

Overview

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1. Functioning of State Public Sector Undertakings

Audit of Government companies is governed by Section 143 (6) of the Companies Act, 2013. As on 31 March 2015, the State of Chhattisgarh had 20 Government Companies and one Statutory Corporation¹ (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 Chhattisgarh State Warehousing Corporation is governed by the Warehousing Corporations Act, 1962. These PSUs employed 20239 employees as on 31 March 2015. The PSUs registered a turnover of ₹ 15510.96 crore as per their latest finalised accounts as on 30 September 2015.

(Paragraph 1.1)

Investments in PSUs

As on 31 March 2015, the investment (Capital and Long term loans) in 21 PSUs (including one Statutory corporation) was ₹ 25947.51 crore. It grew by 182.70 *per cent* from ₹ 9178.35 crore in 2010-11. 47.58 *per cent* of total investment was towards Capital and 52.42 *per cent* was towards Long-term loans. The Government contributed ₹ 2824.39 crore towards equity, loans and grants/subsidies during 2014-15.

(Paragraphs 1.6 and 1.8)

Arrears in accounts

Seventeen PSUs had arrears of 34 accounts as of September 2015. 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, out of 21 PSUs, 12 PSUs earned total profit of ₹ 111.55 crore and six PSUs incurred total loss of ₹ 1344.19 crore. One PSU earned neither profit nor loss. The remaining two PSUs did not finalise their first accounts. The losses were mainly incurred by Chhattisgarh State Power Generation Company Limited and Chhattisgarh State Power Distribution Company Limited to the extent of ₹ 683.96 crore and ₹ 630.42 crore respectively as per their latest finalised accounts.

(Paragraph 1.15)

¹ Chhattisgarh State Warehousing Corporation

Quality of accounts

Out of 24 accounts finalised by working PSUs during October 2014 to September 2015 the Statutory Auditors had given unqualified certificates for four accounts, qualified certificates for 19 accounts and adverse certificate for one account. The audit reports of Statutory Auditors appointed by CAG and the supplementary 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 12 paragraphs, one long paragraph and one Performance Audit on “Working of Chhattisgarh State Industrial Development Corporation Limited” involving financial effect of ₹ 605.79 crore.

(Paragraph 1.24)

2. Performance Audit on “Working of Chhattisgarh State Industrial Development Corporation Limited”

Introduction

The main activity of the Chhattisgarh State Industrial Development Corporation Limited (Company) is to develop and maintain industrial areas and allot land to industrial units in and outside industrial areas for development of industries in the State. The Company also finalises rate contracts for Government purchases. As of 31 March 2015 the Company had established 17 industrial areas and four projects for development of industrial areas were in progress. In addition, the Company also conceived five projects during 2010-15 in which the development activities are yet to start.

The Performance Audit was conducted to assess the performance of the Company during 2010-15 covering various aspects such as development and maintenance of industrial areas, allotment of land, billing and recovery of user charges from industrial units, finalisation of rate contracts, investment of surplus funds and internal control and monitoring. Following are the main findings of Performance Audit.

(Paragraphs 2.1 and 2.4)

Financial Management

- The Company has not finalised its accounts for 2010-11 to 2014-15 so far. Delayed finalisation of annual accounts and short deposit of advance tax due to incorrect assessment of budgeted income by the Company resulted in payment of penal interest of ₹ 4.70 crore to Income Tax Department.

(Paragraph 2.6.1)

Development and Maintenance of Industrial Areas

- The Company had not prepared any plans for identification and development of industrial areas in the State in line with the objectives of State Industrial Policy.

Further, the Company has also not prepared road map for creation of land bank for development of industries in the State as per Government of Chhattisgarh (GoCG) instructions of August 2009.

(Paragraphs 2.7.1 and 2.7.2)

- During 2010-15, the Company established four industrial areas and establishment of four industrial areas was in progress as on 31 March 2015. There were delays ranging between one and five years in execution of these projects due to delay in preparation of detailed project reports, non-availability of land and non-receipt of Government of India grants due to non fulfillment of conditions of grant etc.

(Paragraph 2.7.3)

- The Company had fixed land premium and maintenance charges for allotment of land in industrial areas on abnormally lower side without considering actual cost of development and maintenance as was required under GoCG instructions. This has resulted in loss of ₹ 171.70 crore to the Company.

(Paragraphs 2.7.7 and 2.7.8)

Allotment of Land

- During 2010-15, the Company had made 71 allotments for 3367 hectare land outside the industrial areas. In respect of seven cases of allotment of land measuring 446.112 hectare the land premium was assessed at rates lower than the rates applicable as per GoCG guidelines. As a result, there was short recovery of ₹ 262.64 crore.

(Paragraphs 2.8.1 and 2.8.2)

- In six cases of allotment of land measuring 16.715 hectare in industrial areas for auxiliary/ commercial purpose the Company did not recover land premium at commercial rates as per Land Allotment Rules, 1974 and decision of Board of Directors of the Company resulting in loss of ₹ 52.49 crore.

(Paragraph 2.8.6)

- As on 31 March 2015, user charges amounting to ₹ 26.27 crore were outstanding from 1112 allottees for the period ranging upto five years. The Company had not taken action against the defaulting allottees for recovery of user charges as per provisions of lease deed.

(Paragraph 2.8.7)

Internal Control and Monitoring

- The Company did not have Management Information System and internal audit wing. The internal audit conducted by hired chartered accountants was not comprehensive as it was limited to preliminary checking of accounts. The Company had also not conducted physical verification of assets during 2010 -15.

(Paragraph 2.10)

3. Transaction Audit Observations

Transaction audit observations included in the Report highlight deficiencies in the management of Public Sector Undertakings involving serious financial implications. It also includes one Long Paragraph on “Irregularities in awarding of contracts at thermal power stations of Chhattisgarh State Power Generation Company Limited”. The irregularities pointed out are broadly of the following nature:

There was loss of ₹ 66.94 crore in 10 cases due to non-compliance with rules, directives, procedures, terms and conditions of contracts.

(Paragraphs 3.1, 3.2, 3.3, 3.4, 3.6, 3.7, 3.8, 3.9, 3.10 and 3.11)

Loss of ₹ 5.98 crore was incurred in one case due to defective/ deficient planning.

(Paragraph 3.5)

Gist of important audit observations in the Long Paragraph are given below:

The Chhattisgarh State Power Generation Company Limited awarded contract valuing ₹ 1.96 crore for work of construction of ash dyke at Korba Thermal Power Station in violation of Central Vigilance Commission guidelines.

(Paragraph 3.1.5)

The Company paid excess interest free mobilisation advance of ₹ 1.11 crore in violation of General Financial Rules resulting in avoidable loss of interest of ₹ 23.13 lakh.

(Paragraph 3.1.6)

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

(Paragraph 3.1.8)

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

The Chhattisgarh State Power Generation Company Limited 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.

(Paragraph 3.2)

The Chhattisgarh Medical Services Corporation Limited has appointed employees on Samvida basis without approved manpower setup 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.

(Paragraph 3.4)

There was loss of interest of ₹ 5.98 crore in Chhattisgarh Police Housing Corporation Limited due to non-availing of auto sweep facility in bank accounts.

(Paragraph 3.5)

The Chhattisgarh Rajya Beej Evam Krishi Vikas Nigam Limited made avoidable payment of penal interest of ₹ 8.38 crore due to short remittance of advance tax and non-submission of income tax return on time.

(Paragraph 3.6)

The Chhattisgarh Rajya Beej Evam Krishi Vikas Nigam Limited failed to take insurance cover of agricultural produce stored in its warehouses in accordance with the provision of the 'Madhya Pradesh Agricultural Warehouse Act 1947' resulting in loss of ₹ 85.62 lakh to the Company.

(Paragraph 3.7)

The Chhattisgarh State Beverages Corporation Limited has suffered loss of ₹ 53.65 crore due to payment of VAT on sale of Indian Made Foreign Liquor from its margin instead of recovering the same from the retailers.

(Paragraph 3.8)

The Chhattisgarh State Civil Supplies Corporation Limited has recovered penalty at lower rate from a supplier which resulted in loss of ₹ 1.22 crore.

(Paragraph 3.9)

The Chhattisgarh State Power Distribution Company Limited has paid extra commission of ₹ 67.40 lakh to the franchisees due to continuation of old 'Revenue Based Franchisee System' instead of implementation of new 'Input Based Franchisee System' for collection of revenue.

(Paragraph 3.11)

Failure of Chhattisgarh State Power Transmission Company Limited to take letter of credit and delay in disconnection of the consumer from pooling substation resulted in non recovery of ₹ 71.23 lakh towards operation and maintenance charges of pooling substation.

(Paragraph 3.13)