG are given in **Table 1.9.**

Table 1.9: Impact of audit comments on working Companies

(₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Increase in profit	1	0.01	-	-	-	-
2.	Decrease in profit	3	5.29	3	0.63	1	2.33
3.	Increase in loss	1	0.08	2	33.72	1	2.10
4.	Decrease in loss	1	0.36	-	-	3	95.99
5.	Non-disclosure of material facts	3	-	-	-	5	-

(The aggregate money value are based on CAG's comments only)

The monetary value of comments on accounts increased from ₹ 5.74 crore in respect of six accounts in 2012-13 to ₹ 100.42 crore in respect of five accounts in 2014-15.

During the year, the Statutory Auditors had given unqualified certificates for three accounts, qualified certificates for six accounts. The compliance of the Accounting Standards was not satisfactory as there were two instances of non-compliance in two accounts during the year.

1.19 Similarly, Jharkhand State Electricity Board (JSEB), the erstwhile Statutory Corporation[8] forwarded their accounts for the year 2013-14 (upto 05.01.2014) to the Accountant General during the year 2014-15. The Audit Report of CAG on the accounts of JSEB indicates that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of CAG are given in **Table 1.10**.

Table 1.10: Impact of audit comments on Statutory Corporation (JSEB)

(₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	5.58	1	1.02	1	8.63
2.	Increase in loss	1	31.80	1	572.68	1	163.10
3.	Non-disclosure of material facts	-	-	-	-	-	-
4.	Errors of classification	-	-	-	-	-	-
	Total	**1**		**1**	-	1	-

(The aggregate money value are based on CAG's comments only)

Response of the Government to Audit

Performance Audits and Paragraphs

1.20 For the Report of the CAG of India for the year ended 31 March 2015, one performance audit, one IT audit and five audit paragraphs involving three departments were issued to the Principal Secretaries/Secretaries of the respective Departments with requests to furnish replies within six weeks. However, replies in respect of one performance audit, one IT audit and two compliance audit paragraphs were awaited from the State Government (November 2015).

Follow up action on Audit Reports

Replies outstanding

1.21 The Report of the Comptroller and Auditor General (CAG) of India represents the culmination of the process of audit scrutiny. It is therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Jharkhand issued (November 2015) instructions to all Administrative Departments to submit replies/ explanatory

[8] Jharkhand State Electricity Board was re-organised into four Government companies w.e.f. 6 January 2014.

notes to paragraphs/reviews included in the Audit Reports of the CAG of India within a period of three months of their presentation to the Legislature in the prescribed format without waiting for any questionnaires from the Committee on Public Sector Undertakings (COPU). The replies/explanatory notes awaited as on 30 September 2015 are given in **Table 1.11**.

Table 1.11: Explanatory notes not received as on 30 September 2015

Year of the Audit Report (Commer cial\PSU)	Date of placement of Audit Report in the State Legislature	Number of Performance Audits (PAs) and Paragraphs in the Audit Report		Total PAs/Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2005-06	04.04.2007	1	3	-	1
2007-08	10.07.2009*	1	8	1	7
2008-09	13.08.2010	1	4	1	**4**
2009-10	29.08.2011	1	6	1	6
2010-11	06.09.2012	1	3	-	3
2011-12	27.07.2013	1	5	1	5
2012-13	05.03.2014	1	5	1	5
2013-14	26.03.2015	1	6	1	6
Total		**8**	**40**	**6**	**37**

*** placed in parliament.**

From the above, it could be seen that out of 48 paragraphs/performance audits, replies/explanatory notes to 43 paragraphs/performance audits in respect of six departments, which were commented upon, were awaited (September 2015).

Discussion of Audit Reports by COPU

1.22 The status as on 30 September 2015 of Performance Audits and paragraphs that appeared in Audit Reports (PSUs) and discussed by the Committee on Public Undertakings (COPU) was as given in **Table 1.12**.

Table 1.12: PAs/Paragraphs appeared in Audit Reports vis a vis discussed as on 30 September 2015

Period of Audit Report	Number of PAs/paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PAs	Paragraphs	PAs	Paragraphs
2004-05	2	1	2	1
2005-06	1	3	1	-
2006-07	1	6	-	1
2007-08	1	8	-	1
2010-11	1	3	1	-
Total	**6**	**21**	**4**	**3**

Compliance to Reports of Committee on Public Undertakings (COPU)

1.23 Action Taken Notes (ATN) to 17 paragraphs/sub-paragraphs pertaining to nine Reports of the COPU presented to the State Legislature between August 2006 and August 2014 had not been received (November 2015) as indicated in **Table 1.13.**

Table 1.13: Compliance to COPU Reports

Year of COPU Report	Total number of COPU Report	Total no. of recommendations in COPU Report	No. of recommendations where ATNs not received
2007-08	2	2	2
2008-09	1	1	1
2012-13	3	7	7
2013-14	3	7	7
Total	**9**	**17**	**17**

These Reports of COPU contained recommendations in respect of paragraphs pertaining to one department, which appeared in the Reports of the CAG of India for the years 2002-03 to 2005-06.

It is recommended that the Government may ensure: (a) sending of replies to IRs/explanatory Notes/draft paragraphs/performance audits and ATNs on the recommendations of COPU as per the prescribed time schedule; (b) recovery of loss/ outstanding advances/ overpayments within the prescribed period; and (c) revamping of the system of responding to audit observations**.**

Coverage of this Report

1.24 This Report contains one performance audit on "Working of Jharkhand Tourism Development Corporation Limited", one IT audit on "Systems for collection of baseline data and applications for energy accounting in Jharkhand Bijli Vitran Nigam Limited under R-APDRP" and five paragraphs together involving financial effect of ₹ 45.55 crore.

Chapter-II

CHAPTER - II

2. Performance Audit of Government Company

2.1 Working of Jharkhand Tourism Development Corporation Limited

Executive Summary

Introduction

The Jharkhand Tourism Development Corporation Limited (Company) was incorporated as a wholly owned Government Company in March 2002 with the main objective of promoting tourism in the State of Jharkhand by establishing and managing hotels, tourist complexes (TCs) and tourist information centres (TIC) etc. The Company manages six hotels, three TCs and had leased out two hotels, four TCs, two tourist cottages and a ropeway.

Besides this, the Company was entrusted (March 2012 and March 2015) 35 properties by the Department of Tourism (Department), Government of Jharkhand (GoJ) and three properties were received at the time of creation of the State to operate and maintain under Public Private Partnership (PPP) mode. The Company also executes the tourism infrastructure development works planned by the Department.

A Performance Audit was conducted to assess the performance of the Company during 2010-15 covering various aspects such as financial management, hotel services, operations through PPP mode, leasing of assets, infrastructural development works, transport services and internal control mechanism. Following are the main audit findings:

Financial management

- During 2010-11 to 2014-15, the utilisation of available funds ranged between 3 to 44 *per cent* of funds received from Government of India and 7 to 85 *per cent* of funds received from the State Government due to delay in execution of tourism infrastructure development works.

(Paragraph 2.1.6.1)

- The Company failed to collect service tax from its customers/lessees during the period from October 2007 to March 2013. As a result, the Company had to pay service tax of ₹ 43.35 lakh from its own resources.

(Paragraph 2.1.6.3)

Tourism policy and planning

- Due to belated approval of tourism policy 15 years after the creation of the State and non preparation of long term plans by the Department/Company, development of tourism in the State could not be ensured in a planned manner.

(Paragraph 2.1.7)

Self managed hotels and tourist complexes

- The occupancy of the self-managed hotels of the Company ranged between 21 *per cent* to 35 *per cent* which was significantly lower than the all India average occupancy of 60 *per cent* to 62 *per cent* during 2010-11 to 2013-14. The main reasons for low occupancy were poor condition of buildings of hotels, lack of basic amenities, lack of qualified man power and inadequate marketing of hotels.

(Paragraph 2.1.8.2)

Operations through Public private partnership (PPP)

- Out of 38 properties (Hotels, Tourist complexes, Tourist information centres etc.) received by the Company for operation and maintenance on PPP mode, the Company could not operationalise 35 properties due to non-selection of Authorisees and delays in execution of authorisation agreements, submission of DPRs and upgradation work by the Authorisees.

(Paragraph 2.1.9.1)

- The Authorised operator of Hotel BirsaVihar, Ranchi had defaulted in payment of licence fee resulting in outstanding dues of ₹ 37.17 lakh, but the Company neither levied penal interest nor terminated the agreement as per terms of the agreement.

(Paragraph 2.1.9.4)

Leased out assets

- Lessees of tourist complexes Sheetal Vihar at Barhi and Aranya Viharat Hazaribagh had defaulted in payment of lease rent and the Company could not recover service tax, penal interest for delayed payment and cost of defects due to its failure to get bank guarantee renewed. Further, the Company could not levy interest on delayed payment of lease rent on the lessee of Ropeway, Deoghar as the clause of delayed payment interest was not incorporated in the agreement.

(Paragraphs 2.1.10.2 and 2.1.10.5)

Infrastructural development activities

- Construction of tourist complexes at Jamshedpur and Daltonganj were delayed due to change in scope of work, delay in payment of contractors' bills and delay in execution by the contractors. The tourist complex at Jamshedpur was lying idle as the building was defective and tourist complex at Daltonganj could not be operatioanalised due to delayed handing over of the building by the contractor.

(Paragraphs 2.1.11.1 and 2.1.11.2)

- Banquet hall, Food Court, Health Club and Tourist Cottage were constructed at Urwan at a cost of ₹ 5.25 crore without considering the past poor performance of already existing tourist complex which resulted in injudicious expenditure and idling of these assets.

(Paragraph 2.1.11.4)

Internal control and monitoring mechanism

- The Company had no internal audit wing and had not prepared operating manuals. The Company had also not conducted physical verification of fixed assets.

(Paragraph 2.1.13)

2.1.1 Introduction

The Jharkhand Tourism Development Corporation Limited (Company) was incorporated as a wholly owned Government Company in March 2002. The main objective of the Company is to promote tourism in Jharkhand by developing places of tourist interest, establishing and managing tourist homes, facilitating or accelerating the development of Hotels/Motels/Resorts and providing transport facilities for tourists.

The Company manages six hotels, three tourist complexes (TC) itself and had leased out two hotels, four TCs, two tourist cottages and a ropeway as detailed in **Annexure-2.1.1**. Beside this, the Company was entrusted to operate and maintain 35 properties *viz.* tourist complexes (TC), tourist information centres (TIC), way side amenities (WSA) *etc*. through Public Private Partnership (PPP) mode in March 2012 and March 2015 by the Department of Tourism (Department), Government of Jharkhand (GoJ) as detailed in **Annexure-2.1.2**. Further, the Company decided to operate on PPP mode three properties received by virtue of bifurcation of the State of Bihar.

The Company also executes the plans prepared by the Department in respect of construction and renovation of hotels, strengthening of tourist information centres, construction of way side amenities, development of tourist destinations etc.

2.1.2 Organisational Set-up

The Company is under the administrative control of the Department. The management of the Company is vested with a Board of Directors (BoD) comprising of 10 directors appointed by the GoJ. The Managing Director (MD) is the Chief Executive Officer of the Company. The Managing Director is assisted by one General Manager (GM) and one Dy. General Manager. Self managed hotels/TCs are headed by unit manager who is assisted by a receptionist and an accountant.

The Company has staff of 34 employees (including 13 regular employees) in its head office and 69 employees (all on contract basis) in field units. The charge of engineering cell, transport wing, establishment wing and accounts and finance wing is looked after by outsourced/contracted employees. The organisational Chart is given in **Annexure- 2.1.3**.

2.1.3 Audit Objectives

The objectives of the performance audit were to assess whether:

- Sound financial management system was in place;
- The Department had prepared a well defined policy as well as long term and short term plans to develop tourism in the State and whether such plans were implemented economically, efficiently and effectively;
- Operations of hotels of the Company were carried out economically and efficiently;

- Infrastructural development projects were executed economically, efficiently and effectively; and

- Internal control and monitoring mechanism of the Company was adequate and effective.

2.1.4 Audit criteria

The criteria for the Performance Audit were drawn from following sources:

- Jharkhand Tourism Policy;

- Guidelines and instructions issued by the GoI/GoJ for sponsored projects;

- Provisions of the Company's Act, 1956/2013, other applicable Acts, Memorandum and Articles of Association of the Company and Board's Resolutions and other relevant rules and regulations; and

- Targets of occupancy and revenue set by the Company for its units/hotels.

2.1.5 Audit Scope and Methodology

The performance audit was conducted during April to June 2015 covering the operational performance of the Company relating to hotels services, leasing of assets, infrastructure development activities, transport services and activities of the Department which were concerned with the Company for the period 2010-11 to 2014-15. Audit examination involved scrutiny of records of Corporate office and all nine self managed hotels and TCs of the Company and the records of the Department relating to activities of the Company.

An entry conference was held with the Secretary, Department and the MD of the Company on 20 April 2015 to discuss the objectives, scope and methodology of audit. The audit findings were issued (August 2015) to the Company and to the Government and discussed with the Secretary, Department and MD of the Company in an exit conference held on 19 October 2015. Reply of the management has been received (September 2015) and reply of the Government is awaited. Reply of the Company and views expressed by the Government in exit conference have been suitably incorporated in the report.

2.1.6 Financial Management

The Company carries out its day to day activities with its internal accruals such as income from its hotels, transport services, leased out properties etc. The Company also receives substantial funds from the Government of India (GoI) under Central Financial Assistance (CFA) and State Government to undertake infrastructural development activities. The fund received under CFA is kept in fixed deposit (FD) till its utilisation and interest earned thereon is credited to CFA. The ownership of assets possessed by the Company vests with GoJ. GoJ has transferred these assets to the Company for operation and maintenance and income earned from their operation is treated as income of the Company[1].

The Company has not finalised its annual accounts for the years 2006-07 to 2014-15 so far. In the absence of approved accounts, our observations are based on provisional accounts and verification of original records. The financial position and working results of the Company as per provisional accounts during the last five years are given in **Annexure-2.1.4**.

The turnover of the Company ranged between ₹ 2.30 crore and ₹ 3.69 crore during 2010-11 to 2014-15. The percentage of profit before tax to total income of the Company increased from 15.64 *per cent* in 2010-11 to 46.87 *per cent* in 2012-13, however, during 2014-15 it decreased to 29.11 *per cent* due to increase in expenditure towards advertisement and publicity and writing off of unrecoverable service tax. The share of income from operations ranged between 86.73 *per cent* and 93.09 *per cent* of the total income of the Company during 2010-11 to 2014-15.

Utilisation of funds

2.1.6.1 The Company receives substantial funds from the Government of India (GoI) and State Government to undertake infrastructural development activities. The details of fund received and utilised by the Company during 2010-11 to 2014-15 is given **Table 2.1.1.**

Table 2.1.1

(₹ in crore)

Year	Opening Balance		Fund received		Fund spent		Balance	
	Central	State	Central	State	Central (*per cent*)	State (*per cent*)	Central	State
1	2	3	4	5	6	7	8	9
2010-11	31.25	56.11	5.95	0.26	5.73 (15)	47.99 (85)	31.47	8.38
2011-12	31.47	8.38	12.09	5.33	3.20 (7)	0.99 (7)	40.36	12.72
2012-13	40.36	12.72	0.52	0.85	1.30 (3)	6.34 (47)	39.58	7.23
2013-14	39.58	7.23	0.00	4.64	17.11(43)	2.34 (20)	22.47	9.53
2014-15	22.47	9.53	0.00	4.91	9.99 (44)	3.19 (22)	12.48	11.25
Total			**18.56**	**15.99**	**37.33**	**60.85**		

(Source: Data furnished by the Company)

It would be seen from the above table that the utilisation percentage against the available GoI fund ranged between 3 to 44 *per cent* and the State fund ranged between 7 to 85 *per cent* during 2010-11 to 2014-15. The main reason for poor utilisation of funds was delay in execution of tourism infrastructure development works.

[1] In respect of 35 properties transferred in March 2012 and March 2015, share of the Government in net earnings would be five *per cent* in 1st year which would increase to 25 *per cent* up to 5th year increasing five *per cent* yearly and thereafter 25 *per cent* of net earnings.

Management replied (September 2015) that they are only the custodian of the funds and spend the fund as per directions of Department. Government stated (October 2015) in the exit conference that there was delay in construction activities and agreed to take steps to early completion of works.

Fact remains that due to delay in execution of infrastructure development activities utilisation of funds was poor.

Recommendation:

The Company should efficiently utilise the funds by executing the infrastructure development works in a timely manner.

Non-recovery of outstanding dues

2.1.6.2 The outstanding dues of the Company were ₹ 44.29 lakh as on 31 March 2011 which increased to ₹ 81.11 lakh as on 31 March 2015. Though the Company did not have a policy on granting credit to customers, however, managers of self managed hotels and transport unit of the Company extended credit facility to customers on their own and the amount recoverable in respect of these credit allowed as on 31 March 2015 stood at ₹ 23.07 lakh. Further, increasing trend of outstanding dues indicates poor receivable management which caused blocking of working capital of the Company.

Management replied (September 2015) that credit facility was given to frequent customers. The Secretary, Department of Tourism instructed the management in the exit conference (October 2015) to bring the matter of policy on granting credit and proposal for writing off of unrecoverable dues in the Board.

Reply of the management is not acceptable as there was no laid down policy on granting credit to customers. Further, dues of ₹ 17.15 lakh out of ₹ 23.07 lakh credit allowed by unit managers were outstanding for more than three years.

Loss due to non-collection of service tax from customers/lessees

2.1.6.3 As per Service Tax Rules, service provider is liable to pay service tax on short-term accommodation services provided by hotels, inn, guest house (*w.e.f.* May 2011), renting of immovable properties (*w.e.f.* June 2007), Mandap keepers services (*w.e.f.* July 1997) and rent-a-cab services (*w.e.f.* April 2000).

Due to non-collection of service tax from the customers/lessees, the Company had to pay service taxof ₹ 43.35 lakh from its own resources

We observed that during October 2007 to March 2013, the Company had earned taxable income of ₹ 3.72 crore from these services which was liable for service tax payment. However, the Company had not collected the service tax amounting to ₹ 43.35 lakh from its customers/lessees.

Thus, due to non-collection of service tax from the customers/lessees, the Company paid service tax amounting to ₹ 43.35 lakh from its own resources during December 2013 to June 2014 out of which the Company had written off ₹ 14.08 lakh as unrecoverable service tax. The balance amount may also need to be written off leading to a loss of ₹ 43.35 lakh as there is a strong probability of non recovery of balance service tax.

Management accepted (October 2015) the audit observation in the exit conference and stated that notices have been issued to the lessees for deposit of service tax.

Recommendation:

The Company needs to collect statutory dues regularly from customers/lessees.

Loss due to non-availing of flexi deposit facility in current account

2.1.6.4 The Board of Directors of the Company decided (August 2005) to close a current account and open a savings account in its place to earn interest. Despite Board's decision the Company continued to operate current account stating that State Bank of India does not open savings account in the name of a Limited Company. However, the Company could have availed flexi deposit facility in the account and earned interest on deposits or explored the possibility of opening saving bank account in any other public sector banks.

We observed that funds ranging between ₹ 2.20 lakh to ₹ 2.14 crore were lying in current account on any day during 2010-11 to 2014-15. Had the Company availed flexi deposit facility in the account, it would have earned interest income of ₹ 31.94[2] lakh. Thus non-availing of flexi deposit facility resulted in loss of interest income of ₹ 31.94 lakh.

Management in the exit conference (October 2015) assured that Company will reduce the balance in the account and link it with flexi deposit account.

Fact remains that the Company could have linked the current account with flexi deposit account earlier.

2.1.7 Tourism Policy and Planning

Jharkhand is endowed with rich cultural heritage and bestowed liberally with bounties of nature. GoJ declared (August 2009) tourism as an Industry in order to develop tourism sector and to create employment opportunities and increase in revenue of the State.

Since the creation of Jharkhand in 2000, the Department as well as the Company had not prepared long term plans or action plans for promotion of tourism in the State. The Tourism policy was approved belatedly in June 2015. Only *adhoc* annual plans were prepared based on budget provisions by the Department. Further, no specific physical targets were fixed for the development of tourism.

Government stated (October 2015) in the exit conference that tourism policy had been approved and it will take care of planning and other activities.

Fact remains that due to belated approval of Tourism Policy and non-preparation of long term plan, development of tourism in the State could not be ensured in a planned way.

[2] Calculated considering minimum monthly balance at the rate of eight *per cent* per annum.

Recommendation:

The Department needs to prepare long term plan for development of tourism in the State.

2.1.8 Self managed hotels and tourist complexes

Tourist inflow

2.1.8.1 The details of tourist inflow in the State along with the details of tourists who availed accommodation facilities of the Company during 2010-11 to 2014-15 are detailed in **Annexure-2.1.5**

It can be seen from **Annexure-2.1.5** that out of 10.94 crore tourists having visited Jharkhand the number of tourists who availed Company's accommodation was 75662 during 2010-11 to 2014-15. The percentage of tourists availing Company's accommodation facilities was very low which ranged between 0.05 *per cent* and 0.15 *per cent* only of total tourists during above period. Reasons for low occupancy of Company's hotels are discussed in succeeding paragraphs.

Low occupancy of Hotels

2.1.8.2 The Company manages six hotels and three TCs spread over different locations of the State. The performance of the nine self managed hotels/TCs as indicated by occupancy percentage achieved during 2010-11 to 2014-15 is given in **Table 2.1.2.**

Table 2.1.2

Year	2010-11	2011-12	2012-13	2013-14	2014-15
No. of self managed hotels	8	8	8	9	9
No. of rooms days available	40484	29604[3]	36465	36930	41940
No. of rooms occupied	8691	8693	12728	12712	11007
Occupancy (in *per cent*)	21	29	35	34	26
No. of dormitory beds available	4380[4]	4380	36500	36500	36500
No. of dormitory beds occupied	445	750	5668	6667	6061
Occupancy (in *per cent*)	10	17	16	18	17

(Source: Data collected from individual hotels)

Occupancy of self managed hotels/tourist complexes was very low as compared to all India average occupancy.

It could be seen from the table that the occupancy of the hotels/TCs ranged between 21 *per cent* to 35 *per cent* and occupancy percentage of dormitory ranged between 10 *per cent* and 18 *per cent* only. This was significantly lower than the all India average occupancy[5] which ranged between 60 *per cent* and 62 *per cent* during 2010-14.

[3] This does not include occupancy of hotel Basuki Vihar at Dumka and TC at Urwan as the same was not provided by the Company.

[4] This does not include occupancy of hotel Baidyanath Vihar for the period 2010-11 and 2011-12 as the occupancy register was not in legible condition.

[5] As per survey reports of the Federation of Hotels and Restaurant Association of India.

Further analysis of occupancy data of seven[6] hotels situated at famous tourist places revealed that their average occupancy during 2010-15 ranged between 24 *per cent* and 37 *per cent*. This indicates that even the hotels located at famous tourist places and business centres failed to capture the inflow of visitors.

We observed that the Company had not fixed any norms/targets of occupancy of its self managed hotels, but only fixed monthly revenue targets based on estimation. The reasons for low occupancy of hotels/TCs were poor conditions of buildings of hotels, lack of qualified man power, lack of basic amenities viz. intercom, internet, transport, inadequate marketing of hotels and lack of periodic supervisions by the top management to ensure whether qualitative services were being provided to the customers and occupancy recorded in the occupancy register were correct.

Government stated (October 2015) in exit conference that occupancy of hotels was low due to naxal problem.

Reply is not acceptable as occupancy of four[7] hotels situated in urban areas at places of religious or business attractions ranged between 24 and 41 *per cent* only.

Recommendation:

The Company needs to improve basic amenities in its hotels/TCs and take aggressive steps for publicity and advertisement through electronic media, news papers, fairs, booklets *etc.* to promote its hotels/TCs in the face of stiff competition from private operators.

Lack of policy for tariff fixation

2.1.8.3 The Company did not have any policy for tariff fixation of rooms and for upgradation of existing services in hotels/TCs. There was no system to review the tariff after a specified period with reference to prevailing market trend as the tariff was revised only once during the period reported upon without carrying out any Cost Benefit Analysis. Further, there was no concept of differences in seasonal and off-seasonal tariffs.

Government stated (October 2015) in the exit conference that Board will take decision to change the tariff policy to attract tourists.

Yet, the fact remains that the Company did not have any tariff policy for tariff fixation.

2.1.9 Operations through Public Private Partnerships (PPP)

2.1.9.1 Under PPP mode, the Company was to select the Authorisee through tender for upgradation, operation and maintenance of the properties who will pay the annual licence fee to the Company. The Authorisee had to execute

[6] Basuki Vihar at Dumka, Natraj Vihar and Baidyanath Vihar at Deoghar, Ratan Vihar at Dhanbad, Van Vihar at Betla, Prabhat Vihar at Netarhat and Vibhuti Vihar at Ghatshila.

[7] Basuki Vihar at Dumka, Natraj Vihar and Baidyanath Vihar at Deoghar and Ratan Vihar at Dhanbad.

authorisation agreement within 15 days from issue of letter of intent (LOI) after fulfilling the conditions of LOI and in the event of failure to comply with the conditions, the LOI was liable to be cancelled.

Further, as per agreement Authorisee had to submit Detailed Project Report (DPR) within 90 days of signing of agreement and upgradation work was to be completed within six months after approval of DPR. In case of failure to comply with above conditions the Company may terminate the agreement and forfeit the performance BG. Agreement also stipulated that penalty of ₹ 25000 per week or part of week was leviable for delay in upgradation beyond the stipulated period of six months from approval of DPR.

As mentioned in Para 2.1.1, the Company received 35 different properties (seven TCs, seven TICs, 11 WSAs, four *Sanskar Bhawans,* two Tourist Places, one Jungle Hut, one Tourist Plaza, one *Dharmshala* and one Shopping Complex) from the Department for operation and maintenance through PPP mode. Out of these properties, selection of Authorisees for 20 properties received in March 2015 was under process (September 2015). Status of 15 properties received by the Company in March 2012 and three properties acquired by the Company by virtue of bifurcation of State of Bihar is detailed in **Annexure 2.1.6**.

As of March 2015, only three properties were in operation. Authorisation agreement of four properties had been terminated due to non-fulfillment of the conditions of LOI/agreement and commercial operation of six properties could not be started due to delay in selection of Authoriseeand delay in upgradation work by the authorisee. Further, Authorisee for three properties could not be selected due to non participation of bidders and two properties were occupied by Central Reserve Police Force.

The deficiencies noticed in operation and management of these properties are discussed below:

Tourist Complex and Tourist Information Centre, Madhuban

2.1.9.2 The Company issued (December 2012) LOI for upgradation, operation, maintenance and management of TIC and TC, Madhuban to Authorisee. The Authorisee executed agreement (September 2014) after a delay of 20 months due to delay in fulfilling the condition of LOI. Authorisee also failed to submit the DPR within 90 days of agreement. Despite failure of the Authorisee to comply with the terms and conditions of LOI/agreement the Company terminated (May 2015) the agreement after a delay of 29 months. Delayed action by the Company in terminating LOI/Agreement caused idling of these properties.

Delayed action by the Company in terminating agreement caused idling of properties

Management accepted (September 2015) the audit observation and stated that performance security has been forfeited.

The fact remains that the Company took delayed action resulting in potential loss of revenue due to non-operationalisation of TIC and TC Madhuban.

Tourist Information Centre, Jamshedpur

2.1.9.3 Construction of Tourist Information Centre (TIC) Jamshedpur was completed (May 2011) at an expenditure of ₹ 91.84 lakh. However, Department took 10 months to hand over (March 2012) the TIC to the Company due to procedural delay.

The Company issued (December 2012) LOI for upgradation, operation, maintenance and management of the TIC to Authorisee. The Authorisee executed agreement (June 2013) after a delay of more than five months and submitted (November 2014) the DPR after a delay of 14 months from the stipulated date in the agreement. Consequently the upgradation work could not be completed and the property could not be operationalised (September 2015). The Company had not taken any action against the Authorisee for delay in fulfilling of the conditions of LOI/agreement.

Management accepted (September 2015) the audit observation and stated that penalty will be levied with effect from 26 May 2015.

The fact remains that the Company failed to take prompt action against the Authorisee for delay at various stages as per terms of the agreement.

Hotel Birsa Vihar, Ranchi

2.1.9.4 As per authorisation agreement (June 2012) the Authorisee had to pay annual license fee of ₹ 61.00 lakh payable in equated advance monthly installments within seven days of commencement of each month. If the Authorisee fails in payment of license fee up to four weeks, the Authorisee would be liable to pay interest at the rate of 15 *per cent* per annum and in case of delay beyond four weeks, the Company could terminate the Authorisation agreement and forfeit the performance security.

We observed that the Authorisee defaulted in payment of license fee for periods ranging between one to 254 days during January 2013 to July 2015 and did not pay license fee from March 2015 onwards. As a result license fee of ₹ 37.17 lakh was outstanding including interest of ₹ 4.77 lakh. However, the Company had not taken action either to recover the outstanding dues or to terminate the Authorisation agreement as per terms of the agreement despite default in payment by Authorisee.

Management accepted (September 2015) the fact and stated that notice has been served to the Authorisee for termination of agreement.

Recommendation:

The Company should take effective steps to ensure timely operationalisation of properties under PPP mode as per authorisation agreements.

2.1.10 Leased out assets

2.1.10.1 As of March 2015, the Company had leased out two[8] hotels, four[9] tourist complexes (TCs), two tourist cottages at Netarhat and one ropeway at Deoghar. We observed that the Company did not have any documented policy for managing leases of its property. Further, there was absence of uniformity in leasing out properties. On scrutiny of records it was noticed that the Company had leased out its properties for varying periods ranging between two to 15 years with yearly increase in lease rent varying between nil to 10 *per cent*.

The deficiencies noticed in respect of leased out properties are discussed below:

Tourist Complexes Sheetal Vihar, Barhi and Aranya Vihar, Hazaribagh

2.1.10.2 As per the agreement the lessee had to deposit the lease rent and bank guarantee (BG) for the following year three months before expiry of current year and failure to do so would attract interest at the rate of two *per cent* per month. Further, on expiry of lease, the lessee had to hand over the property to the Company in the same condition as handed over to him.

The Company could not recover service tax, penalty amounting to ₹ 7.32 lakh and cost of defects.

The lessees of TCs Sheetal Vihar, Barhi and Aranya Vihar, Hazaribagh deposited the lease rent after delays ranging between three and half months to 14 months during 2011-12 to 2014-15. The total outstanding dues up to September 2015 were ₹ 7.32 lakh (TC Sheetal Vihar: ₹ 0.80 lakh and Aranya Vihar: ₹ 6.52 lakh) including service tax and penal interest.

Further, TC Sheetal Vihar was taken over (February 2015) by the Company without getting the defective windows and electrical appliances rectified by the lessee. Thereafter, the property was lying idle (September 2015). We noticed that the lessee of Sheetal Vihar and Aranya Vihar had not submitted the BG for two consecutive years (15 January 2013 to 14 January 2015) and three consecutive years (19 November 2012 to 18 November 2015). In the absence of BG the Company failed to recover pending service tax, interest and cost of defects.

Management replied (September 2015) that in case of TC Sheetal Vihar service tax had been recovered fully and the unit was taken over (February 2015) after getting the defects rectified and in case of TC Aranya Vihar they were taking action to recover service tax, interest and submission of BG.

Reply in case of TC Sheetal Vihar is not acceptable as management had not produced the documentary evidence of recovery of service tax and interest and in the joint physical verification (July 2015) by the audit team along with the manager of the TC Sheetal Vihar, it was noticed that the defects had not been rectified.

Recommendation:

The Company needs to enforce the terms and conditions of the lease agreements to safeguard the financial interest of the Company.

[8] Sheetal Vihar at Barahi and Aranya Vihar at Hazaribagh.
[9] Itkhori at Chatra, Basukinath at Dumka, Rikhiya at Deoghar, and Madhuban at Parasnath.

Tourist Complex Rikhia, Deoghar

2.1.10.3 The Department instructed (July 2004) the Company to lease the TC on the same terms of the lease agreement as that of TC Madhuban. Accordingly the annual rent of Rikhia should have been fixed at the rate of ₹ 1.31 lakh with an annual increment of five *per cent* per annum from sixth year onwards.

However, on the direction of the Department the Company leased out (October 2004) the TC at fixed rate of only ₹ one lakh per annum for 10 years. Upon renewal (October 2014) of the lease, the Board of Directors further reduced the lease rent to ₹ 10000 per annum for the period up to September 2024 without recording any reason. Thus, the Company lost revenue of ₹ 4.98 lakh up to September 2015 by not following the terms of lease agreement of TC Madhuban as envisaged and undue benefit was extended to the lessee.

Government/Management stated (October 2015) in exit conference that lease rent was reduced to promote spiritual tourism.

Reply is not acceptable as being a commercial organisation, the Company should have safeguarded its financial interest. Further, tourist complex Madhuban also promotes spiritual tourism, however, the Company had increased its lease rent.

Tourist Complex Vibhuti Vihar, Ghatshila

2.1.10.4 Though the lease agreement of TC Vibhuti Vihar expired (August 2010), the Company neither renewed the lease agreement, nor took over the TC and on the request of the lessee allowed (February 2013) him to continue to operate the TC till the finalisation of fresh lease agreement without any annual increment of lease rent.

We observed that the lessee had not paid the lease rent from September 2011 onwards and outstanding lease rent was ₹ 7.90 lakh up to December 2013 excluding interest. However, the Company recovered (December 2013) lease rent of ₹ 6.13 lakh up to June 2013 and took over the possession of TC in March 2014. Thus undue benefit of ₹ 4.31[10] lakh was extended to the lessee due to non charging of lease rent up to February 2014 and penal interest for delayed payment.

Management replied (September 2015) that lease rent up to June 2013 was recovered and thus no undue benefit was allowed.

Reply is not acceptable as the Company took over the TC in March 2014 thus lease rent was to be recovered for the period up to February 2014.

Ropeway, Deoghar

The Company extended undue benefit to the lessee by not incorporating clause of delayed payment interest in the agreement.

2.1.10.5 The Company executed lease agreement (February 2011) with a lessee for operation of Ropeway at Deoghar for three years at annual lease rent of ₹ 50.22 lakh with annual increment of 10 *per cent.* The lease agreement was renewed (May 2014) for a period of five years at a lease rent of ₹ 61.00 lakh. As per lease agreement lessee had to deposit the lease rent of the following year three months before expiry of the current year. However, the Company had not

[10] Lease rent from July 2013 to February 2014 ₹ 2.33 lakh + penal interest ₹ 1.98 lakh.

included the clause of penal interest for delayed payment of lease rent as provided in case of other lease properties which ranged between 15 to 24 *per cent.*

We observed that during 2012-13 to 2014-15, lessee had deposited the lease rent with a delay of 75 days to 118 days from due date. However, due to non-incorporation of penal interest clause in the agreement, the Company could not levy penal interest of ₹ 6.74[11] lakh.

Management accepted (October 2015) the audit observation.

Leasing of Shops

2.1.10.6 The Company has 83 shops at Ranchi (27), Deoghar (41) and Dhanbad (15) which were leased out to different lessees. Lease agreement stipulated that the lessee had to pay monthly ground rent and taxes levied by authorities. Further, lessee had to pay penal interest for delayed payment of ground rent and had no right to transfer or sub-let the property without prior permission of the Company. Lessee did not have rights to encroach upon verandah and other common areas of the shops or otherwise use it for personal convenience or business.

We observed that ground rent was outstanding (April 2015) in respect of 30 shops (Ranchi-3, Dhanbad-3, Deoghar-24) for periods ranging from three months to 51 months. Further, three lessees at Ranchi had not deposited municipal tax for periods from 12 months to 51 months, 10 lessees at Dhanbad and all the 41 lessees at Deoghar had never deposited the municipal tax.

We also observed that one shop at Ranchi and 25 shops at Deoghar were sub-let by the lessee and verandah/common areas of the shops were encroached against the provisions of agreement. However, the Company had not taken any steps against the defaulter lessees as per terms of lease agreements except issuing a notice to lessee of one shop at Ranchi.

Management stated (September 2015) that follow up action is being taken to recover ground rent and municipal taxes but putting a display board in front of shops does not come within the definition of encroachment. Reply is not acceptable as the lessees had put their goods on the verandah which were used for personal convenience or other business as may be seen in the photograph below. Further, reply was silent about sub-letting of shops.

Encroachment of common space at BirsaVihar Market complex, Ranchi

[11] Calculated at the rate of 15 *per cent* per annum.

2.1.11 Infrastructural development activities

The Company undertook infrastructural development activities such as construction of way side amenities, tourist complexes, strengthening of tourist information centres, renovation of hotels to promote tourism in the State. The Department selects lowest (L1) bidder through tender and the Company executes the agreement with L1 bidder. Supervision of the work is done by the Department which forwards the bills to the Company for payment.

During 2008-09 to 2014-15 the Company had undertaken 38 infrastructure development projects. Out of these only 13 projects could be completed as of March 2015, of which six projects were completed with a delay ranging from 10 months to 53 months. Work in respect of remaining 25 projects was under different stages of completion.

Deficiencies noticed in the execution of infrastructural development projects are discussed below:

Tourist Complex Sakchi Sarai, Jamshedpur

2.1.11.1 Construction of TC Sakchi Sarai was scheduled to be completed by October 2008 at a cost of ₹ 4.63 crore. However, the work was completed in August 2012 after a delay 45 months due to change in scope of work and delay in execution by the contractor. The Company entered (June 2013) into an authorisation agreement with the Authorisee to operate the TC at an annual licence fee of ₹ 1.01 crore. However, the TC could be physically handed over to the Authorisee only in February 2014 as there was encroachment at the TC.

Due to delay in construction by the contractor and defective construction building was lying idle.

Subsequently the Authorisee withdrew (January 2015) himself from the project citing technical fault in the building *i.e.* seepage problem and submersion of entire ground floor at the onset of monsoon. Thereafter, the TC was lying idle (September 2015) and expenditure of ₹ 4.63 crore on construction of TC remained unfruitful. Further for the delay in construction, the contractor had not applied for time extension and the Company failed to deduct penalty of ₹ 46.30 lakh.

Management stated that penalty was not deducted as post facto approval of time extension had been granted.

Reply is not acceptable as the time extension had been granted up to January 2009 and for delay beyond this no time extension had been granted. Reply was silent about defective construction of the building.

Tourist Complex, Daltonganj

2.1.11.2 Construction of Tourist Complex, Daltonganj was completed (October 2011) at a cost of ₹ 1.19 crore after a delay of 37 months from scheduled date due to delay in execution by the contractor. However, the TC could not be made operational (September 2015) due to non-handing over of the building by the construction contractor up to October 2014 because of non-payment of his final bill in the absence of technical sanction of extra work by the Department. Thus, despite incurring expenditure of ₹ 1.19 crore the TC remained idle (September 2015) and the purpose of generating tourism was defeated.

Management stated (September 2015) that due to non-handing over of the building by the Department, the unit could not be handed over to the lessee.

The fact remains that due to lack of coordination between Department and the Company building was lying idle for 48 months.

***Aaram* Behragora**

2.1.11.3 Construction of *Aaram* Behragora was scheduled to be completed by October 2008 at a cost of ₹ 77.88 lakh. The contractor had stopped (May 2009) the work and the Company paid (February 2010) the 1st running bill of ₹ 30.88 lakh.

Department instructed (February 2011) the Company to issue notice to the contractor to restart the work within a week, else terminate the work and take action as per the agreement. We noticed that the Company did not take any action on the instruction of the Department.

The Department again directed (March 2013) the Company to terminate the agreement after taking final measurement of the work. However, the Company failed to take action even after a delay of 50 months. As a result the work was lying incomplete (September 2015) and the expenditure of ₹ 30.88 lakh became infructuous defeating the very purpose of the project.

Management stated (September 2015) that they have forfeited the security deposit and initiated action to blacklist the contractor.

Fact remains that responsibility for delay of 76 months in taking action by the Company is yet to be determined.

Construction of Banquet hall, Food Court, Health club and Tourist cottage at Urwan

2.1.11.4 Construction of Banquet hall/Conference hall and Food Court at Urwan was completed at cost of ₹ 2.23 crore and ₹ 1.97 crore in September 2011 and January 2015 after a delay of 12 months and 53 months respectively from scheduled date. The delay was mainly due to belated handing over of design and drawing and technical sanction of extra work by the Department and delay in payment of the contractor’s bill by the Company.

Further, construction of Health Club and Tourist Cottage could not be completed (July 2015) even after a delay of 58 months and 62 months respectively from schedule date of completion due to delay in technical sanction of extra work, delay in providing drawing and design by the Department and lackadaisical approach of the contractors. As of June 2015 the Company had incurred expenditure of ₹ 67.43 lakh and ₹ 37.51 lakh on construction of Health Club and Tourist Cottage respectively.

The Banquet hall/Conference hall and Food Court was lying idle as of September 2015 due to non-selection of Authorisee. It was also noticed during joint physical verification (July 2015) of the Banquet/Conference hall by the audit team along with the Company official that the basement of the building was submersed in

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water and seepage and cracks appeared on the walls indicating poor quality of construction.

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We observed that construction of Banquet/Conference hall, food court, health club and tourist cottage at Urwan at a cost of ₹ 5.25 crore was not justified as the yearly average arrival of visitors at Urwan during the previous five years[12] up to 2014-15 was only 576 of which only 143 visited for tourism purpose. Further, during the same period the average annual income of the existing tourist complex at Urwan was only ₹ 2.25 lakh and its losses increased from 44 *per cent* in 2010-11 to 93 *per cent* in 2014-15. Thus, investment made on construction of Banquet/Conference hall, food court, health club and tourist cottage at such isolated area is not justifiable.

The Government in the exit conference stated (October 2015) that construction had been done to develop Urwan as tourist destination.

Reply is not acceptable as Government should have considered the past data of the existing tourist complex in the same premises before arriving at such decision involving several crore of tax payers' money.

Hotel Ratan Vihar, Dhanbad

2.1.11.5 Renovation of hotel Ratan Vihar (old block) was scheduled to be completed by September 2007 at a cost of ₹ 43.55 lakh. The contractor was paid ₹ 23.48 lakh up to March 2008. Thereafter, the renovation work was pending as the Company failed to get the work executed through existing or new contractor. As a result the hotel was not usable and lying idle (September 2015). Thus, the expenditure of ₹ 23.48 lakh became infructuous and intended benefits of accommodation to customers could not be provided.

Management replied (September 2015) that despite correspondences the contractor had not restarted the work.

[12] Occupancy data of 2011-12 and income and expenditure of 2013-14 were not available.

Reply is not acceptable as the management should have terminated the agreement and taken penal action against the contractor.

Recommendation:

The Company should remove the bottlenecks in execution of projects and ensure that projects are completed within scheduled time. The Department should ensure viability of the project before making investment on projects.

2.1.12 Transport services

Luxury bus

2.1.12.1 The Company purchased (March 2006) 18 seater air-conditioned (AC) luxury bus for local site seeing in Ranchi district by tourists at a cost of ₹ 15.08 lakh. The AC compressor of the bus was got replaced (November 2010) through a authorised dealer, however, it again went out of order (October 2011) within the warranty period. The defects could not be rectified as the Company approached (August 2012) the dealer after expiry of warranty period and welding work on compressor was got done locally by the Company.

We observed that against the running and maintenance expenditure of ₹ 12.75[13] lakh, the Company could earn income of ₹ 6.45 lakh only during 2006-07 to 2013-14 (up to February 2014) from operation of the bus. The AC compressor remained unserviceable and the bus could be operated only in winter season. Further, the bus was lying idle since February 2014, the reasons for which were not on record.

Management replied (September 2015) that bus is a machinery item and defect is beyond the control of any one.

Reply of the management is not acceptable as though the AC compressor went out of order within warranty period, the Company approached the dealer for its repair after expiry of warranty period.

City Bus Services

2.1.12.2 Urban Development Department, GoJ had nominated (December 2009) the Company as special purpose company to operate City Bus Services in Ranchi (70 buses), Jamshedpur (50 buses) and Dhanbad (70 buses) with the condition that the Company would be neither entitled for any share in surplus income, nor liable for any shortfall in income over expenditure.

As per notification (August 2010) of Department of Urban Development, GoJ, the Company had to transfer buses to the urban Bodies after getting stability in operation. The Company operated the city bus services up to July 2014 at Jamshedpur, up to August 2014 at Dhanbad and up to March 2015 at Ranchi. The respective Municipal Corporation had not taken over (April 2015) the buses and the buses were lying idle despite several reminders by the Company.

[13] Excluding wages of staff for the period 2011-12 to 2013-14.

The operational performance of the City Bus services of the Company over the past five years *i.e.* up to 2014-15 is depicted in **Table 2.1.3.**

Table 2.1.3

(₹ in crore)

Year	Income	Expenditure	Profit/ (loss)	Percentage of profit
2010-11	2.99	2.59	0.40	13
2011-12	3.46	4.67	(1.21)	(35)
2012-13	3.55	4.69	(1.14)	(32)
2013-14	3.44	4.81	(1.37)	(40)
2014-15	2.42	2.88	(0.46)	(19)

(Source: Data provided by the Company)
Above does not include HO expenditure, depreciation and other provisions.

It is evident from the above table that the City Bus Services earned profit only in 2010-11 and, thereafter, it suffered losses in all the years. The annual losses as a percentage of income ranged between eight to 27 *per cent* in Ranchi, 56 to 103 *per cent* in Jamshedpur and 70 to 102 *per cent* in Dhanbad during 2011-12 to 2014-15. The main reasons for losses were fixation of tariff without carrying out Cost Benefit Analysis, non revision of tariff despite increase in diesel prices, high consumption of diesel and low capacity utilisation.

We further observed that:

- On an average only 30 to 36 buses out of 70 buses in Ranchi and only nine to 21 buses out of 70 buses in Dhanbad were plying per day on road during 2010-11 to 2014-15 for want of man power. However, the Company had not levied any penalty on the manpower supplying agencies as provided in the agreement.

- As on 31 March 2015, against the outstanding dues of ₹ 50.08 lakh for use of buses by the government offices, dues of ₹ 38.74 lakh were outstanding for three years. However, action taken by the Company for recovery of the dues after March 2013 was not on record.

Management accepted (September 2015) that outstanding dues had not been received despite several reminders to the debtors and stated that since there was no shortage in supply of manpower, penalty had not been recovered from the manpower supplying agency.

Reply is not acceptable as no correspondence with the debtors after March 2013 was found in records and the buses were lying idle for want of manpower as was seen from the records of the Company.

2.1.13 Internal control and monitoring mechanism

Internal control and Monitoring are essential parts of the management activity. An efficient and effective system helps the management in achieving its laid down objectives, compliance to procedures and financial discipline.

Following deficiencies were observed in the internal control and monitoring system prevalent in the Company:

- the Company had no internal audit wing of its own and work of internal audit had been conducted by the firm of Chartered accountants up to 2010-11 and thereafter the Chartered Accountants had not been appointed for conducting internal audit;
- the Company had not prepared any Operating Manual and Internal Audit Manual;
- the hotel managers/incharge city bus service had not deposited the revenue in the Company's account and kept ₹ 5 lakh to ₹1.62 crore for a period of three months to four years with themselves;
- the Company had also not taken prompt action against lessees/authorisees for violating the terms of lease/authorisation agreements;
- the Company had not developed system of periodic/surprise inspection of hotels to check the functioning of hotels/TCs;
- the Company had not developed system of periodic physical inspection of leased properties;
- the Company had not done the annual physical verification of its fixed assets.

Management accepted (September 2015) the audit observation.

Recommendation:

The Company needs to create internal audit wing and to prepare operating manuals. The Company should conduct physical verification of assets regularly.

Conclusion and Recommendations

- During 2010-11 to 2014-15, the utilisation of available funds ranged between 3 to 44 *per cent* of funds received from Government of India and 7 to 85 *per cent* of funds received from the State Government due to delay in execution of infrastructure development works.

The Company should efficiently utilise the funds by executing the infrastructure development works in a timely manner.

- Due to non-collection of service tax from the customers/lessees during October 2007 to March 2013, the Company paid service tax amounting to ₹ 43.35 lakh from its own resources.

The Company needs to collect statutory dues regularly from customers/lessees.

- Due to delayed formulation of tourism policy and non-preparation of long-term plans and action plans by the Department/Company, development of tourism in the State could not be ensured in a planned manner.

The Department and the Company should prepare long term plan and action plans for development of tourism in the State.

- The Occupancy of the hotels/TCs ranged between 21 *per cent* and 35 *per cent* as against all India average occupancy ranging between 60 *per cent* and 62 *per cent* during 2010-11 to 2013-14 due to poor condition of buildings of hotels, lack of basic amenities, lack of qualified manpowerand inadequate marketing of hotels.

The Company needs to improve basic amenities in its hotels/TCs and take aggressive steps for publicity and advertisement through electronic media, news papers, fairs, booklets *etc.* to promote its hotels/TCs in the face of stiff competition from private operators.

- Out of 38 properties (Hotels, Tourist complexes, Tourist information centres etc.) received by the Company for operation and maintenance on PPP mode, the Company could not operationalise 35 properties due to non selection of authorises and delays in execution of authorisation agreement, submission of DPRs and upgradation work by the authorisees.

The Company should take effective steps to ensure timely operationalisation of properties under PPP mode as per authorisation agreements.

- The Company failed to enforce the terms and conditions of the lease agreements in case of three Tourist Complexes resulting in non-recovery of dues towards lease rent, service tax and penalty.

The Company should act strictly as per the terms and condition of the lease agreements.

- In respect of eight infrastructure development projects there were significant delays in completion of works ranging from 12 months to 76 months due to delays in execution of works by the contractors, technical sanction of extra work by the Department and payment of contractors' bills by the Company. Further, investment of ₹ 5.25 crore was made on infrastructure development at Urwan without assessing the profitability of the project.

The Company should remove the bottlenecks in execution of projects and ensure that projects are completed within scheduled time. The Department should ensure viability of the project before making investment on projects.

- The Company had no internal audit wing and had not prepared any operating manual. The Company had also not conducted annual physical verification of assets.

The Company needs to create internal audit wing and to prepare operating manuals. The Company should conduct physical verification of assets regularly.

2.2 IT Audit on "Systems for collection of Baseline Data and Applications for Energy Accounting in Jharkhand Bijli Vitran Nigam Limited under R-APDRP"

Executive Summary

Introduction

With focus on actual demonstrable performance in terms of sustained reduction in Aggregate Technical and Commercial (AT&C) losses and establishment of reliable automated systems for collection of accurate base line data, the Ministry of Power (MoP), Government of India (GoI) launched (December 2008) Restructured Accelerated Power Development and Reforms Programme (R-APDRP) through adoption of Information Technology (IT) in the areas of energy accounting.

The project was to be completed within three years from the date of sanction by MoP. The funds were to be provided as loan through Power Finance Corporation (PFC) which would be converted into grant of GoI only after completing the project within the prescribed time line. In Jharkhand, MoP sanctioned ₹ 225.72 crore in September 2009 for implementation of R-APDRP in 30 project towns.

We conducted an IT audit of Systems and Applications established under R-APDRP and analysed the data, assessed various controls built therein to ensure security, accuracy, completeness and reliability of data. Following are the main audit findings:

Financial position

- Out of total ₹ 75.96 crore received as loan from PFC and ₹ 65.11 crore received as loan from Government of Jharkhand (GoJ) during 2009-2015, only ₹ 56.95 crore (77 *per cent*) and ₹ 15.94 crore (24 *per cent*) respectively were utilised as on September 2015. The under utilisation of funds was mainly due to delay in execution and non-achievement project milestones.

(Paragraph 2.2.6)

Planning and implementation of IT infrastructure

- As of October 2015, only 17 out of 30 project towns have been declared 'Go-live' as against the extended timeline of September 2015 for completion of the project. Further, IT system and applications were not fully operational even after lapse of four and half years of initiation of the project. The main reasons for delay in completion of the project were delay in appointment of IT Implementing Agency (ITIA), incomplete asset mapping and consumer indexing by ITIA, inadequate manpower and deficient Detailed Project Reports (DPRs).

More than 60 *per cent* of installed Feeder/Distribution Transformer/Boundary meters were either defective or not transmitting data to the Data Centre. As such objective of complete energy accounting was defeated.

(Paragraph 2.2.7.1)

• The work of Annual Maintenance Contract (AMC) and on-site support for Data Centre (DC) and Data Recovery Centre (DRC) was not awarded after October 2014. As a result, ITIA had stopped (February 2015) operations at DRC due to non working of DG sets, CCTV system, AC systems, electrical equipments etc. Absence of proper maintenance and deficiency in the infrastructure poses serious threat to the security of the systems, servers and data.

(Paragraph 2.2.7.4 (ii))

• The Company prepared DPRs in-house and submitted (August 2009) to PFC before appointment of the IT Consultant. Due to deficient DPRs, the actual quantities and cost of items increased up to 158 *per cent* and 295 *per cent* respectively during execution. The increased quantities and cost are yet to be approved by PFC.

(Paragraph 2.2.7.5)

Observations on Application Software

• The IT application lacked input and validation controls to ensure capturing all meter-data from installed Feeder/Distribution Transformer/Boundary meters in the system. As a result day-wise meter transmission reports in case of 4513 out of 6793 meters were missing for days ranging between two to 1460 days thereby defeating the objective of complete energy accounting.

(Paragraph 2.2.8.1)

• The Company had no documented backup and restoration policy. As such, there was risk of accidental loss of data which may not be retrievable in absence of such policies.

(Paragraph 2.2.8.2)

• As the Company could not achieve the objective of 100 *per cent* metering of consumers, existing un-metered consumers in R-APDRP project area led to generation of erroneous AT&C loss reports.

(Paragraph 2.2.8.3)

2.2.1 Introduction

The Ministry of Power (MoP), Government of India (GoI) launched (December 2008) Restructured Accelerated Power Development and Reforms

Programme (R-APDRP) Part-A and Part-B with focus on actual demonstrable performance in terms of sustained reduction in Aggregate Technical and Commercial (AT&C) losses and establishment of reliable automated systems for collection of accurate base line data by adoption of Information Technology (IT) in the areas of energy accounting in the urban areas with a population of more than 30,000.

The programme also envisaged installation of Supervisory Control and Data Acquisition (SCADA)/ Distribution Management System (DMS)[1] in the towns having a population over four lakh and annual energy input of 350 million units. The Power Finance Corporation (PFC) was the 'Nodal Agency' for operationalisation and implementation of the programme.

Activities to be covered under Part-A *inter-alia* included determination of base-line AT&C losses, Geographic Information System (GIS) mapping of the distribution network and Consumer Indexing, automatic data logging for all Distribution Transformers (DTRs) and Feeders to a centralised Data Centre, adoption of IT applications for meter reading, billing and collection, energy accounting and auditing; Management Information System; establishment of IT enabled Consumer Service Centre etc. Further, distribution network strengthening projects were to be covered under Part-B.

Jharkhand Bijli Vitran Nigam Limited (Company) has taken up the implementation of R-APDRP, Part-A, in the State. Out of 30 project towns, 17 have been declared 'Go-live' (October 2015). Further, the work of Part-B and SCADA are yet to be taken up.

2.2.2 Audit Objectives

The IT audit was conducted to:

- gain assurance that adequate planning was done for implementation of the IT system as envisaged under the programme and that the project was implemented economically, efficiently and effectively in order to meet objectives of the programme; and

- verify that adequate controls were in place to ensure security, accuracy, reliability and consistency of data in order to fulfil the business requirements of the Company;

2.2.3 Audit Criteria

Audit criteria were derived from the following sources:

- Programme guidelines of R-APDRP issued by MoP, GoI;

[1] A reliable and automated state of art system for real time monitoring and control of urban power distribution network encompassing all distribution sub-stations to achieve loss minimisation, load balancing and improvement in voltage and efficient planning of network for future growth.

- Detailed Project Reports (DPRs) of the programme;
- Request For Proposals (RFPs);
- Instructions issued by MoP, GoI/PFC and the Government of Jharkhand (GoJ) in this regard; and
- Best IT practices.

2.2.4 Organisational Set-up

As per provisions in R-APDRP guidelines, the scheme was to be implemented in the State by erstwhile Jharkhand State Electricity Board (JSEB) and after its unbundling, by distribution utility- Jharkhand Bijli Vitran Nigam Limited (Company).

Under the provision of Memorandum of Agreement signed (July 2009) by MoP, PFC, GoJ and the Company for implementation of the programme in Jharkhand, a Distribution Reforms Committee was constituted (March 2011) under the Chairmanship of the Chief Secretary, GoJ to monitor the projects under R-APDRP at the State level. The Principal Secretary, Energy Department, GoJ, the Chairman and the Member (Distribution) of the Company were its members.

The General Manager, R-APDRP of Company was appointed (January 2009) as Nodal Officer for implementation of the programme, assisted by 13 Electrical Superintending Engineers of Electric Supply Circles of the Company, who were designated as CEOs to supervise the work at field level. The organisational chart of the Company for implementation of project is given in **Annexure-2.2.1**.

2.2.5 Audit Scope and Methodology

The IT audit was conducted during April to July 2015 covering the period 2008-2015. The records relating to implementation of the project were test-checked in the offices of General Manager (R-APDRP) and In-charge, Data Centre, Ranchi. Eight[2] project towns along with their Circle offices were selected to verify the implementation of the project at field level. We obtained (June 2015) the R-APDRP databases and analysed (July-August 2015) the same using IDEA (a computer assisted audit tool) to ascertain reliability, accuracy and consistency of data.

We discussed the audit objectives, criteria, scope and methodology with the Managing Director (MD), Company in an entry conference held on 15 June 2015. The draft report was issued to the Management and the Government on 12 August 2015. The exit conference was held on 26 October 2015 with the Principal Secretary, Department of Energy, GoJ and MD of the Company. The reply of the

[2] Lohardaga (pilot town), Dumka (one out of the two Go-live projects) and six project towns (Chakardharpur, Jamshedpur, Dhanbad, Chaibasa, Ranchi and Mahijam) from the remaining 27 projects by adopting simple random sampling method.

Management and views of the Government in exit conference have been incorporated suitably.

2.2.6 Financial Performance

Funds for the project were to be provided in form of loan from PFC which was to be converted into grant of GoI only after completion of the project within the timeline (upto September 2012 extended upto September 2015) prescribed by PFC.

For Jharkhand, MoP sanctioned (September 2009) ₹ 225.72 crore under R-APDRP Part-A for 30 project towns (**Annexure-2.2.2**) of which GoI sanctioned a loan of ₹ 160.61 crore routed through PFC and remaining ₹ 65.11 crore was sanctioned as loan by Government of Jharkhand (GoJ).

Details of funds received as loan from PFC as well as GoJ and expenditure incurred therefrom is given in **Table - 2.2.1** below:

Table 2.2.1

(₹ in crore)

Year	Funds from PFC		Funds from GoJ	
	Receipt	Expenditure	Receipt	Expenditure
2009-10	30.00	-	-	-
2010-11	-	0.10	-	-
2011-12	18.18	20.84	37.26	0.08
2012-13	-	12.06	27.85	4.77
2013-14	27.78	20.78	-	5.77
2014-15	-	3.17	-	5.31
2015-16 (upto September 2015)	-	1.50	-	-
Total	**75.96**	**58.45**	**65.11**	**15.93**

(Source: Information furnished by the company)

It may be seen from the above table that as of September 2015, total amount of ₹ 75.96 crore was received as PFC loan, of which ₹ 58.45 crore (77 *per cent*) was utilised; and ₹ 65.11 crore was received as loan from GoJ, of which ₹ 15.93 crore (24 *per cent*) was utilised. The under utilisation of funds was mainly due to delay in execution and non-achievement project milestones.

2.2.7 Planning and implementation of IT infrastructure

2.2.7.1 Non-fulfilment of objectives due to tardy execution of the project

As per programme guidelines, Part-A projects were to be completed within three years of sanction of the projects *i.e.* by September 2012. Subsequently, time extension was granted by GoI up to September 2015 with stipulation that no further extension would be granted and the conversion of loan to grant would be limited to the towns completed till extended time. The project on completion would have ensured 100 *per cent* energy accounting with a view to reduce AT&C losses.

Only 17 out of 30 project towns have been declared 'Go-live' as of October 2015 and IT system and applications were not fully operational even after lapse of four and half years

We noticed in audit that only 17 out of 30 project towns have been declared 'Go-live' as of October 2015. Also, the IT system and applications were not fully operational even after lapse of four and half years of award of work against the targeted period of eighteen months. The main reasons for delay in completion of the project were delay in appointment of IT Implementing Agency (ITIA), incomplete asset mapping and consumer indexing by ITIA, inadequate manpower and deficient Detailed Project Reports (DPRs) as discussed in paragraphs 2.2.7.2, 2.2.7.3, 2.2.7.5 and 2.2.7.6.

We also noticed that more than 60 *per cent* of Feeder/DTR/Boundary meters were either defective or not transmitting data to the Data Centre. As such objective of the project to ensure complete energy accounting was defeated.

Further, post Go-live activities like consumer billing and collection, new connection, disconnection were not done through the system and reports regarding AT&C loss, high loss feeders, Feeder/DTR wise performance were not being generated due to lack of familiarity of Company staff with the system.

In reply, the Management stated (December 2015) that 17 towns have been declared 'Go-live' upto October 2015 and correction of the erroneous data in all modules is being initiated as per findings of the Core Committee.

Fact remains that had the correction of data was initiated earlier, the project could have been completed timely. As of December 2015, 13 towns are yet to be declared 'Go-live'.

Recommendation:

The Company should fix a specific timeline for completion of the project and initiate post Go-live activities immediately to achieve its intended objectives.

2.2.7.2 Delayed appointment of IT Implementing Agency

As per programme guidelines, an IT Implementing Agency (ITIA) was to be appointed on turnkey basis only from the panel of ITIAs notified by PFC. The ITIA was to supply, install and commission an integrated solution within the broad framework provided in the System Requirement Specification (SRS) document. It was responsible for integration of the IT systems created under the programme in all project areas, Centralised Customer Care Centre, Data Centre and Disaster Recovery Centre.

Against the target of completion of the project within three years, 14 months elapsed only in selection of ITIA

For ITIA selection, a tender was floated (September 2010) and Letter of Intent (LoI) was issued (January 2011) to the successful bidder, M/s HCL Infosystems Ltd. at a cost of ₹ 138.31 crore with the completion period of 18 months from the date of LoI.

Though, the entire project was to be completed within three years from the date of sanction (September 2009), 14 months elapsed only in selection of ITIA.

The Management accepted (December 2015) the audit observation.

2.2.7.3 Incomplete Asset Mapping and Consumer Indexing

ITIA was to carry out Differential Global Positioning Survey (DGPS) for Geographic Information System (GIS) Asset Mapping of all electrical networks *viz*. High Tension/Low Tension lines, Poles, Distribution Transformers, Power Sub-Stations and Consumer Indexing. As directed by PFC, the field officers/line men at the sub-division level of the Company were also to be associated with ITIA to expedite the GIS work.

We noticed in audit that ITIA placed orders to National Remote Sensing Centre (NRSC), Department of Space, GoI, Hyderabad for procuring satellite imagery of eight project towns in November 2011 and of remaining 22 towns in January 2012. On receipt of the imageries, activities of GIS mapping and consumer indexing started (March 2012). But the progress of work was not satisfactory as the manpower deputed by ITIA was insufficient.

We also noticed that the GIS data, Consumer Indexing and Asset Mapping for Lohardaga project town (pilot town) was completed in October 2012. Further, Asset Mapping of 26 towns and Consumer Indexing of 20 towns were completed in October 2015. But these activities were yet to be completed in three major project towns viz. Ranchi, Dhanbad and Jamshedpur (October 2015).

In reply, the Management stated (December 2015) that ITIA is being pursued for deputing adequate manpower to complete the Asset Mapping and Consumer Indexing of remaining towns.

The reply is not acceptable as Asset mapping of three major towns and Consumer Indexing of nine towns covering almost 75 *per cent* of total consumers are yet to be completed.

2.2.7.4 Deficiencies in setting-up of Data Centre and Disaster Recovery Centre

(i) Undue favour extended to the contractor

As per RFP, ITIA was to set-up a Data Centre (DC) at Ranchi to house computer systems and associated components for providing continuous access to various business process applications of the Company to other offices situated at different sites and store the data. Further, a Disaster Recovery Centre (DRC), was also to be set-up by ITIA at Jamshedpur as replica of the DC for redundant backup of data. The works were to be completed within 12 months from the date of LoI *i.e.* by January 2012. The Company was to provide the DC and DRC buildings to ITIA with complete physical infrastructure.

We noticed in audit that the Company floated RFP (January 2012) for design, supply, installation, commissioning, maintenance and operation of physical infrastructure for DC and DRC. As per RFP, the bidders were to quote for the main BOQ (the critical non IT infrastructure works) items as well as optional BOQ (on-site support and Annual Maintenance Contract) items.

After tender evaluation, LoI for the main BOQ works in DC and DRC was issued (July 2012) to a firm, at a cost of ₹ 7.71 crore with the completion period of 79 days and 120 days respectively. However, the firm had suggested some additional equipment for DC and DRC in their bid itself, though these were not part of either main BOQ or optional BOQ items. The Company decided to procure these additional items from the same firm and placed the work order at a cost of ₹ 3.95 crore without competitive bidding thereby extending undue favour to the firm.

The works of physical infrastructure at DC and DRC were completed and handed over to ITIA in March 2013 and June 2013 respectively and DC and DRC were commissioned in September 2013 and March 2014 respectively.

(ii) Non-operation of DRC

We further noticed that the Company placed the work order (September 2013) for Annual Maintenance Contract (AMC) and on-site support of DC and DRC for one year at a price of ₹ 36.33 lakh to the executing firm. However, the order for AMC and on-site support was not extended after October 2014 and regular maintenance of physical infrastructure was not carried out thereafter. As a result ITIA had stopped (February 2015) operations at DRC due to non working of DG sets, CCTV system, AC systems, electrical equipments etc. Absence of proper maintenance and deficiency in the infrastructure poses serious threat to the security of the systems, servers and data.

ITIA had stopped operations at DRC due to non working of DG sets, CCTV system, AC systems etc.

The Management, while accepting the audit observation, stated (December 2015) that the work of AMC and on-site support was being done by untrained manpower. However, the reply was silent on placing work order for additional equipment without competitive bidding and non-awarding of AMC to any firm.

Fact remains that had the AMC been awarded to any competent firm, the DRC could have been functioning properly and security of Systems and data could have been ensured.

Recommendation:

The company should deploy a competent firm for maintenance of DC and DRC to ensure security of systems and data.

2.2.7.5 Deficiency in preparation of DPRs

As per R-APDRP guidelines, the Company was to prepare DPRs for each project area either with the help of IT consultant empanelled by PFC or in-house in case they have skill and expertise so that a realistic DPR could be prepared.

We observed that the Company prepared the DPRs in-house for the selected project towns under Part-A and submitted (August 2009) to PFC before appointment of IT Consultant. The Steering Committee constituted by MoP approved (September 2009) DPRs of 30 project towns for ₹ 225.72 crore.

Due to deficient DPRs, BoM quantities were increased upto 158 *per cent* and cost of items increased upto 295 *per cent*

However, Bill of Materials (BoM) in the DPRs were subsequently increased upto 158 *per cent* and cost of items increased upto 295 *per cent* during execution. The increase in quantities and cost is yet to be approved by PFC (October 2015). Thus, DPRs prepared by the Company were deficient.

In reply, the Management accepted (December 2015) the audit observation.

2.2.7.6 Inadequate manpower

Company created (November 2010) 20 posts of Assistant Engineer (IT) against which 13 posts were filled and further hired (November 2013) 30 IT engineers through outsourcing at an annual cost of ₹ 1.23 crore; it deployed one engineer in each project town. Further, MoP directed (March 2014) to deploy at least one more IT professional in each of the 30 towns and 10 professionals for addressing the software/hardware issues at Data Centre as the scarcity of dedicated IT manpower was severely hampering the implementation of the programme.

Further, a committee, constituted (July 2013) to frame service rules, cadre rules and working arrangement of IT engineers in the Company, recommended (November 2013) the creation of two posts of Chief Engineers (IT), eight Superintending Engineers (IT), 18 Executive Engineers (IT) and 49 Assistant Engineers (IT). But the Company failed to appoint any IT engineers. Thus, the requirement of human resource for operation of the IT system established under R-APDRP was not adequately addressed.

In reply, the Management stated (December 2015) that one post of General Manager (IT), four posts of Deputy General Manager (IT), 10 posts of Sr. Manager and 20 posts of Assistant Engineers have been created.

However, the fact remains that no additional IT engineer has been recruited so far.

Recommendation:

The Company should recruit adequate IT manpower immediately.

2.2.7.7 Insufficient Capacity Building

As per RFP, ITIA had to organise professional training of 31 days to 60 Executive Engineers, 200 Assistant Engineers/Junior Engineers and 30 Senior Managers comprising of core implementation group of the Company across business functions and IT. End User training was also to be imparted to the teams comprising of five to ten persons on a 'Train the Trainer' basis, who would in turn train other end users. The training was to be coordinated within the overall project implementation strategy.

We noticed in audit that ITIA organised (July 2015) two days 'Training for Trainer' on modules on Metering, Billing and Collection for 'Go-live' towns in which only 32 officers of higher and middle management were trained. Thus, adequate training was not imparted by ITIA for efficient use of the system.

In reply, the Management stated (December 2015) that ITIA appraises the procedure of working of software modules to the field officials as and when required in addition to two trainings at headquarter level.

The reply confirms that training was not imparted as stipulated in the RFP.

Recommendation:

The Company should organise professional training as envisaged in the RFP.

2.2.8 Observations on Application Software

An Application software solution was envisaged in the R-APDRP guidelines to cater to the functions of the Company, which was to be deployed on a centralised architecture wherein various offices of Company were to be connected to the system through Data Centre. The software was conceptualised to enable Company in receiving data of energy import and energy export from the entire distribution network viz. Feeders, Ring Fence (RF) i.e. Boundary and Distribution Transformers (DTRs) in order to serve requirements for energy accounting, auditing and reporting.

These services were re-usable across multiple technologies, languages and operating systems, and could also be accessed by the applications on different devices, like a Smart phone. Services could be utilised by the internal utility Web Applications, Customer Self Service and Customer Care Services portals.

In order to achieve the stated goals of R-APDRP, the application software was developed by ITIA as a web application for facilitating the availability of real time information across the distribution network and between field offices and higher management. However, given the connectivity challenges faced in the state a dedicated Multi-Protocol Level Switching (MPLS) connectivity was also established by a Network Broadband Service Provider with the secondary connectivity support of V-SAT.

We observed that all 17 modules (**Annexure-2.2.3***)* of the R-APDRP application were deployed at the Data Centre and user access profiles had been created for generating reports and deriving AT&C losses, DTR wise as well as Feeder wise for any project town. Audit observations on data analysis are discussed in succeeding paragraphs:

2.2.8.1 Inadequate input and validation controls

In R-APDRP application for energy accounting, metering was to be done for energy import and export from Feeder level to DTR and Boundary meters. To capture the inputs from various meters, a communicating device was to be installed in all Meters, which transmits the meter-readings directly to the Data Centre at a 30 minutes periodicity. A consolidated energy consumption report was also to be transmitted for each meter once a day. These day-wise consolidated figures are then processed for Energy accounting purposes viz. generating reports of AT&C losses, Transmission and Distribution losses, billing etc.

Day-wise transmission reports of 4513 meters were missing for days ranging between two to 1460 days

We noticed during data analysis that out of 9654 Feeder/DTR/Boundary meters installed, the communicating devices were installed in only 6793 meters. We further noticed that out of these 6793 meters, day-wise transmission reports of 4513 meters were missing for days ranging between two to 1460 days. Some illustrative cases of these meters are given in **Annexure-2.2.4**. As such the quantum of energy exported/imported/consumed in respect of these meters was not accounted for which led to erroneous reporting of AT&C losses.

This clearly indicates that the application does not have input and validation controls to ensure capture of meter-data from all meters into the system. Data-inputs of meter-reading in respect of all meters are mandatory to ensure completeness of data for calculating the AT&C losses, as reduction in AT&C losses is the main objective of R-APDRP.

On being asked for reasons for non-transmission of data by these meters, the Company stated (August 2015) that main reasons for the above were disconnected and defective meters, burnt/damaged communicating devices and non-compatible meters installed.

In reply, the Management corroborated the facts raised in the audit observation and stated (December 2015) that ITIA has been directed to ensure the consistency, reliability and completeness of the data.

Recommendation:

The company should address the input and validation control issues pointed out above to ensure consistency, reliability and completeness of data. Responsibility may also be fixed on individual officers for such failure.

2.2.8.2 Inadequate controls for Data Security

Business Continuity Planning (BCP) is the preparation and testing of measures that protect business operations and also provide the means for recovery of data in the event of any loss, damage or failure of facilities. A sound backup policy, a well documented user and password policy should be prepared before commissioning of the system.

We noticed during audit that the Company had no documented backup and restoration policy as of now, even though 17 project towns have been declared 'Go-live'. Thus, there was a risk of accidental loss of data, which may not be retrievable in absence of such policies.

We further noticed that there were no documented user/password policies. Normal password controls procedures viz. restriction on unsuccessful login attempts by the users or automatic lapse of password after a predefined period or system enforced periodical change of password were absent. There was no documentation of active users. Given the above, risk to data security is inferred as high.

The Management stated (December 2015) that System Requirement Specification (SRS) contained storage and backup policy. ITIA has to complete user acceptance testing as per SRS only.

The reply is not acceptable as the database also contained data of 17 'Go-live' towns which could be secured only after adopting these policies.

Recommendation:

The Company may devise a Business Continuity Plan to mitigate the risk of data security.

2.2.8.3 Un-metered consumers in R-APDRP project area

As per the objective of the R-APDRP, each and every point of energy input and energy output should be accounted for in the entire project area (towns) to measure the accurate AT&C losses.

We noticed in audit that 437 consumers in the Lohardaga project town were unmetered and being billed at a flat rate as per Rural Tariff plan. As such, in the absence of metering devices, energy usage data of the town and the accuracy of the loss calculated through the system was affected.

In reply, the Management stated (December 2015) that all Electric Superintendent Engineers (CEOs) have been directed to ensure 100 *per cent* metering of consumers in all project-towns.

The fact remains that metering of all the Consumers in the project towns was not done so far.

Recommendation:

The Company should meter all consumers for accuracy and completeness of baseline data in the system.

2.2.8.4 DC and DRC established in the same seismic zone

Seismic zone is a region where seismic activity remains fairly constant. Each nation has divided entire area in various zones. From data recovery site selection perspective, Primary and Data Recovery sites should be preferably in different seismic zones as it would help to curb issues arising from various seismic activities like earthquake etc.

DC and DRC established in same seismic zone.

We noticed in audit that the DC and DRC established in September 2013 and March 2014 at Ranchi and Jamshedpur respectively falls under the same seismic zone. As such providing uninterrupted services to its customers and end users by the Company may not be ensured during seismic disasters.

The Management accepted (December 2015) the observation.

Conclusion and Recommendations

- As of October 2015, only 17 out of 30 project towns have been declared 'Go-live'. Further, IT system and applications were not fully operational even after lapse of four and half years of start of the project. More than 60 *per cent* of installed Feeder/Distribution Transformer (DTR)/Boundary meters were either defective or not transmitting data to the Data Centre, thereby defeating the objective of the project to ensure complete energy accounting.

The Company should fix a specific timeline for completion of the project and initiate post Go-live activities immediately to achieve its intended objectives.

- Due to non-award of work for Annual Maintenance Contract (AMC) and on-site support for Data Centre (DC) and Disaster Recovery Centre (DRC) after October 2014, the maintenance of assets of DC and DRC was not carried out properly. As a result, IT Implementing Agency (ITIA) had stopped operations at DRC due to non working of DG sets, CCTV system, AC systems, electrical equipments etc.

The company should deploy a competent firm for maintenance of DRC building to ensure security of systems and data.

- Due to deficient Detailed Project Reports (DPRs) prepared by the Company, the actual quantities and cost of items increased up to 158 *per cent* and 295 *per cent* respectively during execution.

- The application lacked input and validation control to ensure capture of all meter-data from installed Feeder/DTR/Boundary meters in the system. As day-wise meter transmission reports of 4513 out of 6793 meters were missing for days ranging between two to 1460 days, thus the objective of complete energy accounting was not achieved.

The company should immediately address the input and validation control issues to ensure consistency, reliability and completeness of data. Responsibility may also be fixed on individual officers for such failure.

- Due to non-achievement of the objective of complete metering, existing un-metered connections in R-APDRP project area led to generation of erroneous report on Aggregate Technical and Commercial (AT&C) losses.

The Company should meter all consumers for accuracy and completeness of baseline data in the system.

- In the absence of documented Business Continuity Plan, there was risk of accidental loss of data.

A Business Continuity Plan may be devised by the Company to mitigate the risk of data security.

Chapter-III

CHAPTER - III

3. Transaction Audit Observations

Important audit findings emerging from test check of transactions made by the State Government companies have been included in this Chapter.

Jharkhand Hill Area Lift Irrigation Corporation Limited

3.1 Loss due to non-claiming refund of tax deducted at source

Non-claiming of refund of tax deducted at source due to late filing of income tax returns by the Company resulted in loss of ₹ 44.82 lakh.

As per section 194A of the Income Tax Act, 1961 (Act), interest earned on fixed deposits is subject to deduction of Income tax at source (TDS) by the payee bank. The TDS is deposited by the bank with Income Tax Department and a certificate in this regard is furnished to the assessee organization under Section 203 of the Act. The assessee company should claim refund of TDS by filing income tax return by due date if its taxable income is nil or there is no/lesser tax liability. Further, Section 239 provides that no refund claim shall be allowed, unless it is made within the period of one year from the last day of assessment year.

Jharkhand Hill Area Lift Irrigation Corporation Limited (Company) had kept its funds in fixed deposits/flexi-fixed deposits with four scheduled banks. On the interest earned by the Company, the banks were deducting TDS for which TDS certificates were issued to the Company. During the financial years 2008-09 to 2013-14 the Company received TDS certificates for ₹ 44.82 lakh from the banks towards the amounts deducted as TDS. However, the Company did not claim the refund for the TDS by filing Income tax returns to which it was entitled since Company was incurring losses since 2003-04.

The Company finalised its annual accounts for 2008-09 and 2009-10 in June 2010 and August 2012 respectively and incurred losses in the both the years. The Company should have filed the Income tax return for the year 2008-09 by March 2011 i.e. prescribed time limit to claim refund of TDS, which was not done. This indicates negligence of the Company resulting in further loss. The annual accounts for the years 2010-11 to 2013-14 are yet to be finalised.

Thus, the Company did not file the Income tax returns for the financial years 2008-09 to 2013-14 and failed to claim the refunds of ₹ 44.82 lakh. The refund of ₹ 33.35 lakh has become time barred under Section 239 of the Income Tax Act, 1961 due to non-filing of the Income-tax returns within the prescribed time limit.

Despite having a Chief Finance Officer, Managing Director and Board of Directors in place the financial interests of the Company were neglected. The above loss clearly indicated absence of adequate internal control measures in the Company to ensure timely finalisation of annual accounts and filing of Income tax returns.

Thus, owing to failure in finalisation of its accounts and submission of the Income tax returns in time, the Company failed in claiming refund of TDS amount; consequently a loss of ₹ 33.35 lakh was suffered and it may suffer a further loss ₹ 11.47 lakh if the TDS refund for the year 2013-14 is not claimed by March 2016 as per provisions of IT Act.

The Company stated (September 2015) that it has engaged Chartered Accountants firm to prepare accounts so that the Income tax returns for the years 2008-09 to 2010-11 could be filed and TDS refunds are claimed. Further, the loss can be determined only when the Company's claim of refund is set aside by the Income Tax Department.

The reply is not acceptable as Section 239 of Income Tax Act, 1961 debars the assessee from claiming refunds beyond the stipulated period of one year from assessment.

The Company should therefore strengthen its internal controls to ensure timely finalisation of accounts and submission of income tax returns to avoid such losses in future.

The matter was referred to the Government (May 2015); their reply is awaited (November 2015) despite reminder dated 29 July 2015.

Jharkhand Urja Utpadan Nigam Limited and Tenughat Vidyut Nigam Limited.

3.2 Irregular expenditure

Irregular expenditure of ₹ 21.70 crore was incurred in executing the drilling and exploration work by two agencies found unqualified in the tender.

Ministry of Coal (MoC), Government of India (GoI) allocated (August 2006) Banhardi coal block to erstwhile Jharkhand State Electricity Board (JSEB) now Jharkhand Urja Utpadan Nigam Limited (JUUNL) and Rajbar coal block to Tenughat Vidyut Nigam Limited (TVNL), both para-statals of Government of Jharkhand (GoJ).In view of tardy progress in mining, the Department of Mines and Geology (Department), GoJ decided (November 2010) to outsource the drilling works on behalf of JSEB and TVNL through a tender.

In response to tender, four bids were received, of which two bids qualified after technical and commercial evaluation and their financial bids were opened, while two bids were declared unqualified due to non-compliance of some conditions[1] of the tender. The rates quoted by one firm (M/s Naresh Kumar & Co.) *i.e.* ₹ 2800 per meter for core drilling (NQ size) and ₹ 3500 per meter for core drilling (HQ size) including all taxes was the lowest. However, the Department empanelled (November 2010) all the four bidders for execution of drilling and exploration works at the L-1 rate including two

[1] Non-deposit of cost of tender in full and submission of bank guarantee for earnest money from private bank in place of a nationalised bank as per the NIT condition.

unqualified bidders *viz.* South West Pinnacle Exploration Pvt. Ltd (SWPE) and Indu Projects Ltd (IPL) stating that they fulfilled the technical parameters. The empanelment of these two bidders was irregular being against the tender provisions.

The Department awarded (January 2011) the work for core drilling, geophysical logging and geophysical survey of 10 Sq. KM of Rajbar coal block jointly to the unqualified bidders at the approved rate. TVNL paid ₹8.67 crore to these agencies after certification of the bills by the Department.

For drilling and exploration of Banhardi coal block, the department proposed (January 2011) to engage SWPE but the MoC cancelled (June 2011) the allocation of the coal block due to delay in operationalisation only to subsequently reallocate it to JSEB in February 2013. JSEB approached (March 2013) the Department for carrying out drilling work through SWPE, which declined to execute the work at the approved rates and demanded additional payment for the amount of service tax (12.36 *per cent*). However, we observed that the approved rate was inclusive of service tax and was valid upto November 2013.

JSEB accepted the enhanced rate demanded and accordingly, the Department awarded (03 May 2013) the workto SWPE at the approved rate plus service tax. JSEB paid ₹13.03 crore to the agency which included an additional amount of ₹1.43 crore on account of service tax. The payment to SWPE was against the provisions of tender and thus irregular.

The Government stated (August 2015) that selection of outsourcing agencies and payment of service tax was done with approval of the competent authority but no justification or details were furnished. The JUUNL stated (September 2015) that they were not in a position to comment or rectify the procedure adopted before placing the work order by the Department. However, in regard to irregular payment of service tax it was stated that amount may be recovered.

The reply of Government is not acceptable as disqualified bidders in techno commercial bid were empanelled. Further, the reply of JUUNL is also not acceptable as JSEB Board gave an ex-post facto approval to an agenda item for award of contract to SWPE, who was not qualified for empanelment and award of the work.

Thus, irregular expenditure of ₹ 21.70 crore (₹ 8.67 crore + ₹ 13.03 crore) was incurred for execution of drilling works by two agencies that were empanelled without being technically and commercially qualified.

Jharkhand Bijli Vitran Nigam Limited

3.3 Avoidable expenditure

The Company incurred avoidable expenditure of ₹ 2.53 crore due to non-adherence to the provisions of the contract.

The Electric Supply Area (ESA), Ranchi of erstwhile Jharkhand State Electricity Board (JSEB), now Jharkhand Bijli Vitran Nigam Limited (Company), outsourced (December 2010) spot billing, computerized billing, bill distribution and allied works to a firm under its Electric Supply Divisions for a period of two years from January 2011 to December 2012.

The Company's Board of Directors approved six extensions of the contract at the same rates during the period January 2013 to December 2015, despite Central Vigilance Commission guidelines for periodic tendering of works. The contract value paid was ₹ 14.47 crore till November 2015.

As per clause 1(1.1)(m) of the contract, the agency was to submit a monthly abstract of the bills of consumers in duplicate with each page of the abstract containing details of minimum 24 consumers; and one copy each of various reports viz. daily collection report, list of disconnected consumers, report of defective meters, zero and average consumption report, category-wise energy sold/assessment/collection/arrears report and meter reading sheet. The payment for preparation of abstract and reports was fixed at ₹ 3.285 per page.

Test check of records revealed (August 2014) that the agency generated three to four copies of the abstract instead of two copies as per scope of work. Further, each page of monthly abstract contained details of only 15 consumers against stipulated number of minimum 24 consumers. Therefore, number of pages in the abstract increased for which an additional amount of ₹ 0.59 crore was paid to the agency. Similarly, the agency supplied two to three copies of other reports instead of one copy as per scope of work.

The Chief Engineer (Commercial and Revenue) instructed (January 2014) to obtain only one copy of the reports and to make photo copies, if required. But these instructions were not complied. The Company paid ₹ 1.94 crore for the additional copies of the reports generated for the period January 2011 to July 2014 that were out of the scope of contract. Thus, additional expenditure of ₹ 2.53 crore (₹ 0.59 crore + ₹ 1.94 crore) was incurred which could have been avoided, if the terms and conditions of the contract were enforced.

Since pointed by Audit in August 2014, the Company started paying only for the contracted number of copies of the reports and monthly abstract taking into account 24 consumers per page and the amount so disallowed has been kept in abeyance.

The Government stated (September 2015) that three to four copies of the reports supplied by the agency were accepted as per requirement for the purpose of monitoring of revenue collection and that details of 24 consumers could not be accommodated as the size of the pages of bills abstract as per work order was not adequate to accommodate details of 24 consumers.

The reply is not acceptable as in the case of reports photo copies could have been taken as earlier instructed by Chief Engineer. In relation to the abstract, if the work order was to be revised for accommodating required information in one page then the fresh award of work was the correct option. However instead, six extensions for the contract period were granted by the Company while irregularly paying for work outside the scope of contract.

Thus, avoidable expenditure of ₹2.53 crore was incurred by the Company due to non-adherence to the provisions of the contract.

3.4 Loss of revenue due to non-conversion of consumers' category

The Company failed to realise revenue of ₹ 55.15 lakh due to non-billing of the consumers as per applicable High Tension Services (HTS) tariff.

The Tariff Orders[2] approved by Jharkhand State Electricity Regulatory Commission (JSERC) provide that Low Tension Supply (LTS) tariff for Non-Domestic Service (NDS) and Low Tension Industrial and Medium Power Service (LTIS) categories are applicable for supply of electricity to LT consumers having connected load upto 100 Kilo Volt Ampere (KVA) or 85.044 Kilo Watt[3] (kW) or 114 Horse Power (HP). The load of above 100 KVA comes under High Tension Service (HTS) category. The tariff for HTS category is higher in comparison to the tariff applicable for NDS and LTIS categories.

Test check of records (March 2015) of Electric Supply Divisions at Ramgarh, Ranchi Central and Doranda of Jharkhand Bijli Vitran Nigam Limited (Company) revealed that seven NDS/LTIS consumers were drawing electricity in excess of connected load as noticed in load inspection of the consumers' premises. Based on inspection, the connected load of the consumers was enhanced, however the billing continued to be done under NDS and LTIS tariff instead of HTS tariff which was in violation of the tariff orders. As a result the Company suffered loss of revenue of ₹ 55.15 lakh as detailed in **Annexure-3.1.**

As the Company was aware of the supply of electricity in excess of permissible load to these consumers, it was incumbent on its part to convert the consumers' category from NDS and LTIS to HTS. Further, recovery of the electricity charges as per applicable tariff is required under Jharkhand (Electricity Supply Code) Regulations, 2005, failure in compliance of which indicates deficient internal control mechanism to enforce the tariff orders issued by JSERC.

[2] Tariff Order 2003-04 (effective from January 2004), Tariff Order 2010-11 (effective from May 2010), Tariff Order 2011-12 (effective from August 2011) and Tariff Order 2012-13 (effective from August 2012).

[3] For NDS category connected load up to 75 KW with effect from January 2004 and connected load up to 85.044 KW (100 KVA) with effect from August 2012.

While accepting the audit observation, the Company stated (September 2015) that the demands for ₹ 55.15 lakh as per HTS tariff has been raised alongwith the energy bills of the consumer. It further stated that the category of two consumers has been changed to HTS and notice has been served to change the category of remaining five consumers.

Fact however, remains that the Company sustained the revenue loss which has not been recovered so far (August 2015).

Thus, due to failure on the part of the Company to apply higher tariffs as applicable, revenue of ₹ 55.15 lakh remained unrealised. This also tantamounts to extension of undue benefit to the consumers.

The matter was referred to the Government (July 2015); their reply is awaited (November 2015) despite of reminder dated 17 August 2015.

3.5 Loss of revenue due to incorrect application of multiplying factor

Incorrect application of multiplying factor in billing of High Tension (HT) consumers resulted in undue benefit to the consumers and non-realisation of revenue of ₹ 2.05 crore with consequential loss of interest of ₹ 73.17 lakh.

When customer load is more than the rated capacity of a meter, the consumption recorded by the meter is resultantly less than actual consumption by the consumer due to a process of transformation that is applied. The meter readings registered by a meter are multiplied by a proportionality factor which is called 'multiplying factor (MF)'for arriving at the actual number of units consumed (KWH) that is billed to the consumer. The MF is fixed at the time of installation of connection, enhancement of load and replacement of meter/ current transformer by Metering Relay and Testing (MRT) Division of the Company.

Scrutiny of records of MRT Division, Electric Supply Circle, Jamshedpur of Jharkhand Bijli Vitran Nigam Limited (Company) revealed (February 2015) that in case of five HT consumers, bills continued to be raised by applying old MF even after MF had been revised on file. The new MF was much higher than the old MF, resulting in lower billing to the consumers. Billing of these consumers at old MF for the periods varying from two to 29 months during the period from August 2012 to January 2015 resulted in short-billing of revenue of ₹ 2.87 crore (**Annexure-3.2).**

On being pointed out (February 2015) by audit, the Company raised (March 2015) supplementary bills for the above amount for the five HT consumers of which ₹ 82.17 lakh was realised (July 2015). Thus, balance amount of ₹ 2.05 crore remained unrealised on which the Company has suffered loss of interest amounting to ₹ 73.17 lakh up to July 2015 at the rate of 13 *per cent* at which the Company was borrowing funds from GoJ.

Thus, undue benefit was extended to the consumers by applying incorrect MF in billing for which responsibility may be fixed. Further, the unrealised revenue of ₹ 2.05 crore and interest of ₹ 73.17 lakh may be actively pursued for recovery.

The Government accepted the audit observation and stated (September 2015) that action for realisation of the short charged amount has been taken. Fact remains that the above amount has not been recovered so far (November 2015).

Ranchi **(S. RAMANN)**
The 05 February 2016 **Accountant General (Audit) Jharkhand**

Countersigned

New Delhi **(SHASHI KANT SHARMA)**
The 09 February 2016 **Comptroller and Auditor General of India**

Annexures

Annexure – 1.1

Statement showing investments made by State Government in PSUs whose accounts are in arrears

(Referred to in paragraph 1.11)

(₹ in crore)

Sl No.	Name of Public Sector Undertakings	Year upto which accounts finalised	Paid up capital as per latest finalised accounts*	Period of accounts pending finalisation	Investment made by State Government during the years of which accounts are in arrears		
					Equity	Loan	Grant
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A	**Working Government Companies**						
1.	Jharkhand Hill Area Lift Irrigation Corporation Limited	2009-10	5.00	2010-11	-	-	-
				2011-12	-	-	-
				2012-13	-	-	5.42
				2013-14	-	-	5.71
				2014-15	-	3.50	5.37
2.	Jharkhand Tourism Development Corporation Limited	2005-06	0.50	2006-07	-	-	-
				2007-08	-	-	-
				2008-09	-	-	-
				2009-10	0.25	-	-
				2010-11	0.50	-	-
				2011-12	1.00	-	-
				2012-13	0.50	-	-
				2013-14	0.25	-	-
				2014-15	0.50	-	-
3.	Greater Ranchi Development Agency Limited	2013-14	35.00 (34.50)	2014-15	10.00	-	-
4.	Tenughat Vidyut Nigam Limited	2005-06	105.00	2007-08 to 2014-15	-	-	-
5.	Jharkhand State Food and Civil Supplies Corporation Limited	-	-	2010-11	5.00	-	94.00
				2011-12	-	-	243.96
				2012-13	-	-	135.00
				2013-14	-	-	-
				2014-15	-	-	-
5.	Jharkhand Industrial Infrastructure Development Corporation Limited	2012-13	10..00 (1.00)	2013-14	2.00	-	-
				2014-15	1.00	-	-
6.	Jharkhand Urja Vikas Nigam Limited	$	-	2013-14	2.10	-	
				2014-15	-	-	-
7.	Jharkhand Urja Utpadan Nigam Limited	$	-	2013-14	2.10	-	-
				2014-15	-	-	-
8.	Jharkhand Bijli Vitran Nigam Limited	$	-	2013-14	2.10	105.70	533.32
				2014-15	-	99.56	2106.63
9.	Jharkhand Urja Sancharan Nigam Limited	$	-	2013-14	2.10	20.24	-
				2014-15	-	679.48	-
10.	Jharkhand Urban Infrastructure Development Company Limited	$	-	2014-15	1.00	-	-
	Total	-	**155.50 (35.50)**	-	**30.40**	**908.48**	**3129.41**

(Source: Data furnished by Government companies)

* The figures appearing in brackets represent Share Application Money.

Annexure – 1.2

Summarised financial position and working results of Government companies and Statutory Corporations as per their latest finalised financial statements/accounts

(Referred to in paragraph 1.14)

(Figures in column 5 to12 are ₹ in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital	Loans outstanding at the end of year	Accumulated profit (+)/loss(-)	Turnover	Net Profit (+)/ Loss (-)	Net impact of Audit comments#	Capital employed@	Return on capital employed$	Percentage return on capital employed	Manpower+
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
A. WORKING GOVERNMENT COMPANIES													
AGRICULTURE AND ALLIED													
1.	Jharkhand State Forest Development Corporation Limited	2012-13	2014-15	0.05	-	24.45	100.25	7.56	0.27	24.5	7.56	30.86	224
2.	Jharkhand Hill Area Lift Irrigation Corporation Limited	2009-10	2013-14	5.00	5.25	(-) 10.41	0.71	(-) 1.34	0.36	(-) 0.16	(-) 1.34	-	176
Sector wise total		**-**	**-**	**5.05**	**5.25**	**14.04**	**100.96**	**6.22**	**0.63**	**24.34**	**6.22**	**25.55**	**400**
INFRASTRUCTURE													
3.	Jharkhand Industrial Infrastructure Development Corporation Limited	2012-13	2014-15	10.00 (1.00)	-	3.24	0.16	1.19	0.09	13.24	1.19	8.99	11
4.	Jharkhand Police Housing Corporation Limited	2013-14	2014-15	2.00	-	22.7	3.47	3.90	-	24.7	3.90	15.79	96
5.	Greater Ranchi Development Agency Limited	2013-14	2014-15	35.00 (34.50)	-	12.28	-	3.57	-	47.28	3.57	7.55	24
6.	Jharkhand Urban Infrastructure Development Corporation Limited	$$	-	-	-	-	-	-	-	-	-	-	15
Sector wise total		**-**	**-**	**47.00 (35.50)**	**-**	**38.22**	**3.63**	**8.66**	**0.09**	**85.22**	**8.66**	**10.16**	**146**
MANUFACTURING													
7.	Jharkhand Silk Textile and Handicraft	2013-14	2014-15	10	-	(-) 0.98	33.07	(-) 10.8	-	0.2	(-) 10.8	-	264

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital	Loans outstanding at the end of year	Accumulated profit (+)/loss(-)	Turnover	Net Profit (+)/ Loss (-)	Net impact of Audit comments#	Capital employed@	Return on capital employed$	Percentage return on capital employed	Manpower+
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
A. WORKING GOVERNMENT COMPANIES													
	Development Corporation Limited												
8.	Jharkhand State Mineral Development Corporation Limited	2009-10	2014-15	2.00	-	133.61	91.34	13.09	2.33	135.61	13.09	9.65	306
Sector wise total				**12.00**	**-**	**132.63**	**124.41**	**2.29**	**2.33**	**135.81**	**2.29**	**9.65**	**570**
POWER													
9.	Tenughat Vidyut Nigam Limited	2007-08	2015-16	105	2192.58	(-) 1036.17	308.91	(-) 556.59	Under finalisation	1261.41	(-) 556.59	-	608
10.	Karanpura Energy Limited	$$	-	-	-	-	-	-	-	-	-	-	*
11.	Jharkhand Urja Vikas Nigam Limited Limited	$$	-	-	-	-	-	-	-	-	-	-	112
12.	Jharkhand Urja Utpadan Nigam	$$	-	-	-	-	-	-	-	-	-	-	1992
13.	Jharkhand Urja Sancharan Nigam Limited	$$	-	-	-	-	-	-	-	-	-	-	360
14.	Jharkhand Bijli Vitran Nigam Limited	$$	-	-	-	-	-	-	-	-	-	-	2556
Sector wise total				**105.00**	**2192.58**	**(-) 1036.17**	**308.91**	**(-) 556.59**	**0**	**1261.41**	**(-) 556.59**	**0**	**5628**
SERVICES													
15.	Jharkhand Tourism Development Corporation Limited	2005-06	2013-14	0.50	-	0.44	1.29	-	-	0.94	-	-	79
16.	Jharkhand State Beverages Corporation Limited	2013-14	2015-16	5.00 (3.00)	-	3.03	537.97	2.70	Under finalisation	8.03	2.70	33.62	44
17.	Jharkhand State Food and Civil Supplies Corporation Limited	$$	-	-	-	-	-	-	-	-	-	-	151

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Paid up Capital	Loans outstanding at the end of year	Accumulated profit (+)/loss(-)	Turnover	Net Profit (+)/ Loss (-)	Net impact of Audit comments#	Capital employed@	Return on capital employed$	Percentage return on capital employed	Manpower+
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
A. WORKING GOVERNMENT COMPANIES													
Sector wise total				**5.50 (3.00)**	**0**	**3.47**	**539.26**	**2.70**	**0**	**8.97**	**2.70**	**33.62**	**274**
FINANCE													
18.	Jharkhand State Minorities Finance Development Corporation Limited	2012-13	2014-15	-	-	(-) 0.14	-	(-) 0.14	Under finalisation	-	-	-	5
Sector wise total				**0**	**0**	**(-) 0.14**	**0**	**(-) 0.14**	**0**	**0**	**0**	**0.00**	**5**
Total A (All sector wise working Government companies)				**174.55**	**2197.83**	**(-) 847.95**	**1077.17**	**(-) 536.86**	**3.05**	**1515.75**	**(-) 536.72**	**-**	**7023**
B. Working Statutory Corporations													
1.	Jharkhand State Electricity Board	2013-14	2015-16	-	3925.99	(-) 15907.78	2128.70	(-) 3950.07	Under finalisation	(-) 3272.95	(-) 3238.41	-	-
Sector wise total		**-**	**-**	**0**	**3925.99**	**-15907.78**	**2128.70**	**-3950.07**	**0**	**-3272.95**	**-3238.41**	**0**	**0**
Total B (All sector wise working Statutory corporations)		**-**	**-**	**0**	**3925.99**	**-15907.78**	**2128.70**	**-3950.07**	**0**	**-3272.95**	**-3238.41**	**0**	**0**
Grand Total (A + B)		**-**	**-**	**174.55**	**6123.82**	**-16755.73**	**3205.87**	**-4486.93**	**3.05**	**-1757.20**	**-3775.13**	**0**	**7023**

(Source: Data compiled from the audited annual accounts of the PSUs)

Note: There is no non-working Government Company/Statutory Corporation in the State of Jharkhand.

#Impact of accounts comments include the net impact of CAG only and is denoted by (+) increase in profit/ decrease in losses and (-) decrease in profit/ increase in losses.

@Capital employed represents Shareholders Fund plus Long Term Borrowings as per requirement of schedule VI of the Companies Act, 1956. In case of JSEB capital employed represents net fixed assets + capital expenditure in progress + working capital as schedule VI is not applicable to JSEB.

* The affairs of the company are managed by the officials of the JSEB.

$ Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

$$ The company has not submitted first accounts as of September 2015.

^ Loans taken from other sources.

+ Manpower as on 31 March 2015.

Annexure-2.1.1

Details of self managed hotels/tourist complexes and leased out properties

(Referred to in paragraph 2.1.1)

Sl. No.	Name of properties
Self managed hotels	
1	Natraj Vihar, Deoghar
2	Baidyanath Vihar, Deoghar
3	Basuki Vihar, Dumka
4	Ratan Vihar, Dhanbad
5	Prabhat Vihar, Netarhat
6	Van Vihar, Betla
Self managed tourist complexes	
1	Tourist complex, Urwan, Koderma,
2	Tourist Complex, Tenughat, Bokaro
3	Bibhuti Vihar Ghatshila.
Leased hotels	
1	Sheetal Vihar, Barhi
2	Aranya Vihar, Hazaribagh
Leased out tourist complexes and other properties	
1	Tourist complex, Itkhori, Chatra
2	Tourist complex, Basukinath, Dumka
3	Tourist complex, Rikhiya, Deoghar
4	Tourist complex, Madhuban, Parasnath.
5	Tourist cottages, Netarhat
6	Tourist house, Netarhat
7	Ropeway, Deoghar

Annexure-2.1.2

Statement showing properties handed over to the Company by the Department for operation and maintenance

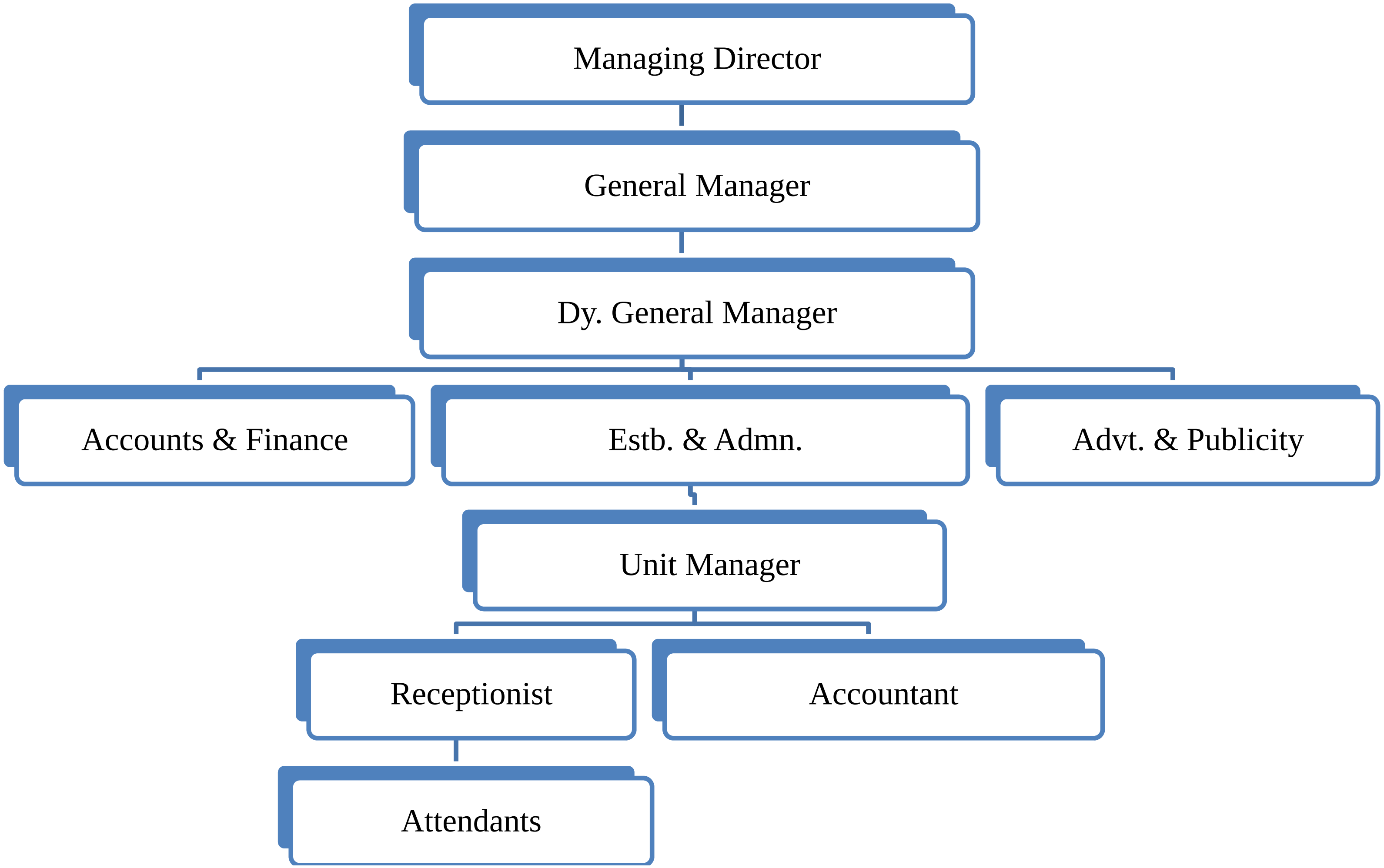
(Referred to in paragraph 2.1.1)

Sl. No.	Name of properties
1	Tourist complex Hesadih
2	Tourist complex Palamu
3	Tourist complex Sakchi Vihar Jamshedpur
4	Tourist complex Hundru Ranchi
5	Tourist complex Masanjor, Dumka
6	Tourist complex Rajarappa
7	Tourist complex Urwan, Koderma
8	Tourist information center Hazaribagh
9	Tourist information center Jamshedpur
10	Tourist information center Madhuban
11	Tourist information center Deoghar
12	Tourist information center Macluskiganj
13	Tourist information center Bokaro
14	Tourist information center Daltonganj
15	Way side amenity Madhupur
16	Way side amenity Chas Bokaro
17	Way side amenity Tamar
18	Way side amenity Kandra
19	Way side amenity Bagodar
20	Way side amenity Hata Chowk, Jamshedpur
21	Way side amenity Chandawa, Latehar
22	Way side amenity Tatijharia, Hazaribagh
23	Way side amenity Trikut, Deoghar
24	Way side amenity Maheshpur, Pakur
25	Way side amenity Manjha Toli, Gumla
26	*Sanskar bhawan* Barhet, Sahebganj
27	*Sanskar bhawan* Rajmahal, Sahebganj
28	*Sanskar bhawan* Amreshwar Dham, Khunti
29	*Sanskar bhawan* Simdega
30	Tourist place Kanke Dam, Ranchi
31	Tourist place Hatia, Ranchi
32	Jungle hut Betla
33	Tourist plaza Betla
34	*Dharamshala* Rajarappa
35	Shopping complex, Rajarappa

Annexure – 2.1.3

Organisational Structure of Jharkhand Tourism Development Corporation Limited

(Referred to in paragraph 2.1.2)



Annexure – 2.1.4

Statement showing financial position and working results

(Referred to in paragraph 2.1.6)

Financial position:

(₹ in crore)

Sources of Fund	2010-11	2011-12	2012-13	2013-14	2014-15
Share Capital	1.00	1.50	2.50	3.00	3.50
Share application money	0.50	1.00	0.50	0.25	0.00
Reserves & Surplus	3.50	4.17	5.22	6.14	6.92
Current Liabilities	58.91	72.70	72.94	63.06	57.94
Total	**63.91**	**79.37**	**81.16**	**72.45**	**68.36**
Application of Fund:					
Fixed Assets: Net Block	2.58	2.60	2.78	3.02	3.86
Investments	0.00	0.00	0.00	0.00	0.00
Current Assets, Loans & Advances	61.33	76.77	78.38	69.43	64.50
Total	**63.91**	**79.37**	**81.16**	**72.45**	**68.36**

(Source: Provisional accounts of the Company)

Working Results:

(₹ in lakh)

Income	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue from operations (% of total income)	235.22 (89.46)	229.68 (86.73)	302.98 (87.44)	339.86 (88.91)	369.04 (93.09)
Other Income	27.72	35.13	43.54	42.40	27.36
Total	**262.94**	**264.81**	**346.52**	**382.26**	**396.40**
Expenditure:					
Employee Benefit Expenses	92.42	73.05	63.60	87.66	112.41
Running & Maintenance Costs	109.89	67.30	81.43	83.77	80.79
Other Expenses	19.99	26.68	39.05	74.73	87.82
Prior period expenses/ (income)	(0.49)	0.48	0.03	0	0
Total	**221.81**	**167.51**	**184.11**	**246.16**	**281.02**
Profit before Tax	41.13	97.30	162.41	136.10	115.39
Less : Provision for Income Tax	15.58	30.75	56.92	44.16	37.44
Profit after tax	25.55	66.55	105.49	91.94	77.95
Percentage of profit before tax to total income	15.64	36.74	46.87	35.60	29.11

(Source: Provisional accounts of the Company)

Annexure – 2.1.5

Details of tourist inflow in the State alongwith details of tourist who availed accommodation facility of the Company during the year 2010-11 to 2014-15

(Referred to in paragraph 2.1.8)

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
1	**No. of tourist visited in the State**					
	Domestic	6822881	1,45,80,387	2,16,26,754	3,24,77,676	3,34,27,144
	Foreigner	9110	87,521	1,21,960	1,33,664	1,54,731
	Total	**6831991**	**1,46,67,908**	**2,17,48,714**	**3,26,11,340**	**3,35,81,875**
2	Total capacity of beds of Company's hotels	85,348	63,588	1,09,430	1,10,304	1,13,810
3	**No. of tourists availed accommodation facilities of Company**					
	Domestic	10,393	9,032	19,162	20,038	17,014
	Foreigner	6	1	13	-	3
	Total	**10,399**	**9,033**	**19,175**	**20,038**	**17,017**
4	**Percentage of tourists availed accommodation facilities of Company**					
	Against total tourist arrival in the State	0.15	0.06	0.08	0.06	0.05
	Against total capacity of beds of Company's hotels	12.18	14.21	17.52	18.17	14.95

(Source: Data collected from Department and individual hotels)

Annexure – 2.1.6

Statement showing properties leased through PPP mode

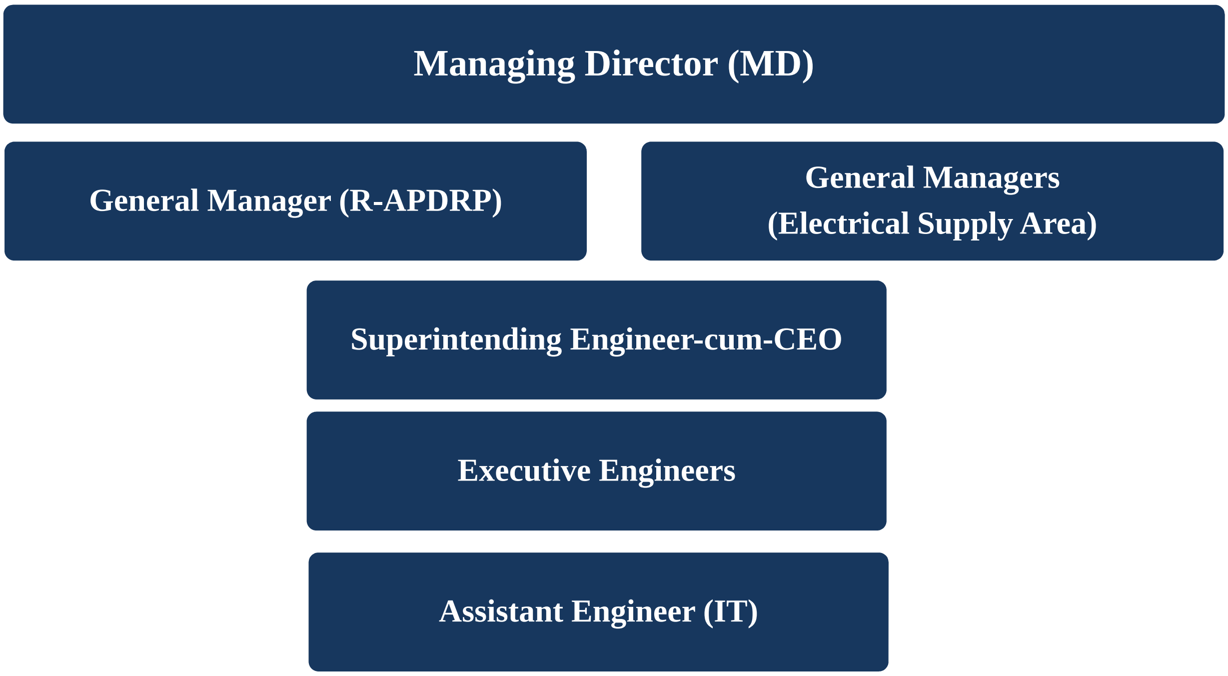
(Referred to in paragraph 2.1.9.1)

Sl. No.	Name of project	Name of agency to whom lease awarded	Date of handing over to the Company	Date of issue of LOI	Due date of agreement	Actual date of agreement	Schedule date of commercial operation with due date of agreement	Actual date of commercial operation	Remark
1	TIC Jamshedpur	M/s Hotel Hansraj Jamshedpur Pvt. Ltd.	March 2012	12.12.12	27.12.12	11.06.13	26.09.13	-	Work was delayed by bidder due to delay in fulfillment of conditions of LOI, submission of DPR and upgradation work.
2	TIC Hazaribagh	M/s Blue Palm Brew House Hospitality Ltd.	-do-	-do-	-do-	13.09.13	-do-	-	Work was delayed by bidder due to delay in fulfillment of conditions of LOI, submission of DPR and upgradation work.
3	TIC Madhuban	M/s Hotel Hansraj Pvt. Ltd.	-do-	12.01.12	-do-	09.09.14	26.09.13	Terminated (May 2015)	Agreement was delayed by bidder due to delay in fulfillment of conditions of LOI and upgradation work was delayed due to non submission of DPR.
4	TC Hesadih		-do-	-	-	-	-	-	Jharkhand Silk Textile & Handicraft Development Corp. Ltd (JHARCRAFT) was selected in the third round of RFP, however, the Department of Industry denied permission for forming SPV. After then no party had turned up in bid.
5	TC Palamu	M/s FGS Hospitality Private Limited	-do-	14.06.13	29.06.13	15.05.15	28.06.14	-	Non settlement of dues of construction contractor.
6	TC Sakchi Vihar Jamshedpur	M/s Visionary Hospitality Pvt Ltd.	-do-	12.12.12	27.12.12	12.06.13	26.12.13	Operator withdraw (March 2015)	Agreement was delayed by bidder due to delay in fulfillment of conditions of LOI and the operator exit from the project due to technical fault in the building.

7	Tourist Plaza Betla	M/s Talwanti Construction	-do-	23.01.15	07.02.15	-	-	-	JHARCRAFT was selected in the third round of RFP, however, the Department of Industry denied permission for forming SPV. Thus responsive bidders were again selected in the fifth RFP. However, the premises were pre-occupied by Central Reserve Police Force.
8	Jungle Hut Betla	Do	-do-	-do-	-do-	-	-	-	Do
9	WSA Madhupur		-do-	-	-	-	-	-	(JHARCRAFT) was selected in the third round of RFP, however, the Department of Industry denied permission for forming SPV. After then no party had turned up in bid.
10	WSA Chas Bokaro	M/s Zaika Quality Catering Services Pvt. Ltd.	-do-	03.03.14	18.03.14	16.04.14	17.03.15	10.09.14	LOI was delayed due to non participation of responsive bidders and the Company had to issue RFP again and again.
11	WSA Aram Tamar	M/s Sai Caterers	-do-	23.01.15	07.02.15	-	-	-	LOI was delayed due to non participation of responsive bidders and the Company had to issue RFP five times.
12	WSA Kandra	Heaven India Real Tec Limited	-do-	14.06.13	29.06.13	19.08.2013	28.03.14	-	LOI was delayed due to non participation of responsive bidders and the Company had to issue RFP again and again. Work was delayed by the bidder due to non fulfillment of condition of LOI, delayed submission of DPR and lack of infrastructural facilities.
13	WSA Bagodar	M/s Shreya Hotels & Resort Pvt Ltd.	-do-	03.03.14	18.03.14	26.03.14	18.03.15	16.08.14	LOI was delayed due to non participation of responsive bidders and the Company had to issue RFP again and again.
14	TC Hundru	M/s Madhulika Vihar & Resorts Pvt Ltd.	-do-	14.06.13	29.06.13	26.11.13	28.03.14	Terminated (November 2014)	LOI was delayed as the operator was selected in third RFP. The operator had abandoned the work.

15	Tourist Place Kanke Dam		-do-						
16	TC Madhuban	M/s Hotel Hansraj Pvt. Ltd.		12.01.12	27.12.12	09.09.14	26.03.15	Terminated (May 2015)	Agreement was delayed by bidder due to delay in fulfillment of conditions of LOI and upgradation work was delayed due to non submission of DPR.
17	Hotel Birsa Vihar Ranchi		Acquired on bifurcation of State	15.03.12	30.03.12	June 2012	29.12.12	18.10.12	
18	Youth hostel Betla	M/s Talwanti Construction	-do-	23.01.15	07.02.15	-	-	-	Hostel was lying idle.

Annexure - 2.2.1
Organisational chart for implementation of R-APDRP
(Referred to in paragraph 2.2.4)



Annexure – 2.2.2

List of project towns selected for R-APDRP

(Referred to in paragraph 2.2.6)

Sl.No.	Name of town	Sl.No.	Name of town
1	Ranchi	16	Ramgarh
2	Jamshedpur	17	Gumla
3	Dhanbad	18	Gumia
4	Bokaro Steel Plant	19	Chaibasa
5	Deoghar	20	Chakradharpur
6	Hazaribagh	21	Phusro
7	Giridih	22	Garhwa
8	Daltonganj	23	Pakur
9	Chirkunda	24	Mihijam
10	Dumka	25	Lohardaga
11	Jhumri Tiliya	26	Ghatsila
12	Godda	27	Simdega
13	Madhupur	28	Chatra
14	Musabani	29	Patratu
15	Sahebganj	30	Saunda

Annexure - 2.2.3

List of 17 modules of R-APDRP Application software

(Referred to in paragraph 2.2.8)

Sl. No.	Name of the Modules
1	Meter Data Acquisition System (MDAS)
2	Energy Audit (EA)
3	New Connection
4	Metering
5	Billing
6	Collection
7	Disconnection and Dismantling (CRM)
8	Web Self Service (WSS)
9	Centralized Customer Care Services (CCC)
10	GIS based integrated network analysis (GIS-NA)
11	GIS based Consumer Indexing and asset mapping (GIS)
12	Management Information System (MIS)
13	Commercial Consumer Database (CCD)
14	Asset Management (AM)
15	Maintenance Management (MM)
16	Identity and Access Management (IAM)
17	System Security

Annexure - 2.2.4

Some examples of Non-Communicating Meters

(Referred to in paragraph 2.2.8.1)

SL No	Node ID	Meter Serial Number	Details of Meter	Town	Occurrence	No. of Days
1	22037	29010426	PATAK NEHRU ROAD	Chirkunda	1	1460
2	18084	29017729	OPP RAJU MEDICAL HALL NEAR TARA TOWER	Dhanbad	1	1401
3	17434	29014366	KALA BAGAN ROAD PATHAL CHOPTI	Madhupur	1	1328
4	20606	29011808	BUDHRA TOIL	Simdega	1	477
5	17905	29011554	HANIF COLONY	Hazaribagh	1	446
6	15443	29011813	KHIRGAON	Hazaribagh	1	446
7	12650	29015788	FULARIBAG BHAGA ROAD JHARIYA	Dhanbad	1	446
8	17647	29010436	BARA CHOWK	Giridih	1	416
9	18206	29015977	NEAR PANI TANKI MANI TAND	Dhanbad	1	391
10	16669	29010195	AZAD ROAD 2	Hazaribagh	1	391
11	16660	29010131	BANTI ENTERPRISES	Hazaribagh	1	391
12	16654	29011113	BANK OF BARODA 2	Hazaribagh	1	391
13	20107	29012278	NIRNDIH COLONY	Chaibasa	2	382
14	20108	29012597	NEAR DENA BANK	Chaibasa	2	373
15	17641	29013984	NEAR HERO SHOWROOM	Giridih	1	362
16	16434	29011449	LIEVENS ACADEMY (KUTMU)	Lohardaga	2	360
17	15757	29012928	BLOCK MORE 2	Patratu	2	360
18	16194	29018055	TOWN PARSOTIYA	Ramgarh	1	338
19	12581	29010562	KUMHAR TOIL	Chaibasa	1	338
20	18286	JSB43272	PALKOT (SYN ENGY-JOTI NAGAR /OPP- KO COLLAGE)	Gumla	1	320
21	16171	29018666	PATRATU BASTI	Ramgarh	1	320

Annexure – 3.1

Details of loss of the Company due to violation of the tariff orders

(Referred to in paragraph 3.4)

Name of Electric Supply Division	Consumer Number	Sanctioned load/ Applicable tariff	Month of inspection / enhancement of load	Actual load as per inspection	Applicable tariff	Revenue loss (₹ in lakh)
Ramgarh	RRL00576	94 HP LTIS	May 2012/ May 2012	147 HP/ 129 KVA	HTS	4.13
Ramgarh	RRL09718	88 HP LTIS	Aug 2011/ Jan 2012	121HP/ 106 KVA	HTS	4.43
Ramgarh	KRCO7840	70 KW NDS-II	March 2012/ May 2012	133KW/ 156 KVA	HTS	5.65
Ramgarh	GOVT 19528	80KW NDS-II	Feb 2014/ June 2014	389KW/ 458 KVA	HTS	6.67
Ranchi Central	T7969	103 KW NDS-II	Dec 2011/ June 2012	125KW/ 147 KVA	HTS	26.15[1]
Ranchi Central	T7970	43 KW NDS-II	Dec 2011/ June 2012	202KW/ 238 KVA	HTS	6.54
Doranda	HK5870	15 HP LTIS	Oct 2010/ Nov 2010	124 HP/ 109 KVA	HTS	1.58
Total						**55.15**

[1] Revenue loss has been worked out from March 2002 as per available bills though the sanctioned load was 103 KW and electricity connection was given prior to March 2002.

Annexure – 3.2

Statement showing lower billing to the customers due to difference in MF

(Referred to in paragraph 3.5)

Consumer Number	Reason for change of MF	Month for charging new MF	MF applicable	MF used	Revenue loss (₹ in lakh)	Amount realised (₹ in lakh)	Amount yet to be realised (₹ in lakh)
HJAP155	Replacement of old meters with new meters	August 2012	2000	1200	156.62	26.10	130.52
HJAP169	-do-	January 2013	2000	1200	89.76	34.81	54.95
HJAP139	Enhancement of load	December 2012	4	2.67	30.64	20.43	10.21
HJAP202	-do-	November 2014	1.5	1	0.83	0.83	0
CHH5	New connection	March 2013	3	1	9.17	-	9.17
Total					**287.02**	**82.17**	**204.85**