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.

Chhattisgarh State Power Generation Company Limited

3.1 Long paragraph on irregularities in awarding of contracts at thermal power stations of Chhattisgarh State Power Generation Company Limited

Introduction

3.1.1 Generation of power in Chhattisgarh is carried out by the Chhattisgarh State Power Generation Company Limited (Company) which was incorporated on 19 May 2003 under the Companies Act, 1956 as a fully owned Government Company under the administrative control of Energy Department, Government of Chhattisgarh.

The Company has four Thermal Generation Stations[1], four Hydro Generation Stations[2] and one Co-generation[3] station at Kawardha. The installed capacity of Thermal, Hydro and Cogeneration Power Stations was 2280 MW, 138.70 MW and 6 MW respectively as of 31 March 2015.

The Company awards various contracts for overhauling of equipment, repair and maintenance of equipment, transportation and unloading of coal, deployment of security guards, daily cleaning of plants and allied buildings etc. to private contractors at its Thermal Power Stations (TPSs). The Chief Engineer (Generation)/Executive Director (Generation) are the functional heads of TPSs who works under the overall control of the Managing Director of the Company.

Audit objectives

3.1.2 The long draft paragraph was attempted to assess whether:

- The contracts were awarded with due regards to standard procedures and in a transparent manner and their execution safeguarded the interests of the Company; and
- The Company and the contractors complied with the Statutory requirements.

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[1] Korba Thermal Power Station (KTPS), Hasdeo Thermal Power Station (HTPS), Hasdeo Thermal Power Station - Extension and Dr. Shyama Prasad Mukherjee Thermal Power Station (DSPM)

[2] Hasdeo Bango Hydel Project at Korba, Mini-Hydel Project at Korba (West), Gangrel Hydel Project at Dhamtari and Sikesar Hydel Project

[3] Co-generation means simultaneous generation of heat and power.

Audit criteria

3.1.3 The audit criteria adopted for assessing the achievement of the audit objectives were derived from the following sources:

- Standard procedures for award of contract with reference to principles of economy, efficiency and effectiveness;
- Guidelines issued by Central Vigilance Commission, General Financial Rules 2005; and
- Minimum Wages Act, 1948 and Instructions/orders of Government of Chhattisgarh and Labour Commissioner relating to wages payable to Contractors' workers.

Scope and methodology of audit

3.1.4 The Audit was conducted during May 2015 to July 2015 during which records of contracts awarded during the period 2010-11 to 2014-15 at two out of four TPSs viz. Korba Thermal Power Station (KTPS and Dr. Shyama Prasad Mukherjee Thermal Power Station (DSPM) were scrutinised.

Audit findings were reported to the Company and the State Government in July 2015 and discussed in an Exit Conference held on 30 September 2015. The exit conference was attended by Principal Secretary (Energy) and Managing Director of the Company. The Company and Government replied to audit findings in September 2015. The views expressed by them in Exit Conference and replies have been considered while finalizing the Long Paragraph.

Audit findings

The audit findings are discussed in succeeding paragraphs.

Awarding of contract valuing ₹ 1.96 crore in violation of Central Vigilance Commission guidelines

3.1.5 As per Central Vigilance Commission (CVC) guidelines (3 March 2007) post tender negotiation with lowest tenderer was not permissible except in case of procurement of proprietary items, item with limited source of supply and items where there is suspicion of cartel formation. The Company directed (November 2011) its officials to ensure strict compliance to said CVC guidelines.

The Company invited (May 2012) tenders for work of further creation of ash dyke at KTPS. Out of four tenders received, price bids of two bidders who fulfilled the tender criteria, were opened. M/s Neelkantham System Private Limited had quoted the lowest rate of ₹ 2.53 crore which was 32.69 *per cent* above the estimated cost of ₹ 1.91 crore.

In view of higher rates received and poor participation the Chief Engineer (Civil and Maintenance- Generation) recommended (12 July 2012) for cancellation and re-invitation of tenders as there were chances of receiving lower rate. However, the Executive Director (Finance) advised (16 July 2012) the Chief Engineer (Civil and Maintenance- Generation) that an effort may be made for reduction in rate through negotiation with the lowest tenderer.

Accordingly, negotiation was held (24 August 2012) with the L-1 firm and the firm reduced the quoted price from ₹ 2.53 crore to ₹ 1.96 crore. The Company awarded (10 January 2013) contract to the firm for ₹ 1.96 crore.

Thus negotiation was held with the lowest bidder in violation of CVC guidelines (March 2007) stated above instead of retendering and contract was awarded in non-transparent manner.

During the exit conference (September 2015), Government stated that negotiation was done as per Company's policy. Further, it was stated that the case relates to raising of height of ash dyke essential for facilitating evacuation of ash from boiler to ash dyke, thereby facilitating generation of power to meet the demand of consumers.

The reply is not acceptable as the said policy of the Company adopted in August 2014 i.e. after award of the contract in January 2013, only reiterated the CVC guidelines which were not adhered in the present case. Further, the site was handed over to the contractor only in April 2014 after lapse of 15 months from the award date due to non-obtaining of forest clearance from the Forest Department. This indicates that the contract was not of urgent nature.

Recommendation:

The Company should strictly adhere to the CVC guidelines in awarding the contracts.

Payment of excess interest free mobilisation advance ₹1.11 crore

3.1.6 Rule 159 (1) (ii) of the General Financial Rules, 2005 (GFR) provided that advance payment to the State or Central Government agency or a Public Sector Undertaking should not exceed 40 *per cent* of the contract value.

The Company awarded (25 June 2013) contract for repair of High Pressure and Intermediate Pressure Turbine Module at DSPM to Bharat Heavy Electricals Limited (BHEL) at a total cost of ₹ 30.50 crore (ex-works price ₹ 26.62 crore) with payment terms of 50 *per cent* interest free mobilisation advance on ex-works price. Accordingly, interest free mobilisation advance ₹ 13.31 crore was released (July 2013) to BHEL.

As per above provision of GFR, maximum mobilisation advance payable to BHEL was ₹ 12.20 crore being 40 *per cent* of contract value. Thus excess interest free mobilisation advance of ₹ 1.11 crore was given to BHEL. The advance was adjusted in March 2015. We observed that the Company has taken loan from Power Finance Corporation Limited at the interest rate of 12.50 *per cent* per annum during the same period of granting of interest free advance. Thus payment of excess interest free mobilisation advance of ₹ 1.11 crore to BHEL was not in the financial interest of the Company and this resulted in avoidable interest burden ₹ 23.13 lakh[4].

During the exit conference (September 2015), Government stated that this was an emergency situation and BHEL was not ready to relax its terms and

[4] Interest calculated on ₹ 1.11 crore at the rate of 12.50 *per cent* from August 2013 to March 2015

conditions. Hence, this was one time dispensation for expediting 250 MW Unit repairs at DSPM.

Reply is not acceptable as the Company had not adhered to General Financial Rules 2005 and there was nothing on record to show that the Company had pursued with BHEL to restrict the amount of mobilisation advance to the limits prescribed in GFR.

Recommendation:

The Company should strictly adhere to rules in granting mobilisation advance to contractors.

Awarding of contract on lottery system basis in violation of prevalent instructions

3.1.7 The erstwhile Chhattisgarh State Electricity Board (CSEB) circular dated 29 May 2008 stipulated that the Cartel clause be incorporated in all future tenders as "Quoting same rates i.e. pool rate is not acceptable. In case the same rate is found to be quoted by more than two bidders, offers of all such bidders shall be out rightly rejected." Further, the Chief Engineer (Store & Purchase-Generation) directed (April 2014) that tender clause may be incorporated in such a way that quoting same rate by all the bidders could be avoided so that lottery system[5] may be discarded in awarding the contracts.

The Company invited (December 2014) tender for maintenance of Boiler and Turbine at KTPS for 1095 shifts. The price bid was opened (21 January 2015) and out of 12 tendering firms, 11 firms quoted same profit margin (₹ 0.01) over base rate (₹ 1620.00 per shift) and lottery was drawn amongst the 11 firms which was in favour of M/s A.P. Construction & Services. Accordingly, contract was awarded (31 March 2015) to the firm for ₹ 19.93 lakh.

Thus, the Company did not reject the bids quoting same rate and awarded the above contract on lottery basis in violation of CSEB circular dated 29 May 2008 and Company's own instructions.

During the exit conference (September 2015), Government stated that all the bidders quoted the same rate and lottery was drawn as per Company's policy.

The reply is not acceptable because the Company awarded the contract on lottery basis in violation of its prevailing instructions. Further, the Company policy stated to be followed in award of the contract was not furnished to audit despite being requested during exit conference.

Recommendation:

The Company should incorporate a suitable clause in tenders to avoid lottery system as per its prevailing instructions.

Non-payment of Special Pay

3.1.8 The Government of Chhattisgarh (GoCG) categorised (November 2010) the whole State into three categories (A, B and C) for the purpose of payment of special pay to workers and Korba district was kept under 'B'

[5] A drawing of lots used to select the successful bidder.

category. Accordingly special pay of ₹ 10.00 per day to each worker was payable in addition to minimum wages prescribed by the Labour Commissioner in Korba district.

The Company awarded (21 February 2013) contract for deployment of security personnel at KTPS to M/s Edward Enterprises for the period of one year at a total cost of ₹ 70.28 lakh.

Audit scrutiny revealed that the contractor had not paid special pay[6] to 62 security personnel during April 2013 to February 2014 which resulted in violation of above GoCG orders. As a result, the security personnel were deprived of the right of special pay.

During the exit conference (September 2015), Government accepted the audit observation and stated that the contractor has been advised to pay the difference amount to the security personnel.

Recommendation:

The Company should ensure payment of dues of workers deployed by its contractors as per prevalent Statutes/instructions.

Conclusion and Recommendations

- **The contract for further creation of Ash Dyke at Korba Thermal Power Station (KTPS) was awarded on negotiation basis for ₹ 1.96 crore in violation of CVC guidelines.**

  It is recommended that the Company should strictly adhere to the CVC guidelines while awarding the contracts.

- **In violation of General Financial Rules, 2005 excess interest free mobilisation advance ₹ 1.11 crore was granted to Bharat Heavy Electricals Ltd. in the contract for repair of High Pressure and Intermediate Pressure Turbine Module at DSPM.**

  It is recommended that the Company should strictly adhere to rules in granting mobilisation advance to contractors.

- **The contract for maintenance of Boiler and Turbine at KTPS was awarded on lottery system in violation of prevalent circular and instructions.**

  The Company should incorporate a suitable clause in tenders to avoid lottery system.

- **The Company failed to ensure payment of special pay to security personnel deployed by its contractors as per instructions of GoCG.**

  It is recommended that the Company should ensure payment of dues of workers by the contractors as per prevalent Statutes/ Instructions.

[6] ₹ 1.79 lakh

3.2 Avoidable payment of penal interest

The Company has suffered loss of ₹ 57.76 lakh towards payment of penal interest due to delay in payment of commitment charges for extension of commencement period of usage of water.

Chhattisgarh State Power Generation Company Limited (Company) had applied (6 July 2004) for allotment of 26 Million Cubic Meter (MCM) water for its Korba West Thermal Power Extension Project, stage III (power plant) to Water Resources Department, Government of Chhattisgarh (WRD) which was approved by WRD on 5 October 2005.

As per clause 8 of the letter of allotment of water, usage of water was to be started within four years from the date of allotment i.e. by 4 October 2009 otherwise commitment charges at the rate of five *per cent* in first year and ten *per cent* in second year of total annual water charges of allotted water quantity were to be paid within three months of expiry of the relevant year for extension of commencement of usage of water for another two years. Further, as per circular issued (April 2007) by WRD, any delay in payment of commitment charges would attract penal interest at the rate of 15 *per cent* per annum.

We observed that the Company failed to draw water from WRD within stipulated four years period from the date of allotment i.e. by 4 October 2009 due to delay in commissioning of power plant and requested (17 December 2009) WRD to extend the period of commencement of usage of water till 2012 without levy of commitment charges. However WRD did not accept the request of waiving off commitment charges and instructed (29 January 2010) the Company to pay commitment charges to keep the allotment live for another two years upto 4 October 2011.

Subsequently WRD raised (18 January 2011) demand note of ₹ 2.19 crore towards commitment charges (including penal interest of ₹ 8.29 lakh for delayed payment) for extension of time period for additional two years upto 4 October 2011 and the same was paid by the Company on 11 September 2012. The Company further requested (17 January 2012) WRD to extend the commencement period for usage of water upto September 2012 without levy of commitment charges as it failed to commission the power plant. However, WRD again demanded (10 October 2013) ₹ 93.61 lakh (including penal interest of ₹ 49.47 lakh for delayed payment) for another two years upto 5 October 2013 and the same was paid by the Company on 27 November 2013.

Thus the Company's failure to pay the required commitment charges on time resulted in avoidable payment of interest of ₹ 57.76 lakh (₹ 8.29 lakh *plus* ₹ 49.47 lakh) to WRD. Had the commitment charges been paid on time, payment of penal interest of ₹ 57.76 lakh could have been avoided.

The Management stated (July 2014) that the best possible efforts were made to avoid payment of commitment charges. It was also stated that WRD has monopoly therefore the Company was bound to abide by their conditions.

The reply is not acceptable because the Company was aware that as per clause 8 of allotment letter, commitment charges were payable and in case of default in making such payment the Company was also liable to pay penal interest as per circular of April 2007. Further from the reply itself it is clear that the Company knew that WRD has monopoly and therefore the Company was bound to abide by their conditions and thus it should have paid the commitment charges on time at the first instance to avoid penal interest.

The Company should ensure payment of all dues to the concerned authorities on time so as to avoid payment of penalty.

We reported (July 2015) the matter to the Government, their reply is awaited (October 2015).

3.3 Avoidable expenditure due to delay in disposal of non-operational system

The Company incurred avoidable expenditure of ₹ 32.96 lakh on deployment of security for scrap Bi-Cable Ropeway at Korba Thermal Power Station due to delay in its disposal.

The Chhattisgarh State Power Generation Company Limited (Company) decided (29 June 2012) to write off its non-operational Bi-Cable Ropeway (BCRW) System at Korba Thermal Power Station and dispose it as scrap through e-auction.

We observed that the Committee for fixation of reserve price was constituted (28 December 2012) six months after the decision to dispose-off the BCRW. Further the reserve price was also repeatedly changed (February 2013, April 2013 and September 2013) leading to delay in disposal of BCRW. The BCRW scrap was finally disposed of through e-auction on 10 December 2013 after 17 months of decision to dispose it. In the meantime, the Company had deployed security through private contractors at BCRW upto December 2013 i.e. date of its disposal.

We further observed that the Company has laid down a time limit of 100 days for finalisation of the tender/e-auction. Had the Company taken prompt action for disposal of BCRW through e-auction within the laid down time limit of 100 days, the deployment of security at BCRW would not have been required from November 2012 onwards. The Company incurred an expenditure of ₹ 32.96 lakh on security of scrapped BCRW during the period from November 2012 to December 2013. Thus, delay in disposal of scrapped BCRW System resulted in avoidable expenditure of ₹ 32.96 lakh on its security.

The Government stated (September 2015) that monitoring mechanism for identification and timely disposal of scrap shall be strengthened in future.

The Company should take prompt action for disposal of scrap within the laid down time frame.

Chhattisgarh Medical Services Corporation Limited

3.4 Irregular appointment of employees and payment of excess pay

The Company has appointed employees on *Samvida* basis without approved set-up and also made payment of higher consolidated pay in violation of Government rules and directives which has resulted in excess payment of ₹ 56.98 lakh.

The Chhattisgarh Medical Services Corporation Limited (Company) was incorporated (October 2010) as a fully owned State Government Company. The main activities of the Company are to procure medical equipments & drugs and constructs hospital buildings on behalf of the Government Departments. While clearing the proposal for setting up of the Company, the Government of Chhattisgarh (Government) decided (March 2010) that the required staff would be appointed by the Company after getting necessary approval of the new set-up (i.e. number of posts, qualifications, eligibility criteria, pay and allowances etc.) from the administrative department i.e. Health and Family Welfare Department.

Accordingly, the Board of Directors of the Company (BOD) in its 1st meeting (March 2011) decided that recruitment of employees may be made either on deputation basis from central/State Government departments and PSUs or on contract (*Samvida*) basis in accordance with the '*Chhattisgarh Civil Service (Samvida Niyukti) Niyam 2004' (Samvida Niyam)* and payments to the *Samvida* employees may be made on consolidated basis in accordance with the *Samvida Niyam*. The *Samvida Niyam* 2004 was amended by the Government in December 2012 as *Samvida Niyam* 2012.

The *Samvida Niyam* stipulated that *Samvida* appointment can be made either through direct recruitment or from persons retired from Government service {Rule 5} and duration of appointment will be normally for three years, which can be extended based on requirement (Rule 11). It also stipulated payment of lump sum consolidated amount as salary to the directly recruited *Samvida* employees as decided by the Government (Rule 12). Accordingly, the Government from time to time notified (2005, 2007, 2009, 2012 and 2013) the lump sum amount to be paid to the directly recruited *Samvida* employees.

The Company since its inception up to February 2015 has appointed 135 persons in various posts on *Samvida* basis (direct recruitment) who are paid consolidated pay as detailed in ***Annexure - 3.1***. In this connection we observed (June 2014) the following:

a) The Company did not send the manpower set-up for approval of the Government till June 2014 despite clear cut instructions to that effect. Though the same was sent to Government in July 2014 after being pointed out in audit, it has not been approved by Government till now (October 2015). Thus appointment of 132 *Samvida* employees (except three direct Executive Engineers for which separate sanction has been given by the Government) without approved set-up was irregular.

The Management stated (March 2015) that the set-up has been approved by BoD with concurrence of representatives of Finance and Health department in

the BoD and their approval is deemed to be taken as administrative approval. The Management also stated that for formal technical approval, set-up has been sent (July 2014) to the Government which is under process.

The reply of the Management confirms that appointments were made without approved set-up. The reply regarding approval of the set-up by BOD was not acceptable because the Government order of March 2010 clearly stipulated that before appointment of employees, the set-up was to be approved by the administrative department which is still pending.

b) The Company has been paying consolidated pay in excess of the amount fixed by the Government under *Samvida Niyam* without approval of the Government resulting in irregular excess payment of ₹ 56.98 lakh upto February 2015 as detailed in ***Annexure - 3.1***. Even there is variation in the consolidated pay fixed by the Company within the same grade pay post. Further the appointment of General Managers (GMs) carrying grade pay of ₹ 8700/- on *Samvida* basis is totally irregular because as per *Samvida Niyam*, *Samvida* appointment can be made only for the posts carrying grade pay upto ₹ 7600/-.

The Management stated (March 2015) that Company is having its own resources to generate the income and being an autonomous body, the consolidated pay was fixed as per the position and responsibility of work.

The reply is not acceptable as being a Government Company it should adhere to the *Samvida Niyam* strictly and any deviations should have the prior approval of the Government. Further the reply of the Management is silent on the issue of appointment of GMs on contract basis in posts carrying grade pay of ₹ 8700 in violation of *Samvida Niyam*.

Thus, appointment of employees on *Samvida* basis pending approval of manpower set-up by the Government and payment of higher consolidated pay in excess of pay fixed by Government as per *Samvida Niyam* 2012 is irregular and resulted in excess payment of ₹ 56.98 lakh upto February 2015. The excess payment was in violation of Government instructions (March 2003 and October 2009) wherein it was directed that all the state departments, PSUs and Corporations will provide pay, allowances and other perquisites to its staff at par with the Government and anything extra will not be paid/provided without prior approval of the Government as it would create discrimination among the employees.

The Company should immediately get the manpower set-up approved by the Government and pay the consolidated pay strictly as per the *Samvida Niyam* so as to avoid further excess payment in this regard.

We reported (April 2015) the matter to the Government, their reply is awaited (October 2015).

Chhattisgarh Police Housing Corporation Limited

3.5 Loss of interest

The Company has suffered loss of interest of ₹ 5.98 crore due to non-availing auto sweep facility in saving and current bank accounts.

The Chhattisgarh Police Housing Corporation Limited (Company) receives funds from Government of India (GoI) as well as Government of Chhattisgarh (GoCG) under various schemes for construction work of police stations, chowkis, residential buildings for police department etc. These works are carried out by the Company as deposit works through contractors based on the estimates prepared by it. As the Company starts the works only after receipt of funds and the activities relating to preparation of estimates, approval and tendering process takes time, the funds received from GoI and GoCG under various schemes were lying unspent in the Company's various bank accounts. As on 31 March 2014 the Company was having 21 saving accounts[7] and three current accounts[8] in 13 banks.

We noticed that all these banks had introduced Auto Sweep Facility (Scheme) for saving as well as current accounts. Under the Scheme the customer has to maintain a minimum balance depending on the bank scheme and the amount exceeding the minimum balance would be automatically converted into fixed deposits (FDs) on periodic basis (daily or weekly basis depending on the bank scheme) for the period till the fund is utilised by the customer. At the requirement of the customer, if there are insufficient funds in the saving/current accounts, the FDs would be automatically closed (depending on the withdrawal amount) on Last in First Out (LIFO) basis and interest would be calculated for the period during which the fund was under the Scheme.

We observed that out of 21 saving and three current accounts, the Company has availed auto sweep facility only in two current accounts (account no. - 611400C400000018 in PNB and account no. – 32260616504 in SBI). As a result of non-availing of auto sweep facility in other bank accounts the Company retained huge balances in the saving/current accounts at lower rate of interest. Test check of 15 out of 21 savings bank accounts and one current account revealed that had the Company availed auto sweep facility in these accounts too, it could have earned additional interest of ₹ 5.98 crore (over and above the interest due in savings accounts) during February 2013 to March 2014, as detailed in ***Annexure - 3.2***.

While accepting the audit observation, the Management stated (August 2015) that as per the suggestion of audit, auto sweep facility has since been availed in all the bank accounts. The Government has also endorsed (August 2015) the views of the Company.

[7] State Bank of India (three accounts), Indian Overseas Bank (three accounts), Central Bank of India, Axis Bank (three accounts), Kotak Mahindra Bank (two accounts), ICICI Bank, Punjab National Bank, Indusind Bank, HDFC Bank (two accounts), IDBI Bank, ING Vysya Bank, Yes Bank and Indian Bank

[8] State Bank of India, Punjab National Bank and HDFC Bank

The facts remains that the Company has suffered loss of interest of ₹ 5.98 crore due to non-availing of auto sweep facility in bank accounts and it has taken corrective action only after it was pointed out by audit.

Chhattisgarh Rajya Beej Evam Krishi Vikas Nigam Limited

3.6 Avoidable payment of penal interest

The Company made avoidable payment of penal interest of ₹ 8.38 crore due to short remittance of advance tax and non-submission of income tax returns on time.

As per Section 210 of the Companies Act, 1956 read with Section 166 and 216, it is the responsibility of the Board of Directors of the Company to place the accounts of the Company along with Auditor's Report in the Annual General Meeting of the shareholders within six months of the close of the financial year. Further, as per Section 208 of the Income Tax Act 1961 (Act), advance tax is payable during a financial year, in every case, where the amount of such tax payable by the assessee during the year is rupees ten thousand or more. In case of failure to comply with Section 208, the assessee is liable to pay penal interest under Section 234 A/B/C of the Act.

The Chhattisgarh Rajya Beej Evam Krishi Vikas Nigam Limited (Company) was incorporated on 8 October, 2004 and there was backlog in preparation of the annual accounts of the Company. It was reported vide para no. 4.3.8 of the Report of CAG of India (Civil & Commercial) for the year ended 31 March 2010, Government of Chhattisgarh that the Company had failed to prepare its annual accounts timely and also failed to correctly assess the periodical budgeted income for the purpose of payment of advance tax which resulted in payment of penal interest of ₹ 52.68 lakh for the years 2005-06 to 2008-09. In response, the State Government issued (July 2010) directions to the Company to prepare the accounts in time so as to avoid recurrence of similar lapse in future.

Scrutiny of records revealed that after issuance of Government directives, the Company had finalised six annual accounts (2004-06[9] to 2010-11) upto December 2014. However the Company could not clear all the backlogs and three annual accounts (2011-12 to 2013-14) are in arrears till date (October 2015). Scrutiny of records further revealed that the Company finalised annual accounts for the years 2009-10 and 2010-11 on 28 February 2014 and 15 December 2014 respectively and filed income tax returns on 28 February 2014 and 24 December 2014 respectively.

We observed that the Company assessed estimated profit of ₹ 12.69 crore and ₹ 14.16 crore as against actual profit of ₹ 18.75 crore and ₹ 32.16 crore for the years 2009-10 and 2010-11 respectively. As a result, as against the actual tax liability of ₹ 6.88 crore and ₹ 10.68 crore for the years 2009-10 and 2010-11 respectively, the Company had paid advance tax of ₹ 4.29 crore and ₹ 3.77 crore respectively. Thus, due to delay in finalisation of accounts, failure to assess budgeted income precisely and delayed filing of income tax returns,

[9] 8 October 2004 to 31 March 2006

the Company had to pay penal interest of ₹ 2.48 crore[10] and ₹ 5.90 crore[11] under section 234 A/B/C of the Act for the financial year 2009-10 and 2010-11.

The Management stated (June 2015) that delay in finalisation of accounts was due to initial problems such as delay in transfer of assets and liabilities by Mandi Board, non-taking up of audit by first Statutory Auditor and non-availability of proper accounting staff. The Management further assured that arrears of accounts would be cleared in a time bound manner and stated that the Company had paid the actual tax liability and also filed income tax returns for the years 2011-12 to 2013-14 based on provisional accounts prepared for those years.

Fact remains that delayed finalisation of accounts, incorrect assessment of budgeted income and belated filing of income tax returns by the Company resulted in short remittance of advance tax and consequent payment of penal interest of ₹ 8.38 crore for the years 2009-10 and 2010-11 to Income Tax Department.

We reported (June 2015) the matter to the Government, their reply is awaited (October 2015).

3.7 Loss due to non-insurance of agricultural produce

The failure of the Company to take insurance cover of agricultural produce stored in its warehouses in accordance with the provision of the 'Madhya Pradesh Agricultural Warehouse Act 1947' resulted in loss of ₹ 85.62 lakh to the Company.

Consequent upon creation of State of Chhattisgarh, the Chhattisgarh Rajya Beej Evam Krishi Vikas Nigam Limited (Company) was formed in 2004 with the main objective of providing quality seeds of different crops to the farmers at reasonable price. The Company procures seeds, stores the same in its godowns at processing centers[12] and then sells the seeds to the farmers.

The Madhya Pradesh Agricultural Warehouse Act, 1947, (Act)[13] was brought to encourage the establishment of warehouses for storing agricultural produce and to make provision for their proper supervision and control. As per Section 13 of the Act "every warehouseman shall insure the produce stored in his warehouse against such risk and to such extent and in such manner as may be prescribed". Further, Rule 31 of the Madhya Pradesh Agricultural Warehouse Rules, 1961, (Rules) also stipulates that 'the warehouseman shall fully insure the warehouse against fire and also against other risk when so directed by the prescribed authority. He shall also insure the goods deposited in the warehouse against risks of fire etc., and shall be deemed to be an agent of the depositor for this purpose".

Scrutiny of records (July 2014) revealed that on 24 May 2013, a major fire broke out in the godown at Abhanpur processing center of the Company which

[10] under Section 234A ₹ 1.06 crore, Section 234B ₹ 1.22 crore and Section 234C ₹ 0.20 crore
[11] under Section 234A ₹ 2.60 crore, Section 234B ₹ 3.00 crore and Section 234C ₹ 0.30 crore
[12] The Company is having 27 Processing Centers.
[13] Consequent to creation of new State, this Act is applicable to State of Chhattisgarh.

damaged 4733.60 quintals of paddy and 8225 numbers of jute bags worth ₹ 96.64 lakh. From sale of these damaged materials the Company had realized ₹ 11.02 lakh.

We observed that the Company had not taken insurance cover for any of its godowns as well as agricultural produce stored therein in accordance with the provisions of the Madhya Pradesh Agricultural Warehouse Act, 1947 and the Madhya Pradesh Agricultural Warehouse Rules, 1961. Thus absence of insurance cover has resulted in loss of ₹ 85.62 lakh (₹ 96.64 lakh - ₹ 11.02 lakh) to the Company due to fire accident at Abhanpur.

The Management stated (June 2015) that insurance of all the godowns has been taken effective from 14 May 2015 and it will be renewed every year.

The fact remains that the failure of the Company to take insurance cover of agricultural produce stored in its warehouses in accordance with the provision of the Madhya Pradesh Agricultural Warehouse Act 1947 has resulted in loss of ₹ 85.62 lakh to the Company.

We reported (April 2015) the matter to the Government, their reply is awaited (October 2015).

Chhattisgarh State Beverages Corporation Limited

3.8 Loss due to payment of Value Added Tax from own margin

The Company has made payment of Value Added Tax on sale of Indian Made Foreign Liquor from its margin instead of recovering the same from the retailers which resulted in loss of ₹ 53.65 crore to the Company.

The Chhattisgarh State Beverages Corporation Limited, Raipur (Company), a FL-10 licensee (wholesale licensee to sell registered brands of Indian Made Foreign Liquor) under the '*Chhattisgarh Videshi Madira Niyam 1996'* was established (November 2001) as a wholly owned State Government Company to act as sole licensed wholesale agent to procure, store and sell Indian Made Foreign Liquor (IMFL) in the State of Chhattisgarh. For every financial year, the Company invites open tender from suppliers/manufacturers of IMFL (Suppliers) for registration for supply of IMFL to the Company at the landing price[14]. The landing price is approved by the Company based on the offers received from the Suppliers.

From the registered Suppliers, the Company procures different brands of IMFL, stores the same in its godowns and after adding its margin (10 *per cent* during 2013-14 and 2014-15) on the landing price, the same is then sold to the retailers having permit of the State Excise Department. The only source of revenue to Company is the margin fixed by the Company which is also used to meet its establishment and administrative expenses.

The Government of Chhattisgarh (Government) had introduced (7 August 2013) Value Added Tax (VAT) at the rate of seven *per cent* on sale of IMFL by FL-10 licensee i.e. Company vide "The Chhattisgarh Value Added Tax (Amendment) Act 2013". As the landing price as well as

[14] The price at which the Company receives stock of IMFL from suppliers at its godowns

maximum and minimum retail price[15] of IMFL to be sold in the state during the year 2013-14 was already fixed, the Company decided (13 September 2013) not to recover VAT from the retailers as it would increase the retail price and pay the VAT from its margin during the year 2013-14. The Company further decided (3 March 2014) to continue the practice of paying VAT from its margin during the year 2014-15 also. Accordingly the Company deposited VAT amounting to ₹ 28.76 crore and ₹ 53.65 crore on total value of IMFL sold to the retailers during the years 2013-14[16] and 2014-15 respectively from its margin as detailed in the ***Annexure - 3.3***.

We observed that the decision of Company to pay VAT from its margin during the year 2014-15 was not in the interest of the Company. The VAT is an indirect tax imposed on traders on the value added to the products at each stage by them. The trader collects the tax from the consumers and pays the same to the Government and thus the ultimate burden of tax is borne by the end consumer of the products. Therefore, the Company should have collected the VAT from retailers and deposited the same to the Government and the retailers in turn could have collected this amount from the end consumers. It is pertinent to mention that on one hand the Company increased its percentage of margin (from eight *per cent* in 2011-12 to nine *per cent* in 2012-13 and 10 *per cent* in 2013-14) citing shortfall of revenue and on other hand paid VAT from its margin which was not justifiable. Thus, the Company failed to safeguard its financial interest by paying the VAT from its margin instead of recovering the same from the retailers during the year 2014-15 resulting in loss of ₹ 53.65 crore.

The Company stated (April 2015) that the Government had introduced VAT on sale of IMFL by the FL-10 licensee only i.e. Company and it was not made applicable to other retailers even though the retailers were also engaged in sale of IMFL in the State. Therefore the Company has not recovered VAT from retailers and paid it from its own margin.

The reply of management is not acceptable as VAT is an indirect tax on products and its incidence is borne by the end consumers. Therefore, the Company should have recovered VAT from retailers instead of paying it from its margin.

We reported (April 2015) the matter to the Government, their reply is awaited (October 2015).

[15] The price fixed by the State Excise Department at which IMFL is sold by the retailers to the consumers.

[16] From 7 August 2013 to 31 March 2014

Chhattisgarh State Civil Supplies Corporation Limited

3.9 Short recovery of penalty

The Company has recovered penalty at lower rate from the Supplier which has resulted in loss of ₹ 1.22 crore to the Company as well as extension of undue benefit to the Supplier to that extent.

The Chhattisgarh State Civil Supplies Corporation Limited (Company) issued (January 2013) purchase order to M/s Neelkanth Salt Company, Gandhidham, Gujrat (Supplier) for supply of 8000 MT iodised salt per month for one year at the rate of ₹ 3690 per MT[17]. As per clause 15 (d) of Annexure - III of tender, if salt is supplied in poly pack below 70 micron, penalty at the rate of five *per cent* on bill amount was leviable.

The Supplier had supplied 93472.86 MT salt valuing ₹ 34.98 crore during the period March 2013 to March 2014. Scrutiny of the records revealed that the Company had deducted penalty of ₹ 66.63 lakh[18] from the bills of the Supplier for substandard poly pack during March 2013 to October 2013. On deduction of penalty, the Supplier firm had admitted that the salt was supplied in poly pack of 60 micron instead of 70 micron as per order and requested (4 June 2013) the Company to deduct ₹ 0.02 per poly pack towards penalty instead of ₹ 0.09 per poly pack. The Company finally levied (February 2014) penalty of ₹ 2.60 lakh only for two racks[19] of 5200 MT at the rate of ₹ 0.05 per poly pack on the basis of cost difference of poly pack between 70 and 55 micron and returned the balance withheld amount of ₹ 64.03 lakh.

We observed (August 2014) that 67654.569 MT[20] salt valuing ₹ 25 crore was supplied by the Supplier in poly pack below 70 micron (55 to 60 micron). Accordingly penalty of ₹ 1.25 crore at the rate of five *per cent* on ₹ 25 crore was leviable as per clause 15 (d) of tender conditions. However, the Company has levied only ₹ 2.60 lakh which has resulted in short recovery of penalty of ₹ 1.22 crore resulting in extension of undue benefit to the Supplier to that extent.

The Management stated (August 2014) that the Company had initially withheld the amount and after representation of Supplier, it decided to levy penalty at the rate of ₹ 0.05 per poly pack on the basis of cost difference between poly pack of 70 and 55 micron for two racks in which micron was found less than prescribed level.

Reply of the Management is not acceptable as 67654.569 MT salt valuing ₹ 25 crore was supplied in poly pack below 70 micron, therefore penalty on

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[17] Rate per MT was increased to ₹ 3861.3 from October 2013 due to increase in railway freight

[18] ₹ 35.28 lakh at the rate of ₹ 0.09 per poly pack for the supplies made in 17 racks during 12 March 2013 to 11 June 2013, ₹ 29.09 lakh at the rate of ₹ 0.14 per poly pack for the supplies made in eight racks during 23 June 2013 to 29 August 2013 and ₹ 2.26 lakh at the rate of ₹ 0.09 per poly pack for one rack supply made on 4 October 2013.

[19] Each rack contains 2600 MT approximately

[20] 27 racks supplied during 12 March 2013 to 4 October 2013 and one rack supplied on 24 December 2013.

total quantity of 67654.569 MT was leviable at the rate of five *per cent* of the bill amount in accordance with the tender condition. Further the reply of the Management regarding deficient micron of poly packs found in two racks only is in contradiction to action of the Company of deducting penalty from bills of the Supplier due to less micron of poly packs found in 26 racks during March 2013 to October 2013.

The Company should recover ₹ 1.22 crore from the Supplier and fix responsibility for short recovery of penalty.

We reported (July 2015) the matter to the Government; their reply is awaited (October 2015).

3.10 Non recovery of cost of risk purchase

The Company has not recovered ₹ 44.99 lakh towards cost of risk purchase from the supplier which resulted in extension of undue benefit to the supplier.

The Chhattisgarh State Civil Supplies Corporation Limited (Company) issued (April 2013) purchase order to M/s Sanjay Grain Product Private Limited, Raipur (Supplier) for supply of yellow peas daal *(daal)* weighing 10000 MT at the rate of ₹ 36000 per MT during four months (2500 MT per month) for Bilaspur division. As per clause 7, Annexure-II of the tender, the Supplier was liable to supply additional 25 *per cent* quantity at the same rate, terms and conditions, if so required by the Company. Further, clause 16 stipulated that if the supplier failed to supply ordered quantity, the Company may procure the balance quantity from another supplier at risk and cost of the original supplier. Considering the instruction of Government of Chhattisgarh (Government) to keep two months stock of *daal* and also considering the time required for finalisation of new tender for procurement of *daal*, the Company issued (31 August 2013) extension order to the Supplier for additional quantity of 2500 MT *daal* in line with the clause 7 of tender condition so that availability of *daal* would be sufficient to meet the requirement upto November 2013.

We observed (August 2014) that the Supplier had supplied 11188.351 MT *daal* against the total ordered quantity of 12500 MT for Bilaspur division. The Supplier did not supply balance quantity of 1311.649 MT *daal* at the rate of ₹ 36000 per MT as per clause 7 of tender conditions. Subsequently, from November 2013 onwards the Company started procuring *daal* at higher rate of ₹ 39420 per MT for Bilaspur division from M/s Prime Vision Sugar Private limited under a new contract. Had the Supplier supplied the full ordered quantity, the Company would not have been required to procure balance quantity of 1311.649 MT *daal* at higher rate of ₹ 39420 per MT under new contract. Thus, non supply of ordered quantity of *daal* by the Supplier has resulted in extra expenditure of ₹ 44.99 lakh[21] to the Company which was to be recovered from the Supplier as cost of risk purchase in accordance with clause 16 of the tender conditions. However the Company has not recovered the same from the Supplier resulting in extension of undue benefit to the Supplier to the extent of ₹ 44.99 lakh.

[21] 1311.649 MT X (new rate ₹ 39420 - old rate ₹ 36000)

The Management stated (September 2014) that M/s Sanjay Grain Product Private Limited had supplied the balance quantity of 1311.649 MT at Raipur division and thus supplied the total ordered quantity of 12500 MT.

The reply is not acceptable because the supplier had supplied 1311.649 MT *daal* at different rate of ₹ 37340 per MT at Raipur division as per the requirement of the Company which was in addition to the total ordered quantity of 12500 MT for Bilaspur division.

The Company should immediately recover ₹ 44.99 lakh towards cost of risk purchase from M/s Sanjay Grain Product Private Limited, Raipur.

We reported (June 2015) the matter to the Government, their reply is awaited (October 2015).

Chhattisgarh State Power Distribution Company Limited

3.11 Undue financial benefit to the franchisees

The Company has paid extra commission of ₹ 67.40 lakh to the franchisees due to continuation of 'Revenue Based Franchisee System' instead of implementation of 'Input Based Franchisee System' for collection of energy charges.

The erstwhile Chhattisgarh State Electricity Board (CSEB) decided (September 2006) to appoint franchisees for power supply, meter reading, distribution of bills and collection of revenue in those rural areas where recovery of revenue was below 50 *per cent* of monthly billed demand under the "Collection Based Revenue System" of appointment of franchisees (Revenue Based System). The Revenue Based System guidelines *inter alia* provided that the franchisees would be paid item wise remuneration[22] if collection of revenue was less than 50 *per cent*. In case collection of revenue was at least 50 *per cent* of the monthly demand, the franchisees would be paid commission at the percentage ranging between five and 19 *per cent* of amount collected or item wise remuneration whichever was more. In addition, if the quarterly revenue collection was more than 50 *per cent* of the quarterly demand, commission at the rate of five *per cent* of such additional collection was also be payable to the franchisee.

Accordingly, the erstwhile CSEB appointed (between December 2007 and February 2009) 17 franchisees in respect of operation & maintenance (O&M) Division I and II, Raigarh for meter reading, distribution and collection of electricity bills and minor maintenance etc. initially for two years under Revenue Based system.

Subsequently, after unbundling of CSEB, the Chhattisgarh State Power Distribution Company Limited (Company), introduced (January 2010) a new "Input Based Revenue Collection Franshisee System" (Input Based System) which was more economical and effective as compared to old Revenue Based system as the rate of commission under Input Based System was less and it was also linked with reduction of transmission and distribution (T&D)

[22] ₹ 1.50 per meter reading, ₹ one for distribution of bill and ₹ 2.50 per bill against collection of revenues

losses.The remuneration payable to the franchisees under Input Based System were as follows:

(a) Regular commission for collection of monthly demand under clause 5(A) as given in the ***Table - 3.1***.

Table - 3.1: Remuneration payable to the franchisees under Input Based System

SN	Range of collection of revenue with respect to monthly demand	Commission to Franchisee
1	0 *per cent* to 30 *per cent* of monthly demand	5 *per cent* of revenue collected
2	More than 30 *per cent* to 50 *per cent* of monthly demand	7.5 *per cent* of revenue collected
3	More than 50 *per cent* to 70 *per cent* of monthly demand	13 *per cent* of revenue collected
4	More than 70 *per cent* to 90 *per cent* of monthly demand	15 *per cent* of revenue collected
5	More than 90 *per cent* of monthly demand	17 *per cent* of revenue collected

(b) Additional commission depending upon T&D losses under clause 5(B) as given in the ***Table - 3.2.***

Table - 3.2: Additional commission payble to the franchisees under Input Based System depending upon T&D losses

SN	Range of T&D loss	Additional Commission payable to Franchisee
1	0 *per cent* to 10 *per cent*	3 *per cent* of revenue collected against present monthly demand
2	10 *per cent* to 15 *per cent*	2.5 *per cent* of revenue collected against present monthly demand
3	15 *per cent* to 25 *per cent*	1.5 *per cent* of revenue collected against present monthly demand
4	Above 25 *per cent*	Nil

The Company issued orders (between December 2010 and February 2014) for appointment of seven franchisees under Input Based System in respect of O&M Division I and II, Raigarh.

Scrutiny of records (May 2014) revealed that though the Company operated the new 'Input Based system' by appointing new franchisees in some villages, however, it continued to operate the old Revenue Based System in other villages by extending the period of existing franchisees till June 2013 as detailed in the ***Annexure - 3.4***.

We observed that as the Input Based System was more economical and beneficial, the Company should have implemented Input Based System in all the places in O&M Division I and II, Raigarh instead of issuing extension order to the old Revenue Based System. By extending the old Revenue Based System the Company had to incur extra cost of ₹ 67.40 lakh for the period from April 2011 to June 2013 (***Annexure - 3.5***) on account of higher commission paid under Revenue Based System as compared to Input Based System. This has also resulted in extension of undue benefit to the franchisees to that extent.

The Management stated (May 2015) that the Company had not incurred any loss due to non-implementation of Input Based System and continuation of old Revenue Based System because in the Input Based System, the Company would have to pay additional commission at the rate of three *per cent* of total monthly demand to the franchisees towards reduction in T&D losses as per clause 5(B) of Input Based System.

The reply is factually incorrect because under clause 5(B) of Input Based System, additional commission would be payable to the franchisees where T&D losses were below 25 *per cent*. However in the instant cases the T&D losses in all the areas handed over to the franchisees during the period under

reference were in the range of 50.50 *per cent* to 76.20 *per cent* and therefore question of payment of additional commission does not arise.
We reported (June 2015) the matter to the Government, their reply is awaited (October 2015).

3.12 Delay in realisation of revenue

The Company has failed to prepare Bank Reconciliation Statement regularly and take prompt action on uncleared cheques resulting in inordinate delay in realisation of revenue of ₹ 1.04 crore.

As per clause 10.1 of the Chhattisgarh State Electricity Supply Code, 2011 (Supply Code), the consumers have to make payment every month as per the bills served by the licensee i.e. Chhattisgarh State Power Distribution Company Limited (Company) for the power consumed by them.

The Regional Accounts Office, Rajnandgaon (RAO) of the Company maintains three current accounts with State Bank of India (SBI), Union Bank of India (UBI) and Chhattisgarh *Gramin* Bank (*Gramin* Bank) for collection of revenue from the consumers. In case of payment received by cheque, it is sent to concerned bank for collection and after clearing, the Company's account is credited with the cheque amount. Here, Bank Reconciliation Statement (BRS) plays an important role being an essential tool for reconciliation of bank balances between cash book and bank statements for monitoring of un-presented/un-cleared/dishonoured cheques, demand drafts etc. As a prudent financial practice and tool of internal control, BRS should be prepared on monthly basis.

Scrutiny (January 2015) of records revealed that RAO did not prepare BRS regularly and as of January 2015, BRS upto December 2013 only was prepared. Scrutiny of BRS also revealed that cheques amounting to ₹ 1.04 crore received by RAO from different consumers during 16 April 2008 to 31 December 2013 were debited in cash book and presented to banks for clearance. However, even after lapse of period ranging between one and seven years, the cheques so presented were not credited in Company's account as of January 2015.

We observed that RAO had neither taken up the matter with banks nor made any efforts to find out the reasons for non-clearance of cheques so that amount may be recovered from the concerned consumers. As the validity of the cheques was six/ three months, all the outstanding cheques had become invalid. One of the main reason for accumulation and delay in detection of uncleared cheques was delay in preparation of BRS by the RAO. As BRS from January 2014 onwards was not yet prepared, possibility of existence of uncleared cheques during the period since January 2014 onwards could not be ruled out. This indicated weak internal control mechanism and poor financial management in revenue realisation in the Company. After being pointed out in Audit (January 2015) the Company realized ₹ 82.39 lakh and ₹ 21.25 lakh still remained unrealised as of August 2015.

RAO stated (February 2015) that as per rule only local cheques are to be accepted from consumers. However, due to acceptance of outstation cheques

by distribution centers, cheques were sent for clearance to outstation bank branches and in this process these remained uncleared.

Reply shows fault on the part of the distribution centers in accepting outstation cheques in violation of instructions. However, it is the responsibility of RAO to prepare BRS regularly in time and take prompt action on uncleared cheques so that chances of malpractices / misappropriation are minimised.

The Government stated (August 2015) that clearance of balance amount of ₹ 21.25 lakh is taking time as the amount pertains to old period (2008-13).

The fact remains that delay in preparation of BRS resulted in accumulation and non-realisation of old outstanding amount.

The Company should issue instructions regarding non-acceptance of outstation cheques towards energy charges and preparation of BRS regularly to monitor the uncleared cheques.

Chhattisgarh State Power Transmission Company Limited

3.13 Non recovery of operation and maintenance charges

Failure of the Company to take letter of credit and delay in disconnection of the consumer from pooling substation resulted in non recovery of ₹ 71.23 lakh towards O&M charges of pooling substation.

As per the Chhattisgarh State Electricity Regulatory Commission (CSERC) order (2 December 2010) consumers having pooling substation[23], are liable to pay actual charges towards operation and maintenance (O&M) of the pooling substation till it is converted into a load catering substation (common substation, from which other intended consumers can also get connectivity) to the Chhattisgarh State Power Transmission Company Limited (Company). After converting the pooling substation into load catering substation, the ownership of the substation is transferred to the Company.

M/s S.V. Power Private Limited (SVPPL) and M/s Vandana Energy & Steel Private Limited (VESPL) each established a 132 KV pooling substation at Renki and Chhurikhurd respectively and executed (SVPPL - 3 March 2011 and 22 July 2013, VESPL - 24 October 2011) agreements with the Company. As per the agreements, O&M charges were payable by SVPPL and VESPL on monthly basis from the date of commissioning/taking over of pooling substation. Further as per billing and payment clauses 2 and 4 of the agreement, SVPPL and VESPL were to open Letter of Credit (LC) for 105 *per cent* of estimated average monthly billing towards O&M charges in favour of the Company. In case of non-payment of bill within 15 days, Company had option to operate the LC to recover the payment of its bills besides levy of surcharge towards delayed payment and the consumer was also liable to be disconnected from the grid.

Scrutiny of records (December 2014) revealed that the Company had deployed its staff for O&M of the pooling substations through outsourcing contractor

[23] An Extra High Voltage substation established by a Company or a group of Companies (including Captive Power Plants/ Independent Power Producers) primarily for having connectivity of their generating plant to the state Transmission Utility.

w.e.f. 12 March 2011 for SVPPL and 5 November 2011 for VESPL and started billing of O&M charges in accordance with the agreement. VESPL and SVPPL stopped making payment of O&M charges from 5 May 2012 and 12 November 2013 respectively. Due to non-payment of O&M charges, the Company disconnected VESPL and SVPPL from pooling substation on 1 September 2014 and 6 December 2014 after lapse of more than two years and one year respectively. In the meantime outstanding dues of ₹ 1.04 crore (VESPL - ₹ 71.23 lakh and SVPPL - ₹ 32.27 lakh) had accumulated against the defaulting consumers.

We observed that in spite of non-payment of O&M charges by the consumers the Company continued to deploy its O&M staff in pooling substations and moreover, it has not taken any LC from SVPPL and VESPL in accordance with the agreement to secure payment of monthly O&M charges. We also observed that the agreement with VESPL was valid upto 23 October 2013; however, the Company did not enter into supplementary agreement to extend the validity of the agreement and continued to deploy the O&M staff for VESPL beyond the agreement period.

The Government Stated (August 2015) that the entire amount of outstanding against SVVPL has been recovered in April 2015 and action has been initiated against VESPL for recovery of dues under Dues Recovery Act. The Government also stated that due to inadvertent slip, required LC could not be obtained. Further to avoid occurrence of such thing in future a condition for depositing two year's O&M charges in advance has been incorporated in all such agreements being executed now.

The fact remains that the failure of the Company to take LC and delay in disconnection of connectivity of the consumer from pooling substation resulted in non recovery of ₹ 71.23 lakh.

The Company should make all efforts to recover ₹ 71.23 lakh from VESPL.

Raipur
The 20 December 2015

(BIJAY KUMAR MOHANTY)
Accountant General (Audit), Chhattisgarh

Countersigned

New Delhi
The 23 December 2015

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India