Overview

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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)