



**Report of the
Comptroller and Auditor General of India**

on

**Public Sector Undertakings
for the year ended 31 March 2015**



GOVERNMENT OF RAJASTHAN
Report No. 5 of the year 2015

**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA**

**ON
PUBLIC SECTOR UNDERTAKINGS**

FOR THE YEAR ENDED 31 MARCH 2015

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Preface

This Report deals with the results of audit of Government Companies and Statutory Corporations and has been prepared for submission to the Government of Rajasthan under Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Services) Act, 1971, as amended from time to time.

2. The accounts of the 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.

3. In respect of Rajasthan State Road Transport Corporation which is a Statutory Corporation, the Comptroller and Auditor General of India is the sole auditor. In respect of Rajasthan State Warehousing Corporation, he has the right to conduct the audit of its accounts in addition to the audit conducted by the Chartered Accountants appointed by the State Government in consultation with Comptroller and Auditor General of India. As per the State Financial Corporation's (Amendment) Act 2000, Comptroller and Auditor General of India has the right to conduct the audit of the accounts of Rajasthan Financial Corporation in addition to the audit conducted by the Chartered Accountants appointed by the Corporation out of the panel of auditors approved by the Reserve Bank of India. The Audit Reports on annual accounts of all these Corporations are forwarded separately to the State Government.

4. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2014-2015 as well as those which came to notice in earlier years but were not dealt with in the previous Reports. Matters relating to the period after 31 March 2015 have also been included, wherever necessary.

5. The audit has been conducted in accordance with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

1. Functioning of Public Sector Undertakings

Audit of Government Companies is governed by Section 139 and 143 of the Companies Act, 2013. The accounts of Government Companies are audited by the Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG). These accounts are also subject to supplementary audit conducted by the CAG. The Audit of Statutory Corporations is governed by their respective legislations.

As on 31 March 2015, Rajasthan had 51 Public Sector Undertakings (PSUs) (45 working Companies and three working Statutory Corporations) and three non-working PSUs (all Companies), which employed around 1.08 lakh employees. The working PSUs registered a turnover of ₹ 47914.29 crore during 2014-15 as per their latest finalised accounts. This turnover was equal to 8.34 *per cent* of the State Gross Domestic Product indicating an important role played by the State PSUs in the economy of the State.

Stake of Government of Rajasthan

As on 31 March 2015, the investment (Capital and long term loans) in 51 PSUs was ₹ 101152.16 crore. It grew by over 114.56 *per cent* from ₹ 47144.61 crore in 2010-11. The power sector received 89.22 *per cent* of total investment made during the period from 2010-11 to 2014-15. The Government contributed ₹ 13052.80 crore towards equity, loans and grants/subsidies during 2014-15.

Performance of PSUs

During the year 2014-15, out of 48 working PSUs, 23 PSUs earned profit of ₹ 858.19 crore and 19 PSUs incurred loss of ₹ 17049.00 crore. Out of the remaining PSUs, four PSUs had no profit or loss for the year 2014-15 while two PSUs did not submit annual accounts since inception. Further, out of 48 PSUs, 16 PSUs incorporated during 2006-07 to 2013-14 did not commence their business activities till 2014-15. The purpose of incorporation of these PSUs was, therefore, defeated. The Government should take appropriate action to commence business activities of these PSUs.

The major contributors to profit were Rajasthan State Industrial Development and Investment Corporation Limited (₹ 247.27 crore), Rajasthan State Mines and Minerals Limited (₹ 205.44 crore) and Rajasthan Rajya Vidyut Prasaran Nigam Limited (₹ 184.49 crore). The heavy losses were incurred by electricity companies, *i.e.* Ajmer Vidyut Vitran Nigam Limited (₹ 4842.99 crore), Jaipur Vidyut Vitran Nigam Limited (₹ 4734.57 crore), Jodhpur Vidyut Vitran Nigam Limited (₹ 4146.12 crore) and Rajasthan Rajya Vidyut Utpadan Nigam Limited (₹ 2636.92 crore).

Quality of accounts

The quality of accounts of PSUs needs improvement. Out of 47 accounts finalised during October 2014 to 30 September 2015, the Statutory Auditors gave qualified certificates on 21 accounts, disclaimer on two accounts and adverse certificates on four accounts. There were 65 instances of non-

compliance of Accounting Standards by the PSUs.

Arrears in accounts and winding up

Fourteen working PSUs had arrears of 26 accounts as on 30 September 2015. Among non-working PSUs, two PSUs had three accounts in arrears. The Government may take a decision regarding winding up of the non-working PSUs.

Coverage of this Report

This Report contains nine compliance audit paragraphs and two Performance Audits *i.e.* on 'Computerisation of commercial activities by Rajasthan State Ganganagar Sugar Mills Limited' and 'Follow up audit of the 'Performance Audit on Redressal of Consumer Grievances by Jaipur Vidyut Vitran Nigam Limited' involving financial effect of ₹ 39.90 crore.

2. Performance Audit relating to Government Companies

Follow up audit of the 'Performance Audit on Redressal of Consumer Grievances by Jaipur Vidyut Vitran Nigam Limited' and Performance Audit (IT) on Computerisation of Commercial activities by Rajasthan State Ganganagar Sugar Mills Limited were conducted.

2.1 Follow up audit of the 'Performance Audit on Redressal of Consumer Grievances by Jaipur Vidyut Vitran Nigam Limited'

The Performance Audit on Redressal of Consumer Grievances by Jaipur Vidyut Vitran Nigam Limited was incorporated in the Report (Commercial) of the Comptroller and Auditor General of India, Government of Rajasthan for the year ended 31 March 2008. The follow up audit was undertaken to review the status of implementation of recommendations made by Audit and Committee on Public Undertakings (COPU) and to assess the performance of the Company in redressal of consumer grievances during the period 2010-11 to 2014-15. The findings of follow up audit disclosed that there was not much improvement in documentation of complaints as per Rajasthan Electricity Regulatory Commission (RERC) directions and there was delay in redressal of consumer grievances. Further, the recommendations made by Audit and COPU and assurances given to COPU in Action Taken Notes were not fully implemented by the Company.

Documentation of the complaints

The complaints were neither registered in the prescribed format nor classified on the basis of nature and urgency with which they were required to be redressed. The sub-divisions (except the call centre at Jaipur) did not assign a unique number to each complaint. Further, the compilation of data of various complaints as per classification was not done. The information submitted to the RERC for the years 2010-11 to 2013-14 was not correct. The Company disclosed redressal of 18.85 lakh complaints (102.39 *per cent*) against receipt of 18.41 lakh complaints (including pending complaints of 2009-10). The

returns submitted to the RERC were not based on supporting evidences and basic documentation.

Interruption in power supply

Complaints (31.56 *per cent*) were not resolved within the stipulated time as per the data compiled by the call centre. There was wide variation between the information reported to the RERC and information compiled at the call centre. The complaints redressed within stipulated time period as submitted to the RERC ranged between 81.93 (2010-11) and 93.77 *per cent* (2013-14) while the performance as per information compiled by the call centre ranged between 55.00 (2010-11) and 80.57 *per cent* (2013-14). The service providers did not provide quality service to the consumers as complaints were not resolved within the stipulated time. Further, 'SMS' were sent to only 10.39 *per cent* consumers after rectification of faults though the 'SMS' pack was activated by the Company timely.

Failure of Distribution Transformers (DTs)

The percentage of failed DTs with respect to total DTs installed in the Company ranged between 12.35 and 13.21 during 2010-11 to 2013-14. On an average 12.85 *per cent* of the installed DTs failed during four years ending March 2014. In Jaipur District Circle (JPDC), 12.35 *per cent* of the DTs failed during 2010-14. The position of Jaipur City Circle (JCC) was better where the failure rate (3.43 *per cent*) was much below the average failure rate of the Company. The Company, however, did not maintain record of the number of consumers affected on account of failed DTs as required under RERC Regulations. In JPDC, 64.74 *per cent* DTs failed within guarantee period during 2010-14 but the Company did not analyse reasons for such higher failure rate. The procedure of replacement of burnt/defective transformers in agricultural category was not adhered to by any of the sub-divisions of JPDC. The Company did not report any case of delay to the RERC in replacement of failed transformers beyond 72 hours but test check of records disclosed delay in replacement of transformers beyond the stipulated time period.

Voltage Fluctuations and Defective/stopped meters

The sub-divisions did not maintain any record relating to registration and redressal of voltage fluctuation complaints. The sub-divisions also did not send any information for further submission to the RERC. In absence of any information relating to registration and redressal of voltage fluctuation complaints, the performance of the Company on this account was not ascertainable. The Company registered a high percentage (30.68 *per cent* during 2010-14) of consumers having defective meters which were not replaced within the prescribed time period of two months. The sub-divisions did not maintain the record of defective meters and the consumers billed on average basis for more than two months in the format prescribed by the RERC. The meter failure reports in A-30 form were not prepared to assess the probable causes of failure of meters in large numbers.

Grievances relating to bills

The sub-divisions did not maintain the records of complaints relating to energy bills in the format prescribed by the RERC. There was no inter-linking between receipt of grievance, action taken by the concerned sub-divisions in

redressal of grievance and the total time taken in final resolution of the grievance. The Company, therefore, failed to provide any assurance that complaints were redressed within the stipulated time period. Average bills were issued to consumers in more than two billing cycles and delay ranged between 119 and 1147 days in allowing credit to the consumers on account of wrong billing. The JCC and JPDC did not provide five *per cent* rebate to the consumers who were issued average bills for more than two billing cycles.

Release of connections/agricultural connections

The yearly performance reports submitted to the RERC for the period 2010-11 to 2013-14 mentioned 'no delay' in release of connections in JCC and JPDC. However, in JPDC there was delay in issue of demand note ranging between one and 407 days in 71.68 *per cent* cases beyond the prescribed period of 21 days. Further, there was delay ranging between one and 451 days against the prescribed period of 45 days in 30.82 *per cent* cases in release of connections after deposit of demand note. In JCC, the demand note in 5.88 *per cent* cases was issued with delay ranging between one and 145 days and connections were released with delay ranging between one and 391 days in 13.16 *per cent* cases after deposit of demand note. The pace of release of agricultural connections was slow as the Company was able to release only 0.99 lakh new connections during 2011-15 and 1.48 lakh applications were pending as on December 2014. The applications for the connections released during 2011-15 pertained to the period upto March 2009.

Performance report submitted to the RERC and Standards of Performance 2014

The Company did not send quarterly reports to the RERC during 2010-11 to 2014-15 as per Regulations 2003. The yearly reports were also submitted with delay ranging between four and 16 months. Further, the yearly reports were not based on any supporting evidence and basic documentation as the concerned Engineer neither compiled the information in the prescribed format nor sent daily, weekly and monthly reports. The Company did not submit return to the RERC for the half year ending 31 March 2015 as per Standards of Performance 2014. Further, the sub-divisions had not yet (September 2015) commenced preparation and compilation of records in the prescribed formats. The performance of the Company on different parameters, therefore, could not be commented upon.

Awareness generation among consumers

The field offices did not comply with the directions issued (November 2003) by the RERC for registration and redressal of complaints and wide publicity thereof. The complete address of the complaint center for various nature of complaints and complete addresses and telephone numbers of the Grievance Redressal Forums were neither publicised through print/radio/tv media nor printed on electricity bills or displayed at the sub-division offices.

Grievance redressal cum settlement forums

The sub-divisional forum was not functional at Bassi sub-division. In Sanganer and Badpeepali sub-divisions, the forums were almost non-functional as only one and four cases respectively were received and settled

during 2010-11 to 2014-15. The cases were settled beyond stipulated time period due to slackness in the concerned offices and considerable time taken in sending cases by the subordinate offices to controlling offices.

2.2 Performance Audit (IT) on Computerisation of Commercial activities by Rajasthan State Ganganagar Sugar Mills Limited

Rajasthan State Ganganagar Sugar Mills Limited (Company) was incorporated (1 July 1956) as a wholly owned Government company with the main objectives to manufacture sugar from sugarcane and sugar beet and to trade in sugar, sugarcane, sugar beet and molasses; produce and raise sugar cane, sugar beet and other crops; and carry on the business as distillers, manufacturers and dealers in Rectified Spirit, Country Liquor and Indian Made Foreign Liquor.

The Excise Department, GoR outsourced (June 2010) the work of Integrated IT Services to M/s Trimax IT Infrastructure & Service Limited, Jaipur (Service provider) at a cost of ₹ 8.21 crore. The Service provider was to implement an integrated IT system in the Excise Department, Rajasthan State Beverages Corporation Limited and Rajasthan State Ganganagar Sugar Mills Limited (Company).

The electronic data for the year 2013-14 and 2014-15 was collected and was analysed through Computer Assisted Audit Techniques using Interactive Data Extraction and Analysis software.

Analysis of the data disclosed serious flaws in the IT system which led to sale of country liquor on dry days, acceptance of duplicate permit numbers, challans numbers and other deficiencies.

General Controls

The Company did not have an IT policy and IT security policy as regards to security of IT assets (software, hardware and databank). In absence of IT security policy, modifications made in the data base relating to the retailers, depot location, any deletion or editing in invoice and challan, *etc.* by the outsourced agency were not subjected to any supervisory review periodically to ensure that the changes were authorised by the competent authority. There was no business continuity/disaster recovery procedure to avoid any untoward incident. Disaster recovery site at State Data Center Jaipur was not set up by the service provider. Further, the system was also deficient with respect to physical and logical security.

System Design Deficiencies

The billing software was not designed in a robust manner to ensure validation of input advice and output results as per the business rules. Our analysis disclosed that the design deficiencies and inadequate input controls led to irregularity in approval of label and sale of country liquor without testing.

Mapping of business rules

The integrated system lacked mapping of business rules in accordance with the Excise Act/Rules which not only led to violation of the Excise Act/Rules but also statutory violation in sale of country liquor/issue of permit on dry

days/election dates and sale of country liquor beyond working hours and on non-working days.

Input Control and Validation Checks

Input control minimises the possibilities of error or irregularities in computerised systems due to incorrect or irregular input. Input control and validation checks were deficient and the system accepted the same permit and challan numbers more than once. There were instances of sale of liquor beyond the validity of permit or without permit, acceptance of cash from the licensees in violation of policy, discrepancies in material inward slip, short receipt of quantity of country liquor against the ordered quantity and irregular change of retailers' depot, etc.

Internal Controls

The existence of an adequate system of internal control minimises the risk of errors and irregularities. Our analysis disclosed that the internal control mechanism was deficient and it led to sale of unapproved brand of country liquor, illegal transactions and non-reconciliation of Company's data with the database of the Excise Department.

Recommendations

The Performance Audit includes recommendations for formulating and implementing a clear and comprehensive IT policy and its periodical review according to the business environment; carrying out suitable modifications in the system design to avoid any statutory violation as regards to issue of permit and sale of liquor on dry days; capturing the location of depot, quantity of active/inactive stock and date of bottling to ensure timely testing of country liquor; ensuring mapping of business rules in accordance with the provisions of the Excise Act/Rules; building adequate input controls and validation checks to overcome the deficiencies and strengthening the internal control mechanism to ensure proper monitoring of the sale of country liquor and reconciliation of Company's data with the data of Excise Department to avoid any leakage of revenue.

3. Compliance Audit Observations

Compliance Audit observations included in this Report highlight deficiencies in the management of Public Sector Undertakings, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature.

Loss of ₹ 19.04 crore due to non-compliance with rules, directives, procedures, terms and conditions of contract in six cases.

(Paragraphs 3.1, 3.3, 3.4, 3.5, 3.7 and 3.9)

Loss of ₹ 18.18 crore due to non-safeguarding of financial interests of the organization in three cases.

(Paragraphs 3.2, 3.6 and 3.8)

Gist of some important Audit observations is given below:

Jaipur Vidyut Vitran Nigam Limited purchased compact fluorescent lamps at higher rates despite lower rates offered by two firms and thereby incurred avoidable excess expenditure of Government funds of ₹ 2.20 crore.

(Paragraph 3.2)

Rajasthan State Industrial Development & Investment Corporation Limited and Rajasthan State Mines and Minerals Limited made irregular contribution of ₹ 3.42 crore to the Employees' Provident Fund towards leave encashment.

(Paragraph 3.4)

The Central Reservation Office, New Delhi of **Rajasthan Tourism Development Corporation Limited** did not adhere to the provisions of Reservation and Cancellation Policy for luxury trains. Further, delay in taking action against the defaulter general sales agent (Luxury Holidays) caused non-recovery of the booking amount of ₹ 13.17 crore besides loss of interest of ₹ 1.85 crore.

(Paragraph 3.6)

Chhabra Thermal Power Project of Rajasthan Rajya Vidyut Utpadan Nigam Limited did not achieve the power generation targets set by the Central Electricity Authority (2011-13) and Rajasthan Electricity Regulatory Commission (2011-15) due to low Plant Load Factor as a result of high incidence of outages and shortage of coal during various months. There was excess consumption of coal due to higher Station Heat Rate than the RERC norms; excess auxiliary consumption than RERC norms; and unloading of rakes beyond permissible time limit attracting demurrage charges from Railways.

(Paragraph 3.7)

The coal import agreements entered into by **Rajasthan Rajya Vidyut Utpadan Nigam Limited** mentioned incorrect methodology of computation of delivered cost of imported coal which led to irregular payment of education cess and secondary & higher education cess of ₹ 95.84 lakh on clean energy cess.

(Paragraph 3.8)

Rajasthan State Warehousing Corporation failed to augment the desired storage capacity in the State under Private Entrepreneurs Guarantee Scheme 2008 due to lack of monitoring and proper action against the defaulter contractors/private entrepreneurs. The godowns were also not constructed as per the specifications provided by the Food Corporation of India in Model Test Form and delay in construction caused loss of guaranteed storage charges and supervision charges.

(Paragraph 3.9)

CHAPTER I

Functioning of Public Sector Undertakings

Chapter I

Functioning of Public Sector Undertakings

Introduction

1.1 The Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. As on 31 March 2015, there were 51 PSUs including three Statutory Corporations. None of these 48 Government Companies was listed on the stock exchange. During the year 2014-15, no PSU was incorporated or wound up. The details of the PSUs in Rajasthan as on 31 March 2015 are given below:

Table 1.1: Total number of PSUs as on 31 March 2015

Type of PSUs	Working PSUs	Non-working PSUs ¹	Total
Government Companies ²	45	3	48
Statutory Corporations	3	-	3
Total	48	3	51

The working PSUs registered a turnover of ₹ 47914.29 crore as per their latest finalised accounts as of September 2015. This turnover was equal to 8.34 *per cent* of State Gross Domestic Product (GDP) for the year 2014-15. The working PSUs incurred loss of ₹ 16190.81 crore as per their latest finalised accounts as of September 2015. As on March 2015, the State PSUs had employed 1.08 lakh employees.

There are three non-working PSUs existing from last one to 35 years having investment of ₹ 26.23 crore. This is a critical area as the investments in non-working PSUs do not contribute to the economic growth of the State.

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 2013). According to Section 2 (45) of the Act 2013, Government Company means any company in which not less than fifty one *per cent* of the paid-up share capital is held by the Central 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 2013, the Comptroller and Auditor General of India (CAG) may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considers

1 Non-working PSUs are those which have ceased to carry out their operations.

2 Government PSUs include other Companies referred to in Section 139(5) and 139(7) of the Act 2013.

necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19 A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG. An audit of the financial statements of a Company 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 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 2013. The Statutory Auditors submit a copy of the Audit Report to the CAG including, among other things, financial statements of the Company under Section 143(5) of the Act 2013. These financial statements are also subject to supplementary audit to be conducted by the CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act 2013.

Audit of Statutory Corporations is governed by their respective legislations. Out of three Statutory Corporations, the CAG is sole auditor for Rajasthan State Road Transport Corporation. In respect of Rajasthan State Warehousing Corporation and Rajasthan Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by the CAG.

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 to the Board are appointed by the State 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 to be placed before the State Legislature under Section 394 of the Act 2013 or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Stake of Government of Rajasthan

1.5 The Government of Rajasthan (GoR) has huge financial stake in these PSUs. This stake is of mainly three types:

- **Share capital and loans** – In addition to the share capital contribution, GoR also provides financial assistance by way of loans to the PSUs from time to time.

- **Special financial support** – GoR provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees** – GoR 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 total investment (capital and long term loans) in 51 PSUs was ₹ 101152.16 crore as per details given below:

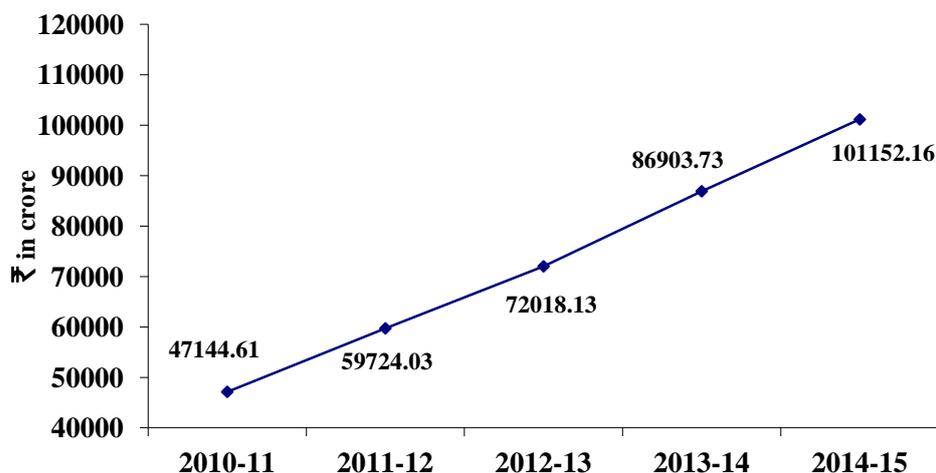
Table 1.2: Total investment in PSUs

(₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working	25586.77	73222.60	98809.37	807.55	1509.01	2316.56	101125.93
Non-working	10.16	16.07	26.23	-	-	-	26.23
Total	25596.93	73238.67	98835.60	807.55	1509.01	2316.56	101152.16

As on 31 March 2015, of the total investment in State PSUs, 99.97 per cent was in working PSUs and the remaining 0.03 per cent was in non-working PSUs. This total investment consisted of 26.10 per cent towards capital and 73.90 per cent in long-term loans. The investment has grown by 114.56 per cent from ₹ 47144.61 crore in 2010-11 to ₹ 101152.16 crore in 2014-15 as shown in the graph below:

Chart 1.1: Total investment in PSUs



—◆— Investment (Capital and Long term loans)

1.7 The sector-wise summary of investment in the PSUs as on 31 March 2015 is given below:

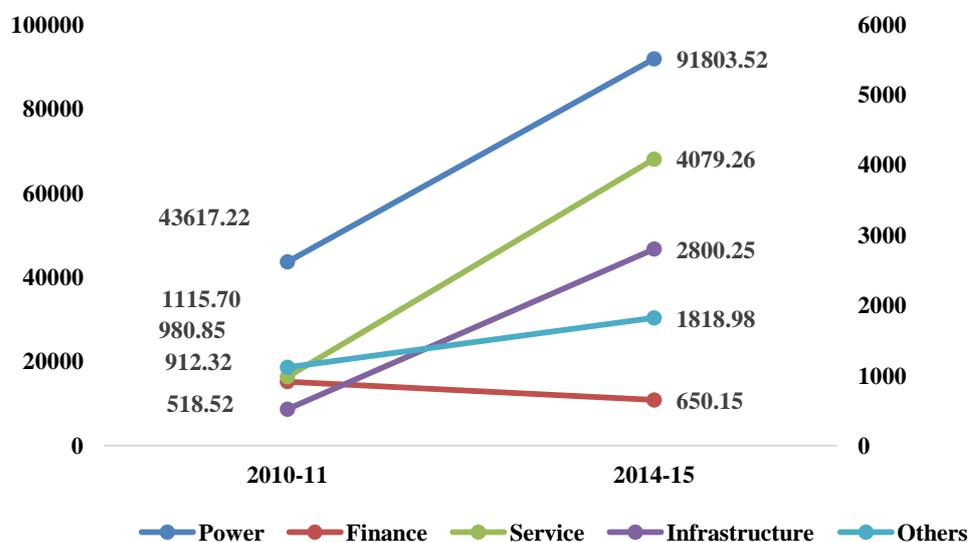
Table 1.3: Sector-wise investment in PSUs

Name of sector	Government Companies		Statutory Corporations		Total	Investment ³ (₹ in crore)
	Working	Non-working	Working	Non-working		
Power	15	-	-	-	15	91803.52
Finance	3	-	1	-	4	650.15
Service	14	-	2	-	16	4079.26
Infrastructure	5	-	-	-	5	2800.25
Others	8	3	-	-	11	1818.98
Total	45	3	3	-	51	101152.16

The investment in various important sectors at the end of 31 March 2011 and 31 March 2015 is indicated in the chart below.

Chart 1.2: Sector-wise investment in PSUs

(Figures in ₹ crore)



The thrust of PSU investment was mainly on power sector during the last five years. The power sector received investment of ₹ 48186.30 crore (89.22 per cent) out of total investment of ₹ 54007.55 crore made during the period from 2010-11 to 2014-15. The service and infrastructure sectors had also recorded impressive increase by 315.89 per cent and 440.05 per cent respectively during this period.

3 Investments include capital and long term loans.

Special support and returns during the year

1.8 The GoR provides financial support to PSUs in various forms through annual budget. The summarized details of budgetary outgo towards equity, loans, grants/subsidies, loan written off and interest waived in respect of PSUs for three years ending 2014-15 are given below:

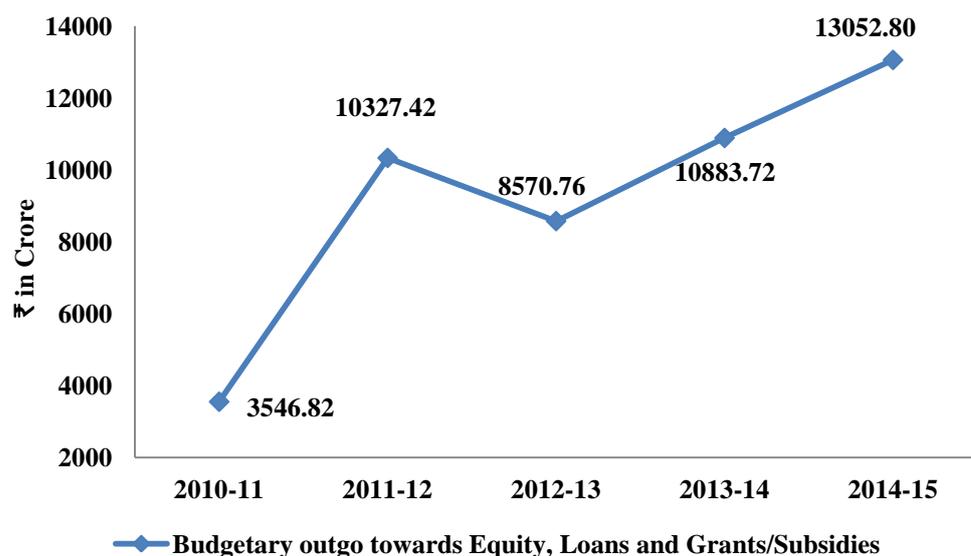
Table 1.4: Details regarding budgetary support to PSUs

Sl. No.	Particulars ⁴	2012-13		2013-14		2014-15	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo	14	4648.37	14	4722.21	7	4371.79
2.	Loans given	7	813.81	8	428.98	11	776.25
3.	Grants/Subsidy received	13	3108.58	16	5732.53	14	7904.76
4.	Total Outgo (1+2+3)	23 ⁵	8570.76	26 ⁵	10883.72	18 ⁵	13052.80
5.	Loan repayment written off	-	-	1	204.42	-	-
6.	Loans converted into equity	1	15.65	1	2.62	-	-
7.	Guarantees issued	7	20209.01	7	26881.55	6	12066.92
8.	Guarantee Commitment	7	70365.08	9	81228.38	9	90054.11

(₹ in crore)

The details regarding budgetary outgo towards equity, loans and grants/subsidies for the five years ending 2014-15 are given in a graph below:

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



The above indicates that the budgetary assistance in the form of equity, loan and grant/subsidy by the GoR to PSUs had increased from ₹ 3546.82 crore in 2010-11 to ₹ 13052.80 crore in 2014-15. The significant budgetary outgo was

4 Amount represents outgo from State Budget only.

5 The figure represents number of companies which have received outgo from budget under one or more head *i.e.* equity, loans, grants/subsidies.

to power sector which received 97.20 *per cent* (₹ 4249.22 crore) of equity capital outgo (₹ 4371.79 crore) and 91.06 *per cent* (₹ 11885.54 crore) of total budgetary outgo (₹ 13052.80 crore) during the year.

In order to provide financial assistance to PSUs from banks and financial institutions, GoR gives guarantee under Rajasthan State Grant of Guarantees Regulation 1970. The Government decided (February 2011) to charge guarantee commission at the rate of one *per cent* per annum in case of loan availed by PSUs from banks/financial institutions without any exception under the provision of the Rajasthan State Grant of Guarantees Regulation 1970. There was an increasing trend of outstanding guarantee commitments which increased from ₹ 48088.19 crore in 2010-11 to ₹ 90054.11 crore in 2014-15 showing rise of 87.27 *per cent*. During the year 2014-15 guarantee commission of ₹ 616.25 crore was payable by the PSUs, out of which ₹ 615.31 crore was paid.

Reconciliation with Finance Accounts

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

Table 1.5: Equity, loans, guarantees 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	27121.92	25888.60	1233.32
Loans	3670.02	4471.17	801.15
Guarantees	90233.62	90054.11	179.51

Audit observed that the difference occurred in respect of 13⁶ PSUs. The Government and the PSUs should reconcile the difference in a 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 relevant financial year *i.e.* by September end in accordance with the provisions of Section 96 (1) of Act 2013. Failure to do so may attract penal provisions under section 99 of the Act 2013. In case of Statutory Corporations, their accounts are finalised, audited and presented to Legislature as per the provisions of their respective Acts.

6 At Sl. No.-A-1, 7, 9, 12, 13, 15, 23, 28, 34, 41, 44, B-1, and C-1 of Annexure-2.

The table below provides the details of progress made by working PSUs in finalisation of accounts as on 30 September 2015:

Table 1.6: 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	42	44	46	48	48
2.	Number of accounts finalised during current year	46	33	59	41	51
3.	Number of working PSUs which finalised accounts for the current year	25	24	33	27	34
4.	Number of previous year's accounts finalised during current year	21	9	25	14	17
5.	Number of Working PSUs with arrears in accounts	17	20	13	21	14
6.	Number of accounts in arrears	24	33	21	29	26
7.	Average arrears per PSU (6/1)	0.57	0.75	0.46	0.60	0.54
8.	Extent of arrears	One to four years	One to five years	One to six years	One to seven years	One to eight years

During the year, 48 working PSUs had finalised 51 annual accounts, of which 34 PSUs' annual accounts pertained to 2014-15 and remaining 17 annual accounts were of previous years. The remaining 14 working PSUs had 26 accounts in arrears including a company (Kota City Transport Services Limited) which had arrears in accounts since 2007-08. Average arrear of annual accounts per PSU had decreased from 0.60 in 2013-14 to 0.54 in 2014-15.

1.11 The GoR had invested ₹ 4034.60 crore in four PSUs (Equity: ₹ 988.47 crore, Loan: ₹ 336.53 crore, Subsidy: ₹ 2709.60 crore) during the year 2014-15 for which accounts had not been finalised as detailed in **Annexure-1**. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. The GoR investment in such PSUs, therefore, remained outside the control of State Legislature.

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 the stipulated period. The concerned Departments were informed quarterly, as a result of which number of working PSUs with arrears in accounts decreased from 21 in 2013-14 to 14 in 2014-15. However, four⁷ PSUs which were under administrative control of Local Self Government Department had 14 accounts in arrears despite continuous pursuance by the Accountant General/Principal Accountant General.

1.12 In addition to above, there were arrears in finalisation of accounts by non-working PSUs. Position of accounts in arrears of non-working PSUs is given below:

⁷ PSUs at Sl. No. A-32, 33, 35 and 45 of Annexure 2.

Table 1.7: Position relating to arrears of accounts in respect of non-working PSUs

Name of non-working companies	Period for which accounts were in arrears
Rajasthan State Agro Industries Corporation Limited	2013-14 and 2014-15
Rajasthan State Dairy Development Corporation Limited	2014-15

Placement of Separate Audit Reports

1.13 All three working Statutory Corporations had forwarded their accounts of 2014-15 by 30 September 2015. The audit of the accounts of two Statutory Corporations was in progress (September 2015).

Separate Audit Reports (SARs) are audit reports of the CAG on the accounts of Statutory Corporations. These reports are to be laid before the Legislature as per the provisions of the respective Acts. The SARs in respect of these Statutory Corporations for the period 2013-14 had been placed⁸ in State Legislature during February to September 2015.

Impact of non-finalisation of accounts

1.14 As pointed in paragraph 1.10, the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of PSUs to State GDP for the year 2014-15 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that the Administrative Department should strictly monitor and issue necessary directions to liquidate the arrears in accounts. The Government may also look into the constraints in preparing the accounts of the Company and take necessary steps to liquidate the arrears in accounts.

Performance of PSUs as per their latest finalised accounts

1.15 The financial position and working results of working Government Companies and Statutory Corporations are detailed in **Annexure-2**. A ratio of PSUs turnover to State GDP shows the extent of activities of PSUs in the State economy. Table below provides the details of turnover of working PSUs and State GDP for a period of five years ending March 2015.

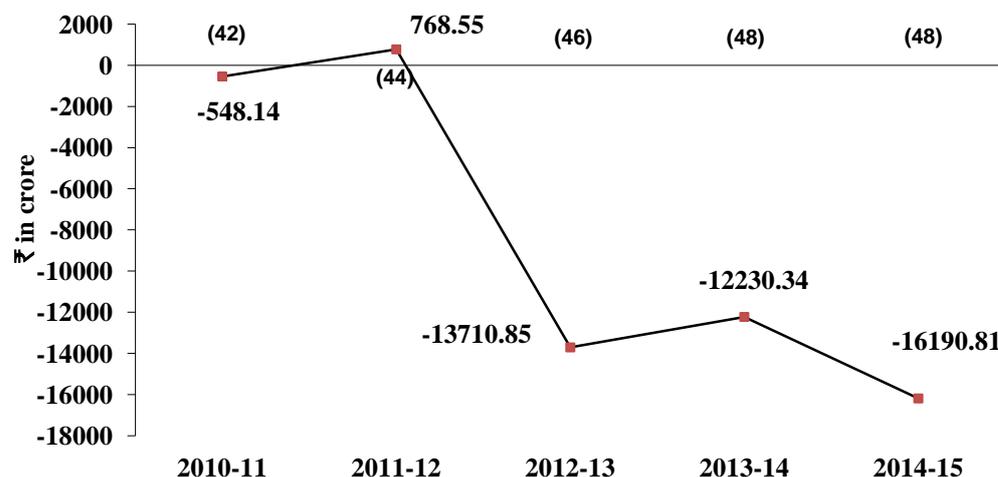
8 Rajasthan State Warehousing Corporation (26 February 2015), Rajasthan Financial Corporation (19 March 2015) and Rajasthan State Road Transport Corporation (17 September 2015).

Table 1.8: Details of working PSUs turnover vis-a-vis State GDP

Particulars	₹ in crore)				
	2010-11	2011-12	2012-13	2013-14	2014-15
Turnover ⁹	30152.24	32440.58	33486.33	38953.84	47914.29
State GDP ¹⁰	338348.00	414179.00	470178.00	517615.00	574549.00
Percentage of Turnover to State GDP	8.91	7.83	7.12	7.53	8.34

The turnover of PSUs has recorded continuous increase over previous years. The increase in turnover ranged between 3.22 and 23 per cent during the period 2010-15, whereas increase in GDP ranged between 10.09 and 22.41 per cent during the same period. The turnover of PSUs recorded compounded annual growth of 9.71 per cent during last five years which was lower than the compounded annual growth of 11.17 per cent of State GDP. This resulted in decrease of PSUs share of turnover to State GDP from 8.91 per cent in 2010-11 to 8.34 per cent in 2014-15, despite increase in number of PSUs from 42 to 48 during 2010-11 to 2014-15.

1.16 Overall profit¹¹ (loss) earned (incurred) by State working PSUs during 2010-11 to 2014-15 is given below in a line chart.

Chart 1.4: Profit/Loss of working PSUs

— Overall Profit earned/Loss incurred during the year by working PSUs.
Figures in brackets show the number of working PSUs in respective years.

The working PSUs incurred a loss of ₹ 16190.81 crore in 2014-15 in comparison to loss of ₹ 548.14 crore in 2010-11. According to latest finalised accounts of 48 PSUs, 23¹² PSUs earned profit of ₹ 858.19 crore, 19¹² PSUs incurred loss of ₹ 17049.00 crore, four PSUs had no profit or loss while two

9 Turnover as per the latest finalised accounts.

10 State GDP as per Economic Review 2014-15 of Government of Rajasthan.

11 Figures are as per the latest finalised accounts during the respective years.

12 Including those PSUs which had not started their business activities but were showing marginal profit/loss.

PSUs have yet to submit their first accounts since inception. Further, out of 48 PSUs, 16 PSUs incorporated during 2006-07 to 2013-14 did not commence their commercial activities till 2014-15 (**Annexure -2**).

As per their latest finalised accounts, Rajasthan State Industrial Development and Investment Corporation Limited (₹ 247.27 crore), Rajasthan State Mines and Minerals Limited (₹ 205.44 crore) and Rajasthan Rajya Vidyut Prasaran Nigam Limited (₹ 184.49 crore) were the major contributors to the profit while Ajmer Vidyut Vitran Nigam Limited (AVVNL) (₹ 4842.99 crore), Jaipur Vidyut Vitran Nigam Limited (JVVNL) (₹ 4734.57 crore), Jodhpur Vidyut Vitran Nigam Limited (JdVVNL) (₹ 4146.12 crore) and Rajasthan Rajya Vidyut Utpadan Nigam Limited (₹ 2636.92 crore) incurred heavy losses.

1.17 Some other key parameters pertaining to State PSUs are given below.

Table 1.9 Key parameters of the State PSUs

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Return on Capital Employed ¹³ (per cent)	5.64	8.09	-16.32	-7.86	-11.10
Debt	36260.08	45976.15	53503.45	63829.17	74747.68
Turnover ¹⁴	30152.24	32440.58	33486.33	38953.84	47914.29
Debt/Turnover Ratio	1.20:1	1.42:1	1.60:1	1.64:1	1.56:1
Interest Payments ¹⁴	3551.29	3681.11	7864.69	8498.38	10346.56
Accumulated Profits (losses) ¹⁴	(2066.69)	(1590.48)	(50951.85)	(56133.11)	(83732.89)

During the last five years, the turnover of PSUs recorded compounded annual growth of 9.71 per cent. However, the compounded annual growth of debts was 15.57 per cent indicating increase at a much faster rate than the turnover. The rising debts to turnover ratio from 1.20:1 in 2010-11 to 1.56:1 in 2014-15 indicated increased reliance on debts by PSUs.

1.18 The State Government had formulated (September 2004) a dividend policy under which all profit making PSUs are required to pay a minimum return of ten per cent on the paid up share capital or 20 per cent of the profit after tax, whichever is lower. As per their latest finalised accounts, 23 PSUs earned an aggregate profit of ₹ 858.19 crore and nine¹⁵ PSUs declared a dividend of ₹ 67.95 crore which worked out to 0.27 per cent of equity capital of all the PSUs. Of 23 profit earning Companies, fourteen PSUs did not declare dividend due to accumulated losses or marginal profits, four¹⁶ PSUs declared dividend more than the prescribed limit, while two¹⁷ PSUs declared dividend less than the prescribed limit and other three¹⁸ PSUs declared dividend as per policy.

13 Upto 2011-12, Capital employed had been worked out using formula (Net fixed assets + Working capital). From 2012-13, Capital employed has been worked out using formula (Shareholder's fund + Long-term borrowings).

14 As per latest finalised accounts.

15 PSUs at Sl. No.-A-1, 5, 7, 8, 11, 12, 13, 30 and B-3 of Annexure-2.

16 PSUs at Sl. No.-A-5, 8, 13, and B-3 of Annexure-2.

17 PSUs at Sl. No.-A-7, and 12 of Annexure-2.

18 PSUs at Sl. No.-A-1, 11 and 30 of Annexure-2.

Winding up of non-working PSUs

1.19 There were three non-working PSUs (all companies) as on 31 March 2015 having a total investment of ₹ 26.23 crore towards capital (₹ 10.16 crore) and long term loans (₹ 16.07 crore). The numbers of non-working companies at the end of each year during past five years are given below.

Table 1.10: Non-working PSUs

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
No. of non-working companies	3	3	2	3	3

None of these non-working companies was under liquidation. Since the non-working PSUs are not contributing to the intended objectives, these PSUs may be either revived or closed down.

Accounts Comments

1.20 Thirty eight working Companies forwarded their 47 audited accounts to the Accountant General during the period from October 2014 to September 2015. Of these, 20 accounts of 19 Companies were selected for supplementary audit. The Audit Reports of Statutory Auditors appointed by the CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and the CAG are given below.

Table 1.11: 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.	Decrease in profit	5	30.01	6	266.83	5	85.90
2.	Increase in profit	2	7.60	1	0.81	8	121.79
3.	Increase in loss	12	2131.55	5	459.02	8	3059.24
4.	Decrease in loss	2	4.00	3	20.16	2	55.54
5.	Non-disclosure of material facts	2	2.57	1	26.54	3	68.25
6.	Errors of classification	15	19411.76	4	28.42	10	2738.30

During the year 2014-15, the Statutory Auditors had given qualified certificates on 21 accounts, adverse¹⁹ certificate on four accounts of Rajasthan State Handloom Development Corporation Limited, AVVNL, JVVNL, JdVVNL for the year 2013-14 and disclaimer²⁰ on two accounts of Giral Lignite Power Limited for the year 2013-14 and 2014-15. Additionally, the CAG also gave disclaimer on the accounts of Giral Lignite Power Limited for the year 2013-14. The compliance of the Accounting Standards (AS) by PSUs remained poor as there were 65 instances of non-compliance in 17 accounts as pointed out by the Statutory Auditors.

¹⁹ Accounts do not reflect true and fair position.

²⁰ Auditors are unable to form an opinion on accounts.

1.21 Similarly, three working Statutory Corporation, forwarded their four²¹ accounts to Accountant General during the period from October 2014 to September 2015 and all were selected for supplementary audit. Of these, two accounts of Statutory Corporation pertained to sole audit by the CAG. On remaining two accounts for the year 2014-15, the Statutory Auditors had given qualified certificates for both accounts. The details of aggregate money value of comments of Statutory Auditors and supplementary audit by the CAG are given below:

Table 1.12: Impact of audit comments on Statutory Corporations

(₹ 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	31.19	2	51.91	2	22.41
2.	Increase in profit	-	-	1	1.30	-	-
3.	Increase in loss	-	-	1	729.18	1	2162.57
4.	Non-disclosure of material facts	-	-	2	554.11	1	604.45
5.	Errors of classification	-	-	1	1.27	-	-

Audit of annual accounts of the Rajasthan Financial Corporation and Rajasthan State Road Transport Corporation for the year 2014-15 by the CAG was in progress as on 30 September 2015.

Response of the Government to Audit

Performance Audits and Paragraphs

1.22 For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2015, two performance audits and 11 audit paragraphs were issued to the Additional Chief Secretaries/ Principal Secretaries of the respective Departments with request to furnish replies within six weeks. However, replies on three compliance audit paragraphs were awaited from the State Government (October 2015).

Follow up action on Audit Reports

Replies outstanding

1.23 The Report of the Comptroller and Auditor General 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 Rajasthan issued (July 2002) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/performance audits included in the Audit Reports of the CAG of India within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires

21 Rajasthan State Road Transport Corporation submitted two accounts of 2013-14 and 2014-15.

from the Committee on Public Undertakings (COPU).

Table 1.13: Explanatory notes not received (as on 30 September 2015)

Year of the Audit Report (PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs in the Audit Report		Number of PAs/Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2013-14	25.03.2015	3	11	1	2

As on 30 September 2015, explanatory notes on two paragraphs and one Performance Audit report were awaited.

Discussion of Audit Reports by COPU

1.24 The status of discussion of Performance Audits and paragraphs that appeared in Audit Reports (Commercial/PSUs) by the COPU as on 30 September 2015 was as under:

Table 1.14: Performance Audits/Paragraphs appeared in Audit Reports vis-a-vis discussed as on 30 September 2015

Period of Audit Report	Number of Performance Audits/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PA	Paragraphs	PA	Paragraphs
2010-11	2	13	2	12
2011-12	2	14	2	13
2012-13	2	11	1	-
2013-14	3	11	-	-

Compliance to Reports of COPU

1.25 Action Taken Notes (ATNs) to one Report of the COPU presented to the State Legislature in July 2014 had not been received (September 2015) as indicated below:

Table 1.15: Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Report	Total number of recommendation in COPU Report	Number of recommendations where ATNs not received
2014-15	1	1	1

This Report of COPU contained recommendation in respect of paragraphs pertaining to Tourism Department, which appeared in the Report of the CAG of India for the year 2007-08.

The Government may ensure sending of replies to draft paragraphs/ performance audits and ATNs on the recommendations of COPU as per the prescribed time schedule and recovery of losses/ outstanding advances/ overpayments within the prescribed period.

Disinvestment, Restructuring and privatisation of PSUs

1.26 No disinvestment or privatisation of PSUs had taken place during 2014-15.

Coverage of this Report

1.27 This Report contains nine compliance audit paragraphs and two Performance Audits *i.e.* on 'Computerisation of commercial activities by Rajasthan State Ganganagar Sugar Mills Limited' and 'Follow up audit of the Performance Audit on Redressal of Consumer Grievances by Jaipur Vidyut Vitran Nigam Limited' involving financial effect of ₹ 39.90 crore.

CHAPTER II

Performance Audit relating to Government Companies

Chapter II

Performance Audit relating to Government Companies

2.1 Follow up audit of the 'Performance Audit on Redressal of Consumer Grievances by Jaipur Vidyut Vitran Nigam Limited'

Executive Summary

The Performance Audit on Redressal of Consumer Grievances by Jaipur Vidyut Vitran Nigam Limited was incorporated in the Report (Commercial) of the Comptroller and Auditor General of India, Government of Rajasthan for the year ended 31 March 2008. The follow up audit was undertaken to review the status of implementation of recommendations made by Audit and Committee on Public Undertakings (COPU) and to assess the performance of the Company in redressal of consumer grievances during the period 2010-11 to 2014-15. The findings of follow up audit disclosed that there was not much improvement in documentation of complaints as per Rajasthan Electricity Regulatory Commission (RERC) directions and there was delay in redressal of consumer grievances. Further, the recommendations made by Audit and COPU and assurances given to COPU in Action Taken Notes were not fully implemented by the Company.

Documentation of the complaints

The complaints were neither registered in the prescribed format nor classified on the basis of nature and urgency with which they were required to be redressed. The sub-divisions (except the call centre at Jaipur) did not assign a unique number to each complaint. Further, the compilation of data of various complaints as per classification was not done. The information submitted to the RERC for the years 2010-11 to 2013-14 was not correct. The Company disclosed redressal of 18.85 lakh complaints (102.39 per cent) against receipt of 18.41 lakh complaints (including pending complaints of 2009-10). The returns submitted to the RERC were not based on supporting evidences and basic documentation.

Interruption in power supply

Complaints (31.56 per cent) were not resolved within the stipulated time as per the data compiled by the call centre. There was wide variation between the information reported to the RERC and information compiled at the call centre. The complaints redressed within stipulated time period as submitted to the RERC ranged between 81.93 (2010-11) and 93.77 per cent (2013-14) while the performance as per information compiled by the call centre ranged between 55.00 (2010-11) and 80.57 per cent (2013-14). The service providers did not provide quality service to the consumers as complaints were not resolved within the stipulated time. Further, 'SMS' were sent to only 10.39 per cent consumers after rectification of faults though the 'SMS' pack was activated by the Company timely.

Failure of Distribution Transformers (DTs)

The percentage of failed DTs with respect to total DTs installed in the Company ranged between 12.35 and 13.21 during 2010-11 to 2013-14. On an average 12.85 per cent of the installed DTs failed during four years ending March 2014. In Jaipur District Circle (JPDC), 12.35 per cent of the DTs failed during 2010-14. The position of Jaipur City Circle (JCC) was better where the failure rate (3.43 per cent) was much below the average failure rate of the Company. The Company, however, did not maintain record of the number of consumers affected on account of failed DTs as required under RERC Regulations. In JPDC, 64.74 per cent DTs failed within guarantee period during 2010-14 but the Company did not analyse reasons for such higher failure rate. The procedure of replacement of burnt/defective transformers in agricultural category was not adhered to by any of the sub-divisions of JPDC. The Company did not report any case of delay to the RERC in replacement of failed transformers beyond 72 hours but test check of records disclosed delay in replacement of transformers beyond the stipulated time period.

Voltage Fluctuations and Defective/stopped meters

The sub-divisions did not maintain any record relating to registration and redressal of voltage fluctuation complaints. The sub-divisions also did not send any information for further submission to the RERC. In absence of any information relating to registration and redressal of voltage fluctuation complaints, the performance of the Company on this account was not ascertainable. The Company registered a high percentage (30.68 per cent during 2010-14) of consumers having defective meters which were not replaced within the prescribed time period of two months. The sub-divisions did not maintain the record of defective meters and the consumers billed on average basis for more than two months in the format prescribed by the RERC. The meter failure reports in A-30 form were not prepared to assess the probable causes of failure of meters in large numbers.

Grievances relating to bills

The sub-divisions did not maintain the records of complaints relating to energy bills in the format prescribed by the RERC. There was no inter-linking between receipt of grievance, action taken by the concerned sub-divisions in redressal of grievance and the total time taken in final resolution of the grievance. The Company, therefore, failed to provide any assurance that complaints were redressed within the stipulated time period. Average bills were issued to consumers in more than two billing cycles and there was huge delay ranged between 119 and 1147 days in allowing credit to the consumers on account of wrong billing. The JCC and JPDC did not provide five per cent rebate to the consumers who were issued average bills for more than two billing cycles.

Release of connections/agricultural connections

The yearly performance reports submitted to the RERC for the period 2010-11 to 2013-14 mentioned 'no delay' in release of connections in JCC and JPDC. However, in JPDC there was delay in issue of demand note ranging between one and 407 days in 71.68 per cent cases beyond the prescribed period of 21 days. Further, there was delay ranging between one and 451 days against the prescribed period of 45 days in 30.82 per cent cases in release of connections after deposit of demand note. In JCC, the demand note in 5.88 per cent cases was issued with delay ranging between one and 145 days and connections were released with delay ranging between one and 391 days in 13.16 per cent cases after deposit of demand note. The pace of release of agricultural connections was slow as the Company was able to release only 0.99 lakh new connections during 2011-15 and 1.48 lakh applications were pending as on December 2014. The applications for the connections released during 2011-15 pertained to the period upto March 2009.

Performance report submitted to the RERC and Standards of Performance 2014

The Company did not send quarterly reports to the RERC during 2010-11 to 2014-15 as per Regulations 2003. The yearly reports were also submitted with delay ranging between four and 16 months. Further, the yearly reports were not based on any supporting evidence and basic documentation as the concerned Engineer neither compiled the information in the prescribed format nor sent daily, weekly and monthly reports. The Company did not submit return to the RERC for the half year ending 31 March 2015 as per Standards of Performance 2014. Further, the sub-divisions had not yet (September 2015) commenced preparation and compilation of records in the prescribed formats. The performance of the Company on different parameters, therefore, could not be commented upon.

Awareness generation among consumers

The field offices did not comply with the directions issued (November 2003) by the RERC for registration and redressal of complaints and wide publicity thereof. The complete address of the complaint center for various nature of complaints and complete addresses and telephone numbers of the Grievance Redressal Forums were neither publicised through print/radio/tv media nor printed on electricity bills or displayed at the sub-division offices.

Grievance redressal cum settlement forums

The sub-divisional forum was not functional at Bassi sub-division. In Sanganer and Badpeepali sub-divisions, the forums were almost non-functional as only one and four cases respectively were received and settled during 2010-11 to 2014-15. The cases were settled beyond stipulated time period due to slackness in the concerned offices and considerable time taken in sending cases by the subordinate offices to controlling offices.

Introduction

2.1.1 The Performance Audit on redressal of consumer grievances by Jaipur Vidyut Vitran Nigam Limited (Company) was incorporated in the Report (Commercial) of the Comptroller and Auditor General of India, Government of Rajasthan for the year ended 31 March 2008. This had included the performance of the Company in redressal of consumer grievances during the period 2002-03 to 2006-07 with the following objectives to assess as to whether:

- the Company had formulated and implemented a comprehensive policy for speedy redressal of consumer grievances;
- suitable publicity of the forums available for consumer grievance redressal was made;
- the system/ forums devised for grievance redressal were adequate/transparent and effective; and
- pre-determined benchmarks as envisaged in regulations issued by the Rajasthan Electricity Regulatory Commission (RERC) were achieved.

While conducting the above Performance Audit, the Audit had scrutinized the records at four selected circles (Jaipur city, Jaipur district, Alwar and Kota) and two divisions from each selected circle of the Company and two sub-divisions from each selected division considering the urban and rural areas for adequacy of sample size.

The Report on the above Performance Audit was discussed by the Committee on Public Undertakings (COPU) in July 2010 and their recommendations were placed in the Legislature in August 2013. The Action Taken Report on COPU's recommendations was submitted by Government in March 2014.

Overview of redressal of consumer grievances

2.1.2 The RERC (Distribution Licensee's Standards of Performance) Regulations, 2003 (Regulations 2003) specified the mode and timeframe for redressal of consumer grievances. The Company in compliance to the Regulations 2003 issued (December 2003) detailed instructions to be followed by the field offices in redressal of consumer grievances. The instructions were further elaborated in the Terms and Conditions of Supply (TCOS), 2004.

The redressal mechanism of the Company classified the consumers grievances in four categories: (i) grievances requiring immediate response, (ii) grievances requiring quick response, (iii) grievances relating to bills and recovery of dues and (iv) grievances relating to other matters such as shifting/transfer of connection, increase/decrease in connected load, reconnection of supply and release of new connection.

The Company for dues related grievances established dues settlement committees at different levels *i.e.* sub-division, division, circle, zone and corporate levels. 'No current' complaints (interruptions in power supply) could be registered at complaint centres/Junior Engineer's (JEn) offices. Complaints pertaining to quality of power supply, billing, defective meters and

release of connections were to be registered at the office of Assistant Engineer (AEn).

Scope and Audit Objectives

2.1.3 A follow up audit to review the status of implementation of recommendations made by COPU and Audit during the period 2010-11 to 2014-15 by the Company on Performance Audit on Redressal of Consumer grievances was carried out to assess;

- the compliance to the recommendations of the COPU made by the Company; and
- the compliance to the recommendations of the Audit made by the Company;

The follow-up audit was conducted in Jaipur city circle and Jaipur district circle, out of the four circles selected during earlier Performance Audit. Four sub-divisions¹ of each circle were selected for detailed scrutiny of records.

Audit Criteria and Methodology

2.1.4 The audit criteria derived from the followings were adopted to achieve the audit objectives:

- Performance Audit Report on redressal of consumer grievances by Jaipur Vidyut Vitran Nigam Limited;
- recommendations of the COPU and Audit and action taken report by the Company;
- Terms and Conditions of Supply (TCOS) 2004, tariff orders issued by RERC, Electricity Act, 2003 and the National Electricity Policy 2005; and
- RERC Regulations and directions/circulars/guidelines/ Board agenda and minutes of the Company.

The methodology included review of records at the Head Office and the selected Circle, Divisions and Sub-division offices; data analysis; raising of audit queries, interaction with the Management and issue (19 August 2015) of draft Performance Audit Report. The methodology adopted for attaining audit objectives with reference to audit criteria was explained to the Government and Company's management during entry conference (13 February 2015). The exit conference was held (30 September 2015) wherein the Principal Secretary (Energy) and Company management participated. The follow-up audit has been finalised considering the replies (September 2015) of the Government.

¹ B-I, B-II, G-II and G-IV sub-divisions of JCC and Bagru, Bassi (Rural), Sanganer and Badpipali sub-divisions of JPDC.

Audit findings of earlier Performance Audit

2.1.5 The Performance Audit Report for the year ended March 2008 highlighted deficiencies relating to documentation of complaints as per RERC directions, delay in redressal of various types of grievances, non-submission of performance reports to the RERC, non-functioning of Forums/Committees for redressal of consumer grievances and lack of generating awareness among consumers. The major audit findings of the Performance Audit have been discussed in relevant follow-up audit observations.

Audit findings

2.1.6 The Audit findings included in follow up audit are categorised into two parts. The first part highlights those deficiencies which had already been commented in the earlier Performance Audit but were still persistent or little action was taken by the Management to address them. The second part contains other Audit findings noticed as a result of change in rules, regulations, directives and procedures.

Follow up of earlier audit findings

Documentation of the complaints

2.1.7 The Regulations 2003 required the Company to register every complaint made by a consumer either verbally or in writing in a register to be maintained for this purpose. Each complaint was to be assigned a unique number. The Regulations prescribed the procedure of registration of complaints at the complaint centre and their classification on the basis of nature and urgency. The method of compilation of data of various complaints as per classification was prescribed in a format called Appendix-B. The 'no current' and other than 'no current' complaints were to be entered in separate registers.

The Performance Audit Report highlighted that the Company did not evolve any system to register and classify the complaints on the basis of nature and urgency. The returns and information were submitted to the RERC without any supporting evidence and basic documentation.

Audit recommended that the Company should ensure authenticity and aggregation of complete data relating to consumer grievances from all field formations and build up a dependable Management Information System for monitoring this area to give it the required priority. The COPU had recommended that the Company should specifically focus on recording/registration of consumer grievances and their redressal. The responsibility/accountability of the officers/staff should be determined and action should be taken for negligence against the responsible staff as per the provisions.

During follow up audit, we found that the sub-divisions except the call centre at Jaipur did not assign a unique number to each complaint. The complaints were neither registered in the prescribed format nor classified on the basis of nature and urgency with which they were required to be redressed. Further, the compilation of data of various complaints as per classification was not done.

The sub-divisions also did not maintain and compile the information relating to 'no current' complaints in the format prescribed by the RERC.

We noticed (September 2015) that the Company did not submit information of consumer grievances to the RERC for the year 2014-15. The information submitted to the RERC for the years 2010-11 to 2013-14 was also not correct. The returns submitted to the RERC during this period disclosed redressal of 18.85 lakh complaints (102.39 *per cent*) against 18.41 lakh complaints (including pending complaints of 2009-10) received by the Company.

The JCC communicated 11.41 lakh complaints to the Commercial/Regulatory Affairs wing of the Company during 2010-14. The call centre, however, registered 10.51 lakh complaints during this period. Similarly, the sub-divisions of JPDC did not send any information of complaints to the Circle Office but the Circle Office intimated receipt of 1.70 lakh complaints during 2011-14. This indicates that the Circle Offices compiled the complaints without obtaining basic information and supporting documents from the sub-divisions.

Thus, there was not much improvement in documenting the complaints during 2010-11 to 2013-14 as the complaints were neither registered nor classified as per the prescribed procedure. The information submitted to the RERC was not based on supporting evidences and basic documentation.

Further, the Company did not take any action against the responsible officers/staff as per the directions of the COPU. The Company's submission (March 2014) to the COPU that shortage of qualified staff along with recruitment of illiterate staff in large number by the erstwhile Rajasthan State Electricity Board led to irregularities in documentation and registration of complaints falls flat as the Company during 2007-08 to 2013-14 had recruited 9134 technical helpers having requisite qualifications.

The Government stated that documentation and record of complaints was being maintained at Circle level and all complaints were registered properly. It further stated that action was being taken to comply with audit observations keeping in view the instructions issued by the Company from time to time. The reply was incorrect as the designated offices (sub-divisions) neither documented and maintained the record nor sent periodical reports to the Divisions/Circle offices. In absence of documentation and compilation of information by the Sub-divisions/Divisions, the returns sent by the Circle offices to the Regulatory Affairs wing for onward submission to RERC were questionable.

Interruption in power supply

2.1.8 The Regulations 2003 specified grievances requiring immediate response such as complaints of loose connections/disconnection of meter, miniature circuit breaker (MCB) troubles resulting in interruptions in power supply. The complaints were required to be classified separately and redressed within four hours in urban areas and 24 hours in rural areas.

The Performance Audit Report highlighted non-redressal of complaints within specified time period; non-submission of information to RERC; poor maintenance of record and redressal of consumer grievances by the sub-divisions; and discrepancies in the position reported to the RERC for JCC and the corresponding information available in the call centre.

Audit recommendation was to take effective steps to improve consumer satisfaction level. The COPU had also recommended making complete arrangements for registration of consumer grievances at all levels and their timely redressal.

The information relating to lodging and redressal of complaints of 'interruption in power' in the JCC was compiled at the call centre located at Jaipur. The call centre was not functional during the period October 2012 to July 2013 due to non-completion of the contract period by the existing contractor and non-awarding of fresh contract. The timely redressal of complaints as reported to the RERC by the Company and compiled at the call centre during 2010-11 to 2013-14 was as below:

Year	Information as per call centre records			Information submitted to RERC		
	Total complaints	complaints redressed within stipulated time		Total complaints	complaints redressed within stipulated time	
		Number	Percentage		Number	Percentage
2010-11	372354	204795	55.00	371754	304567	81.93
2011-12	311264	233448	75.00	323460	291302	90.06
2012-13	197609	144255	73.00	256747	221406	86.24
2013-14	170106	137051	80.57	188621	176879	93.77
Total	1051333	719549	68.44	1140582	994154	87.16

There was wide variation between the information reported to the RERC and information compiled at the call centre. The complaints redressed within stipulated time period as per information submitted to the RERC ranged between 81.93 (2010-11) and 93.77 per cent (2013-14) while the performance ranged between 55.00 (2010-11) and 80.57 per cent (2013-14) as per the information compiled by the call centre.

We noticed that the division and sub-division offices did not send any information to the Circle Office for onward submission to RERC by the Superintending Engineer (Regulatory Affairs) (SE-RA) during 2010-14. Further, any other source of information was also not available with the SE (RA). Thus, the information sent to RERC was erroneous as less number of complaints were reported to the RERC than actually registered at the call centre during 2010-11. Further, higher number of complaints reported during 2011-14 than registered at the call centre had no basis. This indicated dissatisfactory performance of the Company in timely redressal of complaints.

The Government accepted the facts and stated that complete records would be maintained to avoid such discrepancies in future.

Poor quality of service by the contractor

2.1.9 The Company awarded contracts to Compucom Softwares Limited (September 2008 to September 2012) and Intelenet Global Services Private Limited (IGSPL) (August 2013 to till date) to establish and operate 24 X 7 customer complaint centres in Jaipur and Kota cities. The terms and conditions

of the work order placed to contractor provided that the registered complaints would be forwarded within 90 seconds of the registration to the Fault Removal Team (FRT) which would resolve the complaints within two hours of registration. The FRT was required to communicate with the consumer and obtain acknowledgement in the register. Further, the FRT had to intimate about the rectification of the complaint to the call centre which in turn would close the complaint only after getting confirmation from the consumer over phone. The system was also required to send 'SMS' to the consumer about rectification and closure of complaint. In case, the complaint was not within the scope of the call centre, the system was required to send 'SMS' to concerned AEn/JEn of the sub-division for escalation of the complaint for timely redressal and follow up.

The Compucom Softwares Limited registered 8.81 lakh complaints out of which 5.82 lakh (66.06 *per cent*) complaints were resolved by the FRT within stipulated time.

As regards IGSP, we noticed that the IGSP registered 5.10 lakh complaints during August 2013 to March 2015 out of which 3.84 lakh (75.29 *per cent*) complaints were resolved within the stipulated time. Further, 'SMS' were sent to only 0.53 lakh (10.39 *per cent*) consumers after rectification of faults though the 'SMS' pack was activated by the Company timely. Our scrutiny disclosed that the FRT never obtained acknowledgement/signature of the consumers after rectification of faults. The executives of IGSP did not make phone calls to the consumers after rectification of complaints. The JEn deployed at the call centre, however, made sample phone calls to the consumers about rectification of complaints but did not provide any verifiable record like recorded phone calls as the calls were not made through the voice recording system available in the call centre.

The terms and conditions of the work order specifically provided that in case the fault was not covered under the scope of IGSP, the system would automatically send a 'SMS' and escalate the complaint to the concerned AEn/JEn and the executive will update the status of the complaint in the system till the same was completely resolved. We noticed that such complaints were not mapped in the application software and consequently, the system did not send 'SMS' to the concerned Engineer. The number of complaints escalated to the concerned Engineer and their timely rectification, therefore, could not be watched. As such,

- **31.56 *per cent* complaints could not be resolved within the stipulated time as per the data compiled by the call centre;**
- **there was wide variation between the information reported to the RERC and information compiled at the call centre;**
- **the service providers did not provide quality service to the consumers.**

Thus, there was no significant improvement in the performance of the Company.

The Government stated that maximum penalty was deducted from the monthly bills of Compucom Software Limited for not attending the no-current

complaints within stipulated time period. The Government, however, expressed inability about verification of the records of call centre. In respect of IGSP, it was stated that penalty intimated by the SE (IT) for non-redressal of 'no-current' complaints was being deducted from the monthly bills of the firm and regular pursuance/monitoring was being made to attend consumer complaints within prescribed time limit by the FRT. The fact however, remained that the Company did not provide quality service to consumers and redress the complaints within prescribed time period. Further, the information reported to the RERC and information compiled at the call centre did not match.

Interruptions due to failure of Distribution Transformers (DTs)

2.1.10 The Regulations 2003 stipulated that the licensee shall replace the failed Distribution Transformers (DTs) and restore power supply within two days in urban areas and within three days of receiving complaint/information in rural areas.

The Performance Audit Report highlighted delay ranging between one and 150 days in resolving complaints. The percentage of failed DTs during 2002-07 ranged between 20 to 23 in JPDC and 4 to 6 in JCC. The selected Circles showed increasing trend of failure of DTs. The Company, however, did not make attempts to analyse the reasons for increasing rate of the failure of DTs.

Audit recommendation was to take effective steps to improve consumer satisfaction levels through reduction in the failure rate of distribution transformers.

The position of DTs installed and failed in the Company as a whole, JPDC and JCC during 2010-11 to 2013-14 was as below:

Year	Company			JPDC			JCC		
	Total DTs installed as on 31 March	DTs failed	Percentage of DTs failed to total DTs installed	Total DTs installed as on 31 March	DTs failed	Percentage of DTs failed to total DTs installed	Total DTs installed as on 31 March	DTs failed	Percentage of DTs failed to total DTs installed
2010-11	318941	39392	12.35	90959	10360	11.39	9161	347	3.79
2011-12	354054	45639	12.89	96517	12161	12.60	9888	325	3.29
2012-13	407001	53747	13.21	109679	14792	13.49	10387	329	3.17
2013-14	500650	64369	12.86	128320	15228	11.87	11221	394	3.51
Total	1580646	203147	12.85	425475	52541	12.35	40657	1395	3.43

The *percentage* of failed DTs with respect to total DTs installed in the Company ranged between 12.35 and 13.21 during 2010-11 to 2013-14. On an average 12.85 *per cent* of the installed DTs failed during four years ending March 2014. A similar trend prevailed in the JPDC where 12.35 *per cent* of the DTs failed during 2010-14. The position of JCC was better where the failure rate of DTs was much below the average failure rate of the Company. In addition, the failure rate of DTs in JCC improved during 2010-14 (3.17 to 3.79 *per cent*) as compared to the period 2002-07 (4 to 6 *per cent*).

On an average, the Company supplied power to 31.78 lakh consumers during 2010-14. This indicates that on an average, eight consumers were affected by a failed distribution transformer. The failed DTs, therefore on an average affected 4.06 lakh consumers during a year. The Company, however, did not maintain record of the number of consumers affected on account of failed DTs

as required under RERC Regulations. We noticed that in JPDC, 34013 DTs (64.74 per cent) out of 52541 DTs failed within the guarantee period during 2010-11 to 2013-14. The Company, however, did not analyse the reasons for failure of DTs within the guarantee period despite more than 50 per cent failure rate.

The Government accepted the facts and stated that the failed DTs within guarantee period were replaced by the suppliers causing no loss to Company. The Government, however, did not attribute reasons for high failure rate of DTs within guarantee period.

Procedure for replacement of failed transformer

2.1.11 The Company evolved (February 2010) a procedure² for replacement of burnt/defective distribution transformer in agricultural category to ensure replacement of burnt transformer within 72 hours. The procedure, *inter alia*, provided that the concerned JEn/AEn would register the information about failed transformer in the prescribed format mentioning the date and time of receipt of the burnt transformer in the sub-division store and a receipt of the same would be given to the consumer. Simultaneously, the details of failed transformer would be intimated to the Circle Control Room which would provide a registration number. The whole process upto obtaining registration number was required to be completed within 36 hours. The concerned AEn of the sub-division would enter the registration number in transformer cum meter change order (TMCO) and handover the TMCO to the JEn for removal of transformer and transportation to the sub-division. The JEn was required to ensure compliance of TMCO within 24 hours and return the TMCO bearing the signature of the consumer to the sub-division.

We noticed that the procedure of replacement of burnt/defective transformers in agricultural category was not adhered to by any of the sub-divisions of JPDC. Thus, time taken by the sub-divisions in replacement of the failed transformer could not be watched. The sub-divisions did not give acknowledgement to the consumer on receipt of the burnt transformer in the sub-division store. A test check of TMCOs of replaced DTs for the period January 2015 to March 2015 disclosed that acknowledgment of the consumers were not obtained in most of the cases after replacement of the transformers.

The Company did not report any case of delay to the RERC in replacement of failed transformers beyond 72 hours. A test check of records of 792 cases relating to failure of transformers in Sanganer sub-division during December 2013 to March 2015 disclosed that in 113 cases, the transformers were replaced beyond 72 hours. Similarly, in Bagru sub-division, during the period January 2014 to March 2015 in 79 test checked cases, the replaced transformers were issued after three days of issue of indent, but no delay was reported at any level.

The Government accepted the facts and stated that the Company had issued (May 2015) instructions to the Sub-divisions/Divisions to follow the prescribed procedure in replacement of burnt/defective DTs. The Sub-divisions have also been facilitated with buffer stock of more than two DTs of

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each capacity on regular basis. The Government also stated that replacement of DTs beyond prescribed time period was not reported to RERC due to lack of such information from Divisions/Sub-divisions.

Grievances requiring quick response

Voltage Fluctuations

2.1.12 The Regulations 2003 required the Company to resolve complaints relating to (i) low or high voltage (*i.e.* phase voltage exceeding tolerance), voltage fluctuations or flickering and high leakage in current affecting the quality of power supply within seven days and (ii) low voltage requiring up-gradation of distribution lines within 180 days subject to availability of material and techno economic viability.

The Performance Audit Report highlighted that records pertaining to consumer complaints relating to low or high voltage, voltage fluctuations, etc. were not maintained. Further, the information submitted to the RERC was also not correct.

The COPU recommended that the Company should continuously work on Feeder Renovation Programme (FRP) and maintenance of the system so that 100 per cent target could be achieved. The Company in response to COPUs recommendations submitted Action Taken Notes (ATNs) which stated that it was continuously working on Feeder Renovation Programme (FRP) and conversion of low tension system into high tension system in order to reduce maintenance and achieve maximum target.

We noticed that the sub-divisions did not maintain any record relating to registration and redressal of voltage fluctuation complaints. The sub-divisions also did not send any information for further submission to the RERC.

We observed that the Company incurred an expenditure of ₹ 463.84 crore on implementation of FRP (₹ 26.87 crore) and Restructured Accelerated Power Development and Reforms Programme-B (₹ 436.97 crore) during 2010-11 to 2014-15. Besides, the Company was also implementing Feeder Improvement Programme (FIP) and Sub-station Improvement Programme (SSIP). All these schemes were related to augmentation/strengthening of power distribution system. In absence of any information relating to registration and redressal of voltage fluctuation complaints, the performance of the Company on this account was not ascertainable.

The Government stated that voltage fluctuation complaints received at call centre in case of JCC were redressed immediately through FRT. In case of JPDC, it was stated that there were very few complaints of low voltage, *etc.* It was further stated that the FIP and SSIP were near completion and there was improvement in the quality and reliability of power supply resulting into decreased number of complaints. Further, the Divisions/Sub-divisions had been directed to maintain record of complaints relating to low voltage, *etc.*

Defective/stopped meters

2.1.13 The TCOS 2004 provided that the stopped/defective meters should be replaced within two months from the date of detection of fault. In case of non-replacement, the consumer was required to be billed on average consumption basis.

The Performance Audit Report highlighted that the compilation of information related to defective/stopped meters was not correct as the figures of pending complaints without redressal had been drastically reduced in the opening balance of each subsequent year. The complaints of all cases of defective/burnt/stopped meters were either not registered or were not taken into account while generating bills. Further, a large number of stopped meters remained un-replaced due to lack of co-ordination between the billing and technical wings.

The COPU recommended that the Company should make necessary improvement in the system of registration of grievances and speedy redressal thereof relating to defective/stopped meters and determine the responsibility/accountability of officers/staff. Audit also recommended that the Company should take effective steps to improve consumer satisfaction levels, particularly through prompt replacement of defective meters.

The position of stopped/defective meters in the Company, JCC and JPDC during 2010-11 to 2013-14 was as below:

(Numbers in lakh)

Year	Company		JPDC		JCC	
	Defective meters to be replaced during the year (percentage to total metered consumers)	Defective meters replaced during the year (percentage)	Defective meters to be replaced during the year (percentage to total metered consumers)	Defective meters replaced during the year (percentage)	Defective meters to be replaced during the year (percentage to total metered consumers)	Defective meters replaced during the year (percentage)
2010-11	8.04 (29.15)	4.46 (55.47)	1.31 (35.50)	0.77 (58.78)	1.49 (23.69)	1.28 (85.91)
2011-12	9.49 (31.30)	4.12 (43.41)	1.22 (28.98)	0.64 (52.46)	1.53 (23.15)	1.37 (89.54)
2012-13	11.67 (37.36)	8.11 (69.49)	1.97 (43.68)	1.34 (68.02)	1.42 (20.67)	1.40 (98.59)
2013-14	8.46 (25.18)	4.87 (57.57)	1.48 (29.31)	0.76 (51.35)	0.88 (12.50)	0.87 (98.86)
Total	37.66 (30.68)	21.56 (57.25)	5.98 (34.25)	3.51 (58.70)	5.32 (19.84)	4.92 (92.48)

The Company registered a high percentage (30.68 per cent) of consumers having defective meters during the period 2010-14. Consequently, consumers ranging between 25.18 and 37.36 per cent were billed on average basis due to poor pace of replacement which ranged between 43.41 and 69.49 per cent. The position of JPDC was poor as the percentage of consumers having defective meters (34.25 per cent) during 2010-14 was more than the overall position of the Company (30.68 per cent) and the JCC (19.84 per cent). The pace of replacement of defective meters in JPDC (58.70 per cent) was marginally higher than that of Company as a whole but lower than the JCC (92.48 per cent). A high incidence of defective meters in the Company indicated that one out of three consumers suffered the problem of defective meter and was, therefore, billed on average basis. Further, low pace of replacement of defective meters showed that the defective meters were not replaced within the prescribed period of two months.

The billing data for the year 2014-15 in respect of the JPDC disclosed that 8.02, 20.45, 9.39 and 8.37 per cent of the consumers in Badpeeplai, Bassi, Bagru and Sanganer sub-divisions respectively were billed on average basis

for more than two billing cycles. This indicates that defective meters were not replaced within prescribed period of two months.

The position of available meters vis-à-vis the total number of defective meters in the JCC as per Senior Officers' Meetings (SOM) Report at the end of March 2015 disclosed that 5385 meters were available as against 1080 defective meters lying un-replaced for more than two months. The position in JPDC was reverse where only 2800 good meters were available against 72077 defective meters pending for replacement for more than two months at the end of March 2015. This indicated slackness on the part of Company in replacing the defective meters.

We noticed that none of the sub-divisions maintained the record of defective meters and the consumers billed on average basis for more than two months in format prescribed by the RERC. The sub-divisions maintained Meter Change Order (MCO) registers which indicated the date of replacement of defective meters. However, the MCOs were not linked with the date of complaint or date of the meter found defective. Hence, the verifiable details of meters changed beyond the prescribed period of two months from the date of detection/receipt of complaint were not compiled.

Further, the Revenue Manual, 2004 prescribed that the meter readers had to prepare a report on the date of meter reading in A-30 form indicating probable reasons for defect/stoppage of the meter. The reports in A-30 form were, however, not found prepared in any of the sub-divisions to provide input to the management in assessment of the probable causes of failure of meters in large numbers. We observed that out of 22.40 lakh defective meters deposited in the stores during 2010-14, 6.45 lakh meters (28.79 per cent) became defective within the guarantee period, indicating quality issues with the meters procured.

The Government accepted the facts and stated that the position of replacement of meters in JCC was quite satisfactory. However, the position of replacement in B-I, B-II, G-II and G-IV was being monitored. The Government in respect of JPDC stated that the defective meters could not be replaced due to non-availability of meters. The reply of the Government was silent on maintenance of record of defective meters and quality issues with the procured meters and consequently the billing of consumers on average basis for more than two months.

The quality issue of procured meters needs to be resolved on priority basis in view of high quantum of meters becoming defective within guarantee period.

Discrepancies in database

2.1.14 Audit scrutiny disclosed that there were wide variations between the MIS and reports prepared for Senior Officers' Meetings (SOM). The variations in respect of JPDC and JCC are shown below:

Year	Defective meters pending for replacement at the end of year				Defective meters pending for replacement for more than two months at the end of the year			
	JPDC		JCC		JPDC		JCC	
	SOM Report	MIS	SOM Report	MIS	SOM Reports	percentage	SOM Reports	percentage
2010-11	104399	54037	21964	21964	96169	92	21964	100
2011-12	119129	58236	16731	16731	109725	92	16731	100
2012-13	103778	62652	2332	2332	95864	92	2332	100
2013-14	70637	72046	1826	1826	56204	80	0	0

Discrepancies between the MIS and SOM reports indicated lack of authentic information being used in decision making.

The performance of the Company in redressal of grievances relating to defective meters was not satisfactory during 2010-14 as:

- **the Company registered a high percentage of consumers having defective meters which were not replaced within the prescribed time period of two months;**
- **the sub-divisions did not maintain the record of defective meters and the consumers billed on average basis for more than two months in the format prescribed by the RERC;**
- **the meter failure reports in A-30 form were not prepared to assess the probable causes of failure of meters in large numbers; and**
- **the maintenance and compilation of record was not proper and there were discrepancies between the MIS and SOM reports.**

The Company in ATNs had stated that registration and prompt redressal of grievances relating to defective/stopped meters was being done; replacement was being made on campaign basis; monthly review of replacement of meters was being done at the Head Office level; concerned staff/officials had been instructed for timely replacement of meters.; work of replacement of meters was being done on Central Labour Rate Contract basis and presently there was no delay on this part due to non-availability of technical staff.

The facts, however, remained that the performance of the Company in redressal of grievances relating to defective meters was not satisfactory.

The Government accepted the fact of differences between figures reported in MIS and SOM and stated that there would be no difference in the figures of current financial year.

Grievances relating to bills

2.1.15 The Regulations 2003 provided that consumer's complaints relating to wrong billing, arithmetical errors, non-receipt of bill, incorrect application of tariff or inadequate time allowed to effect payment had to be resolved on the same day, if reported in person or telephonically and within seven working days, if the complaint was received by post or additional information was required.

The sub-divisions did not maintain the records of complaints relating to energy bills in the format prescribed by the RERC. There was no inter-linking between receipt of grievance, action taken by the concerned sub-divisions in redressal of grievance and the total time taken in final resolution of the grievance. The Company, therefore, failed to provide any assurance that complaints were redressed within the stipulated time period.

The Government accepted the facts and stated that the Sub-divisions were being directed to maintain proper records of grievances relating to bills.

Average billing

2.1.16 The TCOS 2004 allowed a rebate of five *per cent* on the total bill (excluding electricity duty) of the consumer in case a stopped/defective meter was not replaced within a period of two months of its detection. The rebate was to be allowed from third monthly bill in case of monthly/fortnightly billing and second bill in case of bimonthly billing till the meter was replaced.

The Performance Audit Report highlighted that there was a substantial increase in the number of consumers billed on average basis as the number increased from 0.60 lakh in 2004-05 to 1.11 lakh in 2006-07. In three selected sub-divisions, the number of consumers billed on average basis due to defective/stopped meters was more than 20 *per cent* of total consumers in the year 2006-07. Further, the Company did not allow legitimate rebate of five *per cent* to the consumers billed on average basis.

The output³ of billing data in respect of JCC disclosed that 0.56, 0.68, 5.18 and 6.36 *per cent* of the total bills issued during 2014-15 in B-I, B-II, G-II and G-IV sub-divisions respectively were issued to the consumers on average basis due to the meter being stopped, defective, burnt, *etc.* The output in Form-10 was not available in respect of JPDC. However, MIS⁴ in respect of JPDC disclosed that 10148 bills (7.83 *per cent*) in Badpeepali, 39696 (19.88 *per cent*) in Bassi, 12527 (8.69 *per cent*) in Sanganer (Rural) and 13986 (7.92 *per cent*) in Bagru sub-divisions, were issued to the consumers on average basis during 2014-15.

Analysis of the billing data for the year 2014-15 disclosed that JCC did not allow rebate to 1001 consumers in selected sub-divisions to whom average bills were issued in more than two billing cycles. The JPDC allowed rebate from June 2014 to consumers having defective meters for more than 12 months and allowed rebate of ₹ 11.25 lakh to the total consumers of the Circle during the period from June 2014 to March 2015. We found that average bills in more than two billing cycles were issued to 12960 consumers in selected sub-divisions. The JPDC discontinued rebate to the consumers as per Company's order issued in March 2015.

The Government accepted the facts and stated that rebate was not allowed as per directions of the Company. The Company further stated that the rebate would be allowed through software being developed by M/s HCL.

3 The output of billing data is given in Form-10 which shows the total number of bills issued on average basis.

4 MIS relating to bills issued on average basis given in Form-26.

The Company's directions for disallowing rebate were irrelevant as no directions had ever been issued by the Company to stop rebate to the consumers having defective meters for more than two months.

Delay in allowing credit

2.1.17 The Company allowed credit to the consumers on account of corrections in the bills through Consumer Charge and Allowance Register (CC & AR). Scrutiny of CC&AR for the year 2014-15 disclosed that the B-I & B-II, G-II and G-IV sub-divisions of JCC took at least 43, 25 and 38 days respectively in effecting credits in consumers' bills even after allowing credits to the consumers. Similarly, the Badpeepali & Sanganer (Rural), Bassi and Bagru sub-divisions of JPDC took atleast 35, 46 and 21 days respectively. The maximum time taken in effecting credit in the consumers bills in the selected sub-divisions ranged between 119 and 1147 days. This shows lackadaisical approach of the sub-divisions in providing timely relief to the consumers.

The Government stated that credit on account of corrections in the bills were recorded in the CC&AR immediately after satisfying with the reasonability of credit but the impact reflected in consumer's account only in the next billing cycle. The reply was not convincing as the billing disputes were to be resolved within seven days and Company was required to make corrections in the bills prior to deposit of the billing amount by the consumer. Thus, the practice adopted by the Company unreasonably burdened the consumers by forcing them to make payment for a wrong bill for which credit would be allowed in the next billing cycle. Further, there were cases indicating delay of more than 60 days *i.e.* more than two months in case of bi-monthly billing cycle.

Meter reading

2.1.18 The Company had been purchasing Hand Held Terminal (HHT) readable meters since 2009 to ensure downloading of meter data through HHT machines. Scrutiny of the available MCO/HHT registers in the selected sub-divisions of JCC for the year 2014-15 disclosed that reading through HHT machines were taken in 325, 76, 142 and 462 cases only in B-I, B-II, G-II, and G-IV sub-divisions respectively. Similarly, in JPDC, readings through HHT machines were taken in 779, 310 and 263 cases only in Badpeepali, Bassi and Sanganer (Rural) sub-divisions respectively. The Bagru sub-division did not maintain the record of HHT readings. The sub-division in response to audit observation stated that HHT machines or its software for all type of meters was not available. The reply was not convincing as the HHT machines and software on every 100/500/1000 meters were provided free of cost by the suppliers. The sub-divisions by not taking readings through HHT machines, issued bills on average basis in cases of defective/non-visibility of the screens of meters.

The sub-divisions did not maintain any record of the bills to be revised on the basis of actual reading of removed meters through HHT machines. The Company, therefore, did not provide credit for the excess amount charged from the consumers in cases where the average billing was higher than the actual consumption. The Management in SOM expressed (December 2012) concern for not taking readings of the removed meters with HHT machines.

However, no action was found taken to mitigate consumer's grievances on this account.

The Government in respect of JCC stated that reading through HHT machines was being taken wherever required. In respect of JPDC, it was stated that record of retrieved meter reading through HHT machines was being maintained regularly and in case of Bagru Sub-division, instructions had been issued to maintain the records. The reply was not convincing as the purpose of purchasing HHT readable meters was defeated due to meager number of readings taken through HHT machines. Besides, the Sub-divisions did not provide records of the bills revised on the basis of HHT readings of removed meters.

The performance of the Company in redressal of grievances relating to bills was, therefore, not satisfactory as:

- **the record relating to time taken in redressal of grievances relating to bills was not maintained in the prescribed format and there was no assurance that complaints were redressed within the stipulated time period;**
- **average bills were issued to the consumers in more than two billing cycles;**
- **there was huge delay in allowing credit to the consumers on account of wrong billing;**
- **the JCC and JPDC did not provide five *per cent* rebate to the consumers who were issued average bills for more than two billing cycles; and**
- **the actual reading of removed meters through HHT machines was not taken which led to charging of excess amount from the consumers in cases where the average billing was higher than the actual consumption.**

Release of new connections

2.1.19 The Regulations 2003, in case of new connections stipulated that the demand note for connection charges should be issued within 21 days of receipt of the application and connection should be released within 30 days from deposit of demand note in urban areas and within 45 days in rural areas.

The Performance Audit Report highlighted that the release of connections to domestic category consumers was not satisfactory. Demand notes were not issued to 12527 applicants (378 urban, 12149 rural) within stipulated time. 14218 connections (1331 urban and 12887 rural) were not released within 45 days despite deposit of the required amount. There was a distinct disparity between release of connections to rural and urban applicants. In JPDC, the release of rural domestic connections was delayed in 32 *per cent* cases.

Audit also recommended to address the apparent disparity in the satisfaction levels of urban and rural consumers.

The yearly performance reports submitted by the Company for the period 2010-11 to 2013-14 to RERC mentioned 'no delay' in release of connections in JCC and JPDC.

It was seen that 1.32 lakh (92.96 *per cent*) new connections were released in JCC out of 1.42 lakh live⁵ applications and 1.32 lakh (65.02 *per cent*) new connections were released in JPDC, out of 2.03 lakh live applications during the period 2010-11 to 2013-14.

With a view to assess the delay and disparity between release of domestic connections in rural and urban areas, we randomly selected a sample of 2320 cases and 3008 cases of newly released connections during 2013-14 from the selected sub-divisions of JPDC and JCC respectively. Our analysis of the records of JPDC, which mainly catered to the rural consumers, disclosed that there was delay in issue of demand note in 1663 (71.68 *per cent*) cases ranging between one and 407 days beyond the prescribed period of 21 days. There was delay in 715 (30.82 *per cent*) cases in release of connections after deposit of demand note. The delay on this account ranged between one and 451 days against the prescribed period of 45 days.

In JCC, which caters to urban consumers, the demand note in 177 (5.88 *per cent*) cases was issued with delay ranging between one and 145 days against the prescribed period of 21 days. The delay in release of connections after deposit of demand was found in 396 (13.16 *per cent*) cases. The delay in release of connection ranged between one and 391 days against the prescribed period of 30 days.

The Company, therefore, submitted incorrect information to the RERC about timely release of connections. Further, slow pace of release of connections coupled with high quantum of delay in issue of demand note and release of connections after deposit of demand note in JPDC indicated a distinct disparity in release of domestic connections in rural and urban areas.

The Government accepted the facts and stated that the Company had issued directions to all Divisions/Sub-divisions for issuing demand note within stipulated time period. The Government also stated that no connection for which demand note was deposited upto March 2015 was pending. Further, connections had been released to the consumers in JCC whose demand notes were deposited during April to June 2015. However, there were 2900 connections pending release in JPDC due to non-availability of meters.

Release of agricultural connections

The Performance Audit Report highlighted that the Company fixed lower targets for release of agricultural connections against the directives of the State Government. The applications for release of agricultural connections were pending since 1993-94 without any recorded reasons.

Audit recommended that the Company should release new connections to agricultural consumers as per the targets set by the Government.

2.1.20 There was no variation between the targets fixed by the Company and those fixed by the State Government regarding release of agriculture

5 Total applications pending from previous year plus applications received during the year less applications cancelled during the year.

connections during 2010-11 to 2014-15. We, however, observed that the pace of release of agricultural connections was slow as the Company was able to release only 0.99 lakh new connections during 2011-15 and 1.48 lakh applications were pending as on December 2014. The applications for the connections released during 2011-15 pertained to the period upto March 2009. Thus, applications received during April 2009 to March 2015 were not considered for release of connections for which reasons were not found on record.

The Company in response to COPU's query about fixation of targets for agricultural connections by the State Government; efforts made by the Company for release of funds from Government exchequer; and details of funds released by the State Government, had replied that the State Government provided 20 to 50 *per cent* financial support in the form of equity for meeting out the gap between the cost of release of an agriculture connection and the consumer's contribution. The State Government makes budget provision for the determined equity and makes it available on time.

We noticed that the Company did not maintain proper account of the equity receivable and received from the State Government towards release of agricultural connections and it did not provide the information for the period 2010-11 to 2013-14. As per records, the State Government transferred equity of ₹ 189.18 crore and ₹ 121.77 crore during 2013-14 and 2014-15 respectively in the Personal Deposit account of the Company.

The Company despite timely receipt of financial support from the State Government failed to provide agricultural connections.

The Government stated that there was no pendency in release of agriculture connections. The connections in general were released within stipulated time period and the targets fixed by the Company and Government were successfully achieved. The reply of the Government is not convincing in view of the facts that the applications for release of agriculture connections after March 2009 were not released and even not included in the targets fixed by the Government as well as the Company.

Performance report submitted to the RERC

2.1.21 The Regulations 2003 required the Company to submit quarterly returns relating to registration and redressal of consumer grievances in the prescribed format. The Company in order to ensure timely submission of reports to the RERC, issued (December 2003) detailed instructions which directed the concerned JEn/AEn/Executive Engineers (ExEns) for daily, weekly and monthly submission of reports. The RERC (Standards of Performance for Distribution Licensees) Regulations, 2014 (Regulations 2014), applicable from 1 October 2014 repealed the Regulations 2003. The new Regulations stipulated submission of half yearly reports within 45 days from 30th September and 31st March of each financial year in the prescribed format. Besides, the Company was also required to furnish a report along with the half yearly reports indicating (i) measures taken to improve performance and (ii) reasons for non-achievement of the specified targets.

The Performance Audit Report highlighted that returns and information were submitted to RERC without any supporting evidence and basic documentation. The information was incomplete, incorrect and submitted with delay.

In response, the Company submitted (May 2010) to the COPU that ignorance of provisions of SOP was the main reason for non-compilation of information. It was, however, submitting monthly, quarterly and yearly information.

It was observed that the Company did not send any quarterly report to the RERC during 2010-11 to 2014-15 as per Regulations 2003. The yearly reports were also submitted with delay ranging between four and 16 months. Further, the yearly reports were not based on any supporting evidence and basic documentation as the concerned Engineer neither compiled the information in the prescribed format nor sent daily, weekly and monthly reports. The returns/reports which were required to be sent by 15 May 2015 as per new Regulations were also not submitted (June 2015).

The performance of the Company in reporting to the RERC as per Regulations 2003 was, therefore, abysmal. The Company did not evolve a system of registration, compilation of accurate data and timely submission of information by the field offices. The inaction of the Company on defaulting officials indicated non-seriousness in mitigating the consumer grievances. The Company's response to the COPU that non-maintenance and compilation of information in the prescribed format was due to ignorance of the staff about new system, therefore, does not hold good.

In respect of JCC, the Government stated that presently quarterly, half yearly and annual reports were being sent timely in new format. However, in respect of JPDC it was stated that quarterly information was being sent to SE (RA) on regular basis. The reply of the Government was not in consonance with the audit observation. The audit contention highlights the abysmal performance of the Company in reporting to the RERC. The sub-divisions were required to send information to SE (RA) which would compile and send the same to RERC. However, the concerned Engineers neither compiled the information in the prescribed format nor sent daily, weekly and monthly reports. Further, the quarterly information claimed to be submitted by JPDC pertained to Settlement cum Grievance Redressal Forums instead of the information prescribed under Regulations 2003.

Awareness generation among consumers

2.1.22 The RERC directed (November 2003) that complete contact details including the name, location and telephone number of the offices and various forums specified for registration and redressal of complaints should be given wide publicity through newspapers and radio/television. These details were also to be displayed in the offices of the AENs and required to be intimated to the consumers through their electricity bills at least twice in a year *i.e.* in April and September. The State Government also promulgated (September 2011) 'Rajasthan Guaranteed Delivery of Public Services Act, 2011 and Rajasthan Guaranteed Delivery of Public Services Rules, 2011 (October 2011) which required the Company to display all relevant information related to services at a conspicuous place in the office.

The Performance Audit Report highlighted that the Company had not given due publicity to the mechanism available for registration and redressal of consumer grievances.

Audit recommendation was to give broad publicity to the various mechanisms available to the consumers for redressal of their grievances.

We noticed that the field offices did not comply with the directions issued (November 2003) by the RERC for registration and redressal of complaints and wide publicity thereof. The sub-division offices, however, in compliance to the provisions of Rajasthan Guaranteed Delivery of Public Services Act, 2011 displayed five⁶ types of grievances, their periodicity of redressal, contact details of the officers and details of appellate authorities. Further, periodical press notifications regarding chaupals to be organised in the selected Grid-Sub-Stations were also issued.

We observed that the Corporate office, however, issued⁷ only four press notifications during 2010-11 to 2014-15 giving details of telephone numbers for lodging of complaints related to interruption of power supply. The complete address of the complaint center for various nature of complaints and complete addresses and telephone numbers of the Grievance Redressal Forums were neither publicised through print/radio/tv media nor printed on electricity bills or displayed at the sub-division offices.

The Company, therefore, failed to take adequate steps in giving broad publicity to the consumer grievances redressal mechanism.

The Government stated that the Company's instructions were being complied by the concerned offices and telephone numbers of AEnS were printed on electricity bills. The reply was not convincing in view of the fact that the RERC directed the Company to spend ₹ 50 lakh towards consumer awareness programme in view of poor efforts made by the Company towards consumer awareness.

Consumer Satisfaction Survey

The Performance Audit Report highlighted that the consumer satisfaction survey conducted (June 2005 to December 2005) by A.C. Neilson rated the Company's overall Consumer Satisfaction Index (CSI) at 0.39. The survey pointed out that the consumers of all Circles were not satisfied with the process of release of connections. The Company intimated (May 2010) COPU that another survey done by Research & Development Initiative (RDI), a private firm had rated the satisfaction level of consumer as satisfactory.

2.1.23 We noticed that the report of RDI was not available with the Circle/Division/Sub-divisions Offices. The Head Office also could not provide the report of the RDI. In absence of report, Audit was unable to form an opinion on the findings of the survey report.

The Government did not furnish any comment to the Audit observation.

6 (1) Issue of new connections, (2) correction of electricity bills, (3) replacement of meter, (4) Interruption in power supply and (5) infrastructure based services.

7 17 October 2010, 30 April 2011, 9 May 2013 and 4 June 2014.

Grievance redressal camps

2.1.24 The Regulations 2003 provided for holding complaint redressal meetings at AEn's Office on 10th of every month and at Superintending Engineer's (SE) Office on 20th of the same month. The minutes of meeting at the level of AEn and action taken report was to be made available to the SE for his meeting on 20th of the same month. Further, the records were to be properly maintained and made available for inspection by higher authorities.

The MIS, as regards redressal of complaints at the level of AEn, reported redressal of 5097 complaints out of 5098 complaints in JCC and 16784 complaints against 16781 complaints in JPDC during 2010-14. The JCC did not receive any complaint at the level of SE during 2010-14 while in JPDC all the 109 complaints were resolved at the level of SE during 2011-14.

The circle and sub-division offices, however, did not produce any record/minutes of the meetings held at the level of AEn and SE. Further, the action taken reports submitted by the AEn's to the SEs and details of inspections made by the higher authorities were also not found on record.

The Government in respect of JCC stated that meetings of complaint redressal forums were being held frequently at Circle/Division/Sub-division levels in each month. In respect of JPDC, it stated that four chaupals were being held monthly at 33/11 KV Sub-stations.

Other audit findings

The Performance of the Company on the basis of new Acts/Regulations issued by the RERC/State Government after March 2008 *i.e.* after conclusion of the Performance Audit report for the year ended March 2008 is discussed below:

Grievance redressal cum settlement forums

2.1.25 The RERC notified (March 2008) 'Guidelines for Redressal of Grievances' Regulations, 2008 which classified the consumer grievances into monetary⁸ and general or non-monetary⁹ nature. The monetary grievances with specified financial limits and non-monetary grievances as per the nature of complaint were to redressed at Sub-divisional, Divisional, Circle (District) and Corporate level Forums within 30 days in normal course and upto 45 days from the date of registration, in any case. Further, the Company was required to send quarterly reports to the RERC in the specified form from time to time in respect of standards of performance, other performance parameters and consumer grievances related information showing the extent to which the time schedule had been followed in redressing the consumer grievances. Regular quarterly reports were to be sent at the end of the month to the RERC.

8 The monetary nature grievances covered complaints relating to electricity bills, recovery of arrear, payment of demand raised by the licensee except the cases covered U/s 126 & 135 of the Electricity Act, 2003.

9 Consumer grievances relating to quality of supply, defects in service & standards of performance by the licensee were covered under general or non-monetary nature.

The Performance Audit Report highlighted that AEN level forums were not functional and delay in settlement of disputes relating to dues was mainly due to laxity in issuing notices to the consumers.

Audit recommended to revitalize and monitor the working of various committees and forums set up for the redressal of consumer grievances.

Scrutiny of the records disclosed that:

- the sub-divisional forum was not functional at Bassi sub-division. In Sanganer and Badpeepali sub-divisions, the forums were almost non-functional as only one and four cases respectively were received and settled during 2010-11 to 2014-15;
- the maintenance of Settlement Register was not proper as cases pertaining to earlier years were found entered in the current year's applications; and
- few cases of issue of notices to the consumers were found at Sub-divisional, Divisional, Circle (District) level forums. There was no record of the consumers attending the meetings.

The quarterly returns upto March 2015 were submitted to the RERC with delay ranging between seven days and 486 days. In case of monetary nature grievances, the Company reported that 225 cases at the level of AEn, 282 cases at ExEn's level, 168 cases at SE's level and one case at the Corporate level were settled beyond stipulated time period during 2010-15.

The reporting was, however, not correct in view of the facts noticed in JCC, JPDC and five¹⁰ selected sub-divisions as depicted below:

Particulars	Forums			
	Sub-division level	Division level	Circle (District) level	Corporate level
Total cases of monetary nature	868	1830	4198	195
Cases settled beyond the maximum prescribed period of 45 days	284	728	763	159
Cases settled beyond the maximum prescribed period of 45 days where the delay was more than 100 days	66	247	396	50
Percentage of cases settled with delay	32.72	39.78	18.18	81.54

We noticed that these sub-divisions/divisions/circles never reported any delay in settlement of cases. The main reasons for delay were slackness in the concerned offices and considerable time taken in sending cases by the subordinate offices to controlling offices.

The Government stated that consumers were being informed about a meeting through mobiles. The delay in settlement of cases was due to consumer not attending meetings. Instructions had been issued to Bassi, Bad pipali and Sanganer sub-divisions to maintain proper record.

The reply was not convincing as the Company did not maintain any record of consumers attending the meetings. Further, the delay in settlement of cases was never reported to RERC. Besides, slackness at sub-divisions where forum

10 B-I, B-II, G-II and G-IV of JCC and Bagru of JPDC

was almost non-functional and slackness in sending cases by sub-ordinate offices to controlling offices were the main reasons for delay.

Rajasthan Guaranteed Delivery of Public Services Act, 2011

2.1.26 The Rajasthan Guaranteed Delivery of Public Services Act, 2011 and Rules, 2011 framed thereon, prescribed timeframes for delivery of certain notified services/activities viz. release of connections, correction of bills, replacement of meters, improvement of quality of electricity supply and activities requiring development of infrastructure. The timeframe prescribed in the Act was similar to that prescribed in RERC Regulations 2003. The Act required the Company to send fortnightly information from circle offices to the concerned District Collector for centralized monitoring of delivery of notified services.

The sub division-wise cumulative information submitted by the JPDC (first fortnight of February 2015) and JCC (second fortnight of January 2015) to the District Collector reported settlement of all cases within the prescribed time period. We observed that the information sent to the District collector was, however, not correct in view of the shortcomings discussed in preceding paragraphs.

The Government stated that information submitted to the District Collector was in order. The reply was not convincing in view of the facts that the fortnightly reports furnished to District Collector showed settlement of all cases within the prescribed time period which was not correct as commented and accepted by the Government in preceding paragraphs.

Upbhokta Shikayat Niwaran Kendra

2.1.27 The Company started (February 2014) registration of five¹¹ types of complaints through toll free number at Circle offices. The complaints were required to be processed through online system. In case of non-closure of complaints within three days, the same were to be escalated to next higher authorities' upto the level of the Managing Director.

The JCC reported to have redressed 146 (89 *per cent*) grievances registered up to March 2015 over toll free numbers within three days while JPDC reported to have redressed 340 (63 *per cent*) grievances within three days. We, however, noticed that records supporting the activities performed before closure of complaints were not available in any of the sub divisions.

The Government stated that proper record was maintained at Circle level in soft and hard copy. In respect of JPDC, it was also stated that directions had been issued to all the Divisions/Sub-divisions for maintaining record. The Company, however, did not provide complete history from registration to redressal of complaints.

Standards of Performance 2014

2.1.28 The RERC notified (February 2014) 'RERC (Standards of Performance for Distribution Licensees) Regulations, 2014 in supersession to

11 (1) Failure of transformers, (2) Delay in release of new connection, (3) Accident/accident prone, (4) Theft and (5) Harassment by company employee.

the Regulations 2003. The new regulations were effective from 1 October 2014.

The Regulations 2014 provided for overall minimum standard of performance to be achieved on different parameters between 90 and 95 *per cent*; minor pecuniary penalties from ₹ 50 to ₹ 2000 in individual cases; establishment of easily accessible call centres within 12 months in class-I cities and 18 months in urban areas; registration of complaints in prescribed format; and submission of half yearly reports in the formats SOP-1 to SOP-5 within 45 days, from 30 September and 31 March of each financial year.

The Company, however, did not submit return for the half year ending 31 March 2015 (September 2015). Further, the sub-divisions had not yet (September 2015) commenced preparation and compilation of records in the prescribed formats. The performance of the Company on different parameters, therefore, could not be commented upon.

The Government stated that JCC and JPDC submitted (June 2015) half yearly reports in the formats SOP-1 to SOP-5 to the Zonal Chief Engineer (Operation and Maintenance, Jaipur Zone). The fact remained that half yearly report as prescribed under Regulations 2014 had not yet been submitted (September 2015) to the RERC.

Conclusion

The Performance Audit Report for the year ended March 2008 highlighted deficiencies relating to documentation of complaints as per RERC directions, delay in redressal of various types of grievances, non-submission of performance reports to the RERC, non-functioning of Forums/Committees for redressal of consumer grievances and lack of awareness generation among consumers. The findings of follow up audit disclosed similar type of deficiencies. There was not much improvement in documentation of complaints as per RERC directions. There was delay in redressal of consumer grievances of various types like delay in replacement of distribution transformers, defective meters, release of connections and complaints relating to bills. Also, there was lack of awareness generation among consumers and non-reporting to RERC. Further, the recommendations made by Audit and COPU and assurances given to COPU in ATNs were not fully implemented by the Company.

2.2 Performance Audit (IT) on Computerisation of Commercial activities by Rajasthan State Ganganagar Sugar Mills Limited

Executive Summary

Rajasthan State Ganganagar Sugar Mills Limited was incorporated (1 July 1956) as a wholly owned Government company with the main objectives to manufacture sugar from sugarcane and sugar beet and to trade in sugar, sugarcane, sugar beet and molasses; produce and raise sugar cane, sugar beet and other crops; and carry on the business as distillers, manufacturers and dealers in Rectified Spirit, Country Liquor and Indian Made Foreign Liquor.

The Excise Department, GoR outsourced (June 2010) the work of Integrated IT Services to M/s Trimax IT Infrastructure & Service Limited, Jaipur (Service provider) at a cost of ₹8.21 crore. The Service provider was to implement an integrated IT system in the Excise Department, Rajasthan State Beverages Corporation Limited and Rajasthan State Ganganagar Sugar Mills Limited (Company).

The electronic data for the year 2013-14 and 2014-15 was collected and was analysed through Computer Assisted Audit Techniques using Interactive Data Extraction and Analysis software.

Analysis of the data disclosed serious flaws in the IT system which led to sale of country liquor on dry days, acceptance of duplicate permit numbers, challans numbers and other deficiencies.

General Controls

The Company did not have an IT policy and IT security policy as regards to security of IT assets (software, hardware and databank). In absence of IT security policy, modifications made in the data base relating to the retailers, depot location, any deletion or editing in invoice and challan, etc. by the outsourced agency were not subjected to any supervisory review periodically to ensure that the changes were authorised by the competent authority. There was no business continuity/disaster recovery procedure to avoid any untoward incident. Disaster recovery site at State Data Center Jaipur was not set up by the service provider. Further, the system was also deficient with respect to physical and logical security.

System Design Deficiencies

The billing software was not designed in a robust manner to ensure validation of input advice and output results as per the business rules. Our analysis disclosed that the design deficiencies and inadequate input controls led to irregularity in approval of label and sale of country liquor without testing.

Mapping of business rules

The integrated system lacked mapping of business rules in accordance with the Excise Act/Rules which not only led to violation of the Excise Act/Rules but also statutory violation in sale of country liquor/issue of permit on dry days/election dates and sale of country liquor beyond working hours and on non-working days.

Input Control and Validation Checks

Input control minimizes the possibilities of error or irregularities in computerised systems due to incorrect or irregular input. Input control and validation checks were deficient and the system accepted the same permit and challan numbers more than once. There were instances of sale of liquor beyond the validity of permit or without permit, acceptance of cash from the licensees in violation of policy, discrepancies in material inward slip, short receipt of quantity of country liquor against the ordered quantity and irregular change of retailers' depot, etc.

Internal Controls

The existence of an adequate system of internal control minimises the risk of errors and irregularities. Our analysis disclosed that the internal control mechanism was deficient and it led to sale of unapproved brand of country liquor, illegal transactions and non-reconciliation of Company's data with the data of the Excise Department.

Recommendations

The Performance Audit includes recommendations for formulating and implementing a clear and comprehensive IT policy and its periodical review according to the business environment; carrying out suitable modifications in the system design to avoid any statutory violation as regards to issue of permit and sale of liquor on dry days; capturing the location of depot, quantity of active/inactive stock and date of bottling to ensure timely testing of country liquor; ensuring mapping of business rules in accordance with the provisions of the Excise Act/Rules; building adequate input controls and validation checks to overcome the deficiencies and strengthening the internal control mechanism to ensure proper monitoring of the sale of country liquor and reconciliation of Company's data with the data of Excise Department to avoid any leakage of revenue.

Introduction

2.2.1 Rajasthan State Ganganagar Sugar Mills Limited (Company) was incorporated (1 July 1956) as a wholly owned Government company with the main objectives to manufacture sugar from sugarcane and sugar beet and to trade in sugar, sugarcane, sugar beet and molasses; produce and raise sugar cane, sugar beet and other crops; and carry on the business as distillers, manufacturers and dealers in Rectified Spirit, Country Liquor and Indian Made Foreign Liquor.

Financial and Operational results

- The Company earned net profit of ₹ 14.53 crore and ₹ 10.44 crore during 2012-13 and 2013-14 respectively. The Liquor division earned profit of ₹ 33.69 crore and ₹ 35.18 crore during 2012-13 and 2013-14 respectively.
- Sugar factory incurred losses of ₹ 19.16 crore and ₹ 24.74 crore during 2012-13 and 2013-14 respectively. The main reasons for increased losses were low capacity utilization, higher cane price and increase in fuel expenses.
- Total sale of country liquor during 2013-14 and 2014-15 was 16.41 crore and 19.25 crore Bulk Litre (BL) respectively, out of which 6.55 crore BL (39.91 *per cent*) and 7.76 crore BL (40.31 *per cent*) country liquor was manufactured by the Company during 2013-14 and 2014-15 respectively whereas 9.86 crore BL and 11.49 crore BL country liquor was supplied by private distillers/bottlers during the same period.

Organisational set up

2.2.2 The Company works under the administrative control of the Excise Department of Government of Rajasthan (GoR). The management of the Company is vested in a Board of Directors (BoD) and as on March 2015 there were eight Directors on the Board of the Company. The Secretary, Finance Department (Revenue), GoR is the ex-officio Director-in-charge of the Company.

Information Technology Activities in the Company

2.2.3 The Excise Department, GoR outsourced (June 2010) the work of Integrated Information Technology Services to M/s Trimax IT Infrastructure & Service Limited, Jaipur (Service provider) at a cost of ₹ 8.21 crore. The Service provider was to implement the integrated system in the Excise Department, Rajasthan State Beverages Corporation Limited¹ (RSBCL) and Rajasthan State Ganganagar Sugar Mills Limited (Company).

The Company was required to bear 20 *per cent* of the total estimated cost and the Service provider was to procure and install hardware equipment along with preparation of web based application software for carrying out day-to-day

1 A Government of Rajasthan company.

operations in the Company's Head office/Unit Offices/Reduction Centre/Depots for a period of five years. Further, the Service provider was responsible for maintaining the integrity, security and backup of the data and applications.

The work order envisaged preparation of 24 modules² using Oracle Relational Database Management System for integration of all the activities of the Company. As on December 2014, out of 24 modules, 13 modules were in operation and the results were being used for accounting purpose. The system had client server architecture with server located at Udaipur. The head office of the Company and all its Units/Depots are linked with the main server.

Scope of Audit

2.2.4 The Performance Audit covers analysis of the computerised data for the period 2013-14 and 2014-15. Besides, audit scrutiny also involves cross verification of records related to trading and inventory management of sugarcane and country liquor kept at the Head Office, Unit Offices and Depots of the Company.

Audit objectives

2.2.5 The Performance Audit (IT) on the computerisation of the commercial activities by the Company was carried out to assess whether:

- The Company prepared and implemented Information Technology (IT) policy in accordance with the business needs;
- The Company ensured that the IT system was efficient and effective to cover the business risks in modern IT environment; the business/Government Rules and Regulations were efficiently mapped; completeness/correctness of the data was ensured and the manual records were reconciled with electronic data; and
- Effective internal control system and internal checks existed to ensure proper monitoring of the IT system and safety of the IT assets (data, software and hardware).

2 (1) Country Liquor and Distribution, (2) Production and supply, (3) Store Management, (4) Liquor Receipt including Batch Management, (5) Inventory Management, (6) Order for Supplies, (7) Supply schedule as per RSBCL Lines, (8) Tax collection at Source as per RSBCL Lines, (9) Financial Accounting, (10) Payment of Country Liquor to Suppliers on Sale basis instead of Consignment basis, (11) Bank Data uploading for Bank Reconciliation, (12) Purchase as per RSBCL Lines, (13) Supplier Rate Approval, (14) Cane Development, (15) Cane Crushing/Sugar/By products Production, (16) Demurrage Calculation, (17) Debit Note/Credit Note, (18) Invoice cum Excise Permit including Batch Management, (19) HR and Payroll, (20) Sugar Factory specific *i.e.* Main Gate & Security Department and Labour Welfare Section, (21) Sugar and By products sales, (22) Engineering, (23) Power Generation and Sales and (24) Plant Maintenance.

Audit criteria

2.2.6 The audit criteria derived from the following sources were adopted:

- The terms and conditions of the agreement, work order and other directions issued to the software developer/implementing agency;
- Excise Policy for the years 2013-14 and 2014-15;
- Accounting Policy, Business Rules and procedures followed by the Company;
- Rules, notifications and guidelines issued by the Excise Department of the GoR;
- Management Information System (MIS), Manuals and other orders/circulars issued by the Company and;
- Best IT Practices.

Audit Methodology

2.2.7 The methodology adopted for attaining audit objectives with reference to audit criteria consisted of explaining audit objectives to the Government/top Management of the Company during entry conference held on 13 February 2015. The electronic data for the year 2013-14 and 2014-15 was collected and analysed through Computer Assisted Audit Techniques using Interactive Data Extraction and Analysis (IDEA) software. Questionnaires were utilised to elicit information from the Company to evaluate controls of application software and to ascertain completeness, regularity and consistency of data. Audit scrutiny involved analysis of data, raising of audit queries, review of records, interaction with the Company/agency personnel, holding of exit conference and issue of Draft Performance Audit Report to the Government/Management for comments.

The Performance Audit Report has been finalised considering the views of the Government/Management during exit conference (14 October 2015) and replies (October 2015) of the Government to the draft Report.

Audit findings

2.2.8 Audit findings based on scrutiny of records, electronic data and review of software mainly highlights deficiencies in general controls, system design, mapping of business rules, application control and internal control mechanism. These findings have been discussed below:

General Controls

2.2.9 General controls include controls over data centre operations, system software acquisition and maintenance, access security, and application system development and maintenance. They create the environment in which the application systems and application controls operate. Categories of general

control include organisation and management controls (IT policies and standards), IT operational controls, physical controls (access and environment), logical access controls, acquisition and program change controls and business continuity and disaster recovery controls.

Lack of formulated and documented IT policy and IT security policy

2.2.10 A formulated and documented IT policy is essential to assess the time frame, key performance indicators and to carry out cost benefit analysis for developing and integrating the various online commercial activities of the Company.

We noticed that the Company had not formulated a formal IT Policy. Further, the Company had also not constituted a planning/steering committee with clear roles and responsibilities to monitor each functional area in a systematic manner. The Company also did not have an IT security policy regarding the security of IT assets, its software, hardware and databank.

In absence of IT security policy, modifications made in the data base relating to the retailers, depot locations, any deletion or editing in invoices and challans, etc. by the outsourced agency were not subjected to any supervisory review periodically to ensure that the changes were authorised by the competent authority.

In absence of an effective IT security policy with clear role and responsibilities of the officers of the Company, the Company failed to monitor the modifications made in the master data and assure itself that no unauthorised changes were made in the database.

The State Government while accepting the facts stated (October 2015) that IT policy and IT security policy had been documented and was under consideration for approval of the Management.

Business continuity and disaster recovery plan

2.2.11 Reliance on the computerisation and digitisation of major activities is very critical to the operations of the Company. In case of any untoward incident or disaster, the operations of the Company would be substantially affected. It is, therefore, essential for the Company to prepare and document a disaster recovery and business continuity plan outlining the action to be undertaken immediately after a disaster and to effectively ensure that information processing capability can be resumed at the earliest.

We noticed that the Company was not having any business continuity plan/recovery procedure. As per the work order issued to the service provider, the primary datacenter of the Company was to be set up at Udaipur and disaster recovery site at State Data Center (SDC) Jaipur. We, however, observed that the service provider had not set up disaster recovery site at SDC, Jaipur.

The Government accepted the facts and stated (October 2015) that the disaster recovery site could not be hosted in absence of the security audit which is mandatory prior to hosting the site at SDC.

User Identification and Password

2.2.12 The Company implemented the IT system for better and quicker disposal of work in comparison to the manual system. After adopting the IT system, the Company provided User Identification (User ID) along with user name and password to all the officials and stake holders.

An ideal Password policy should include enforcement of initial password change on first use, an appropriate minimum password length and enforced frequency of password changes. We, however, observed the following discrepancies in User ID and Password policy:-

- the system accepted the same password during the process of enforcement of password changes; and
- the system accepted any length of password without combination of alpha-numeric and special character.

Absence of password policy may severely hamper the system in case of any unauthorized access. The Government stated that the password policy was being implemented.

The Company did not have an IT policy and there was no business continuity/disaster recovery plan in case of any untoward incident. Further, the system was also deficient with respect to physical and logical security.

The Company should formulate and implement a clear and comprehensive IT policy and periodically review it according to the business environment.

System Design Deficiencies

2.2.13 The software should be designed in a robust manner to ensure validation of input advice and output results as per the business needs of the Company to minimize the incorrect generation of invoices and acceptance of wrong input advice. The various system design deficiencies noticed during analysis of data are discussed below:

Irregularities in label of country liquor

2.2.14 Rajasthan Excise Rules, 1956 provides that every manufacturer of country liquor, IMFL and beer shall have to obtain approval of the labels (irrespective of size *i.e.* quart, pint or nip) of their brands intended to be manufactured or sold in Rajasthan every year from the Excise Commissioner. While approving the brands of country liquor, it was clearly instructed that the manufacturers can use the brand labels only after indicating the batch number and date of manufacturing.

The approved labels shall be affixed on every item and should be checked at reduction center as well as depot. Approved label shall contain the details of batch number, date of bottling/manufacturing, name and address of suppliers, details of quantity, strength of country liquor, details of selling area, *etc.*

The system did not have provision to capture the date of bottling country liquor and the batch number of carton boxes of country liquor. The following discrepancies were noticed due to these system design deficiencies:

- The system was not able to capture the quantity of active/inactive stock.
- It could not be ascertained whether the stock was issued from the depot correctly on first-in-first-out basis as per the policy of the Company.

Further, test check/cross verification of records disclosed that batch number and date of bottling were not printed on the stock available at test check depots but despite that the country liquor manufactured by the private suppliers was accepted. These irregularities were also noticed in Kota Reduction Centre of the Company.



The above shortcomings signified lack of Company's control over important aspects relating to sale of country liquor like display of manufacturing date, batch number, etc.

The Government stated (October 2015) that the Excise Policy did not determine any expiry period for country liquor and the issue rate of country liquor is decided before commencement of the financial year and hence there was no need to capture active/in-active stock as well as method used for its issue. However, agreeing to the audit observation, detailed instructions to ensure batch/date of manufacturing on the carton boxes and FIFO method had been issued.

The plea given by the Government is not justified as in absence of batch number and date of manufacturing on the carton boxes, the system would not be able to ensure that the policy of the Company to issue the country liquor on FIFO method is followed.

Sale of country liquor without any testing

2.2.15 The Company issued general direction to all the depots as well as the Unit office to test more than nine months³ old country liquor in laboratory before issuing it to the retail licensee.

We noticed that 17114 cases of nips of various brands of M/s Ojas Industries Limited, a private approved supplier of country liquor for the year 2013-14, were lying in closing stock of 44 depots of the company at the end of March

3 From the date on which material inwards slip was prepared.

2014. The various brands of country liquor of Ojas Industries Limited for the year 2014-15 were approved in December 2014 and January 2015.

Our analysis of database disclosed that no provision to test country liquor was mapped in the system and therefore the system was not capable to ascertain the nine month old stock. We observed that due to this shortcoming, the system allowed sale of more than nine months old stock of Ojas brands valuing ₹ 47.76 lakh at 34 depots of the Company as shown in **Annexure-3** without carrying out laboratory test. In three⁴ depots, wherein the test was carried out in compliance of orders of the Head Office, it was observed that the quality of Ojas brand had deteriorated. However, no action was found initiated at the level of Head Office. Further, no MIS as regard to nine months old country liquor lying in stock of the depot was generated by the system.

The Government while accepting the facts stated (October 2015) that the supplier was allowed (May 2015) to take back the deteriorated stock of country liquor. It further stated that testing instruments had been provided to all depots to check the strength and quality of the country liquor. It further stated that the country liquor sold by 34 depots was found suitable for use.

The reply of the Government was not acceptable as no test was carried out by these 34 depots. Further, the reply was silent on the issue of making suitable inbuilt provision in the system to ascertain the stock of nine months old country liquor due for testing before sale.

Location of Depot

2.2.16 The Excise Act provides that minimum distance of 200 metres should be kept between the country liquor shops and hospitals, dispensaries, collegiate institutions, places of public entertainment, public resort and places of common public worship recognized as such by the Excise Commissioner. As per the system in vogue, the District Excise Officer (DEO) is required to verify the detail of the licensees' shops to ensure the aforesaid provision and furnish a check list containing the details of location of shops.

We, however, noticed that the system of verifying the details of licensees' shops was not being adhered to adequately as in many check lists, the columns indicating the distance of the shop from the specified places were either found blank or not completely filled in. Further, in case of bonded warehouses, from where the Company sold/supplied the country liquor to the licensees, this provision was not being followed.

Our analysis of database further disclosed that the integrated system did not have the field to indicate distance of the country liquor shops/depot from the above places. Further, no information as regards to approval of location of depots by the Excise Department was on record.

4 Chippabarod, Jodhpur and Kota Depot.



Test check of few depots disclosed that Bhawanimandi Depot is located within the vicinity of a school and the entrance is the common for depot as well as school. Similarly, Jhalawar depot is situated within the vicinity of Khel Sankul which shows non-adherence to the provision of the Excise Act by the Company.

The Government stated (October 2015) that the restriction of 200 meters is applicable on the shops for retail sale of country liquor and not on depots. It further stated that the locations of the depots were approved by the Excise Department as per the applicable Act/Rules.

The reply is not acceptable in view of the fact that the conditions and restrictions on establishment of Bonded Warehouse provides that the provisions of the Excise Act and rules and instructions issued thereunder are applicable to the bonded warehouse (depots)/bottling plant. Further, the Company is selling the country liquor to the retail licensees and hence these instructions are also applicable to the Company. Moreover, it is not ethical on the part of the Company to operate depots within the vicinity of the specified places. If the system had this field, it would have been possible to ascertain the location of shops from the specified places and thereby enforce the observance of the provision about location of the shops.

The design deficiencies and inadequate input controls, therefore, led to irregularity in approval of label, location of depot and sale of country liquor without testing.

The system should be able to capture the location of depot, quantity of active/inactive stock and date of bottling to ensure timely testing of country liquor.

Mapping of business rules

2.2.17 The provisions of the Excise Act, 1950 and Excise Rules 1956 made there under as well as Excise Policy framed each year by the State Government are mandatory in nature and required to be followed by the Company to run its business. The discrepancies noticed where either the Act/Rules/Policy framed were not adhered to or not appropriately incorporated in the system are discussed below:

Statutory Violation in sale of country liquor/issue of permit

2.2.18 The Excise Department, GoR in its Excise Policy declared five⁵ days as dry days and sale of liquor on these days was prohibited in Rajasthan.

We noticed that suitable provisions in the software were not incorporated to prohibit sale of country liquor even though prohibited four days have fixed dates except Mahavir Jayanti.

The database analysis disclosed that the system allowed generation of invoices and as a result the Company sold country liquor worth ₹ 38.42 lakh (97 invoices) on Republic Day, Shaheed Diwas, Independence Day and Gandhi Jayanti during 2013-15. Further, the Company also sold country liquor worth ₹ 2.90 crore (765 invoices) on the occasion of Mahavir Jayanti during 2013-14.

Besides, the Excise Department also did not adhere to these provisions and thereby issued 1117 permits on dry days.

Thus, the Company failed to adhere to the statutory provisions and sold country liquor on dry days. Further, the internal control mechanism of the Company was also deficient as it could never detect the statutory violations by analysing the MIS, working of depot, *etc.*

The Government accepted (October 2015) the facts of non-mapping of provision in the software to prohibit sale of country liquor on dry days. It, however, stated that the actual issue of country liquor was made before the dry days but the entries in the system were made on dry days because of power failure, internet connectivity, *etc.* It further stated that the system of generation of online excise permits had been implemented w.e.f. 1st October 2015 and these provisions had been mapped in the software to prohibit issue of permits as well as sale of country liquor on dry days.

The reasons attributed by the Government are not convincing in view of the fact that the Company issued (March 2013) directions to its Depot In-charge to sell the country liquor through system only *i.e.* by generating the invoice online and hence the country liquor could not be sold without generating the invoice. Further, the manual records of the depots also indicated that the invoices were generated and sale of country liquor was made on dry days. The depots were functioning on dry days in violation of the Excise policy. Further all the depots have facility of UPS, invertors and that the observation pertains to almost all the depots. The reply of the Government was silent on issue of permit by the Excise Department on dry days.

Sale/permit on Election Day

2.2.19 Pursuant to the provisions of Section 135C of the Representation of the People Act, 1951, the Election Commission declared 'dry days' on election dates as well as counting day for Lok Sabha, State Assembly and Municipal Corporation elections held in 2013-14 and 2014-15. Any person found contravening these provisions was punishable with imprisonment for a term

5 Republic Day, Shaheed Diwas, Mahavir Jayanti, Independence Day and Gandhi Jayanti.

which would extend upto six months, or with fine upto two thousand rupees, or with both.

As per the direction of Excise Commissioner of Rajasthan (September 2013), under the instruction/guidelines of Election Commission to record (24 hours X 7 days) the incoming and outgoing of country liquor from the Company's depot, 99 Close Circuit Television (CCTV) Cameras were installed at depots by incurring an expenditure of ₹ 44.21 lakh and 198 hard-disks valuing ₹ 13.14 lakh were purchased for recording purposes.

The analysis of database of the Company disclosed that the Company did not give cognizance to the orders issued by the Election Commission and did not make suitable provision in the software. Thus, the Company sold country liquor worth ₹ 4.13 crore to the retailers on the dates⁶ declared as 'dry days' during election/counting of votes in 2013-14 and 2014-15. All the CCTV cameras installed at depots of the Company were in good working conditions which indicated that the management did not check the CCTV footage. The purpose, for which the CCTV cameras were installed by incurring an expenditure of ₹ 44.21 lakh, was not achieved.

Besides, the Excise Department also did not adhere to these provisions and issued 1218 permits on election/counting dates. The restriction that was imposed by the Election Commission, therefore, was flouted.

The Government stated (October 2015) that there was no sale of country liquor on election dates. It further stated that the entries appearing in the system for election dates belong to sale of country liquor on earlier days. The Government added that the system of generation of online excise permits had been implemented w.e.f. 1st October 2015 and necessary provisions had been mapped in the software to prohibit issue of permits as well as sale of country liquor on dry days.

The reply is not convincing as manual records of the depots indicated sale proceeds on election dates. Further, sale of country liquor could not be made without generating the invoice on-line. The reply of the Government was silent on issue of permits by the Excise Department on dry days.

Sale of liquor beyond working hours/non-working days of the warehouse

2.2.20 The State Government determined six days week for the depots of the Company. The working hours for the depots were from 10 AM to 5 PM on each working day except Sunday and second Saturday. Further, the Excise Policy also provided timings for retail shops of country liquor, *i.e.* 10 AM to 8 PM. Clause 6.2 of condition of country liquor retail sale license provided a licensee to purchase the country liquor from the Company's depot and transport the same by shortest route to retail shop. As depots are bonded warehouse, it is mandatory for the Company to take prior approval from the Excise Department to carry out any loading or unloading of country liquor in depot beyond working hours or on non-working days.

Analysis of the database disclosed that the integrated system did not map the working hours to prohibit the transactions beyond the fixed working hours. The system, however, allowed generation of invoices even after working hours

6 30 November 2013, 16 & 17 April 2014 and 21, 22 & 25 November 2014.

without prior approval of the competent authority as well as Excise Department.

We observed that 65499 invoices for sale of country liquor valuing ₹ 253.01 crore were generated beyond 5 PM in all the 99 depots of the Company during 2013-15. Moreover, 10630 invoices for sale of country liquor valuing ₹ 40.41 crore were found generated after 8 PM, *i.e.* after the closing time of retail shops. Further, 7586 invoices for sale of country liquor valuing ₹ 31.88 crore were generated at all the 99 depots of the Company on Sunday/second Saturday.

We also observed that these provisions were not adhered to by the Excise Department officials deputed at various depots of the Company as instances of issue of 5294 permits valuing ₹ 22.11 crore on Sunday were noticed.

The Government stated (October 2015) that the country liquor was issued to the retail licensees even after 8 PM looking to the problems of licensees and to safeguard the excise revenue.

The reply of the Government is not convincing as the Excise Department provides minimum one day validity for obtaining the supply of country liquor from Company's depot and hence the supply could be obtained on next day. Further, issue of country liquor after working hours was in violation of the Excise Policy/rules made there under. The reply is silent on the issue of sale of country liquor on non-working days. Moreover, the argument as regards to safeguarding the excise revenue is also not convincing as the Company had the exclusive right to supply the country liquor in the State.

Violation of Excise Policy

2.2.21 Pursuant to the Excise Policy for the years 2013-14 and 2014-15, the manufactures/suppliers had to maintain an ideal/specific ratio of strong and lower strength of country liquor. Accordingly, a supplier had to ensure minimum 30 *per cent* and 35 *per cent* supply of 50UP⁷ (lower strength) of total supplied country liquor in 2013-14 and 2014-15 respectively.

This provision was not mapped in the integrated system and the Company could not maintain the required ratio of strong and lower strength of country liquor in both the years. Further, due to non-mapping of this provision, the system was not competent to generate any report or to raise any alert regarding violation of Excise Policy by the Company's reduction center.

The Company supplied 19.37 *per cent* and 23.22 *per cent* of 50UP country liquor as against provisions prescribed in the Excise Policy. This led to an excess consumption of Rectified Sprit and consequential loss of ₹ 2.68⁸ crore on manufacturing and supply of 18.71 lakh case of nips in excess of the ratio determined in Excise Policy of the respective years.

The Government stated (October 2015) that these ideal ratios were fixed in Excise Policy in context of the whole State and not at depot/licensee level. It further stated that the prescribed ratios were maintained in the State as a whole. Further, the production of 50UP country liquor as per the ratio

7 Under proof.

8 Loss has been calculated after considering selling price of 50UP country liquor and weighted average cost of per BL rectified spirit.

prescribed in the Excise Policy might lead to its unsold stock and could cause significant loss to the Company.

The reply is not convincing because the ratios prescribed in the Excise Policy were to be ensured by each supplier/manufacturer of country liquor. Further, the audit observation pertains to country liquor produced and supplied by the Company in the whole State. Non-observance of the Excise Policy by the Company, which is under administrative control of the Excise Department, is a matter of concern and hence the Government should take effective steps in this matter.

Violation of Excise Act by the retail licensee

2.2.22 Rule 7.3 of terms and conditions for the retailers/licensee of country liquor provided that the retail licensee, to fulfill the monthly guaranteed supply, could obtain maximum 70 per cent and 65 per cent supply of 40UP country liquor during 2013-14 and in 2014-15 respectively.

We noticed that this provision was not mapped in the integrated system and, therefore, the system was not competent to determine the ratio as regards to supply of country liquor to each licensee/retailer on monthly basis.

There were 1547 and 2849 instances during 2013-14 and 2014-15 respectively wherein various depots of the Company supplied country liquor in excess of the maximum permissible limit in violation of the rule.

The Government stated (October 2015) that it would not be practical to force a licensee to lift country liquor as per ratios mentioned in Excise Policy ignoring the choice of locals for particular brand and strength. It further stated that the licensees obtained the supply of country liquor as per permit issued by the Excise Department.

The reply is not convincing as these ratios were required to be followed by each licensee as per Excise Rules. Further, the IEMS was developed to integrate the various activities of the Excise Department and the Company and hence it was required to map the provisions of the Excise Act, Policy and Rules made there under. The reply was, however, silent as regards to mapping of necessary provisions in the system.

The integrated system lacked mapping of business rules in accordance with the Excise Act/Rules which led to statutory violation in sale of country liquor/issue of permit on dry days/election dates and sale of liquor beyond working hours and on non-working days.

The Company may ensure mapping of business rules in accordance with the provisions of the Excise Act/Rules and periodically review and update them.

Application Controls

Input Control and Validation Check

2.2.23 Input control is extremely important as the most significant source of error or fraud in computerised systems is incorrect or fraudulent input. Input control and validation checks are vital to the integrity of the system as the

procedures and controls reasonably guarantee that the data received for processing are genuine, complete, not previously processed, accurate and properly authorised. It also ensures that data are entered accurately and without duplication. Deficiencies noticed in input control and validation checks are discussed below:

Sale of liquor beyond the validity of permit or without permit

2.2.24 For procurement of country liquor from the warehouse/depot of the Company, the retail licensees are required to obtain a permit (containing various information such as issue date, its validity, transport route, excise duty paid and quantity/brand of country liquor) from the Excise Department on payment of permit fee and excise duty.

The analysis of database disclosed that the integrated system did not have adequate input control and validation checks and hence it did not validate the date of issue of permit and its validity at the time of generation of invoice for sale of liquor to the retailers. We noticed that 11543 invoices for sale of country liquor valuing ₹ 47.86 crore were generated 2 to 324 days after the expiry of validity of permit.

The integrated system accepted permit numbers having more than seven digits and instances of fake transactions were noticed. To cross verify the sale of unapproved brand, we test checked the records of three depots⁹ and found that there were 21 fictitious invoices/transactions¹⁰ worth ₹ 4.40 lakh. These fictitious invoices were generated by adding one more digit to the existing permit numbers. While creating these invoices, the depot manager debited the retailers whose credit balance was lying with them. These irregularities were due to inadequate input controls/validation checks in the integrated system and issue of manual permit by the Excise Department coupled with inadequate internal control mechanism in the Company.

The Government assured (October 2015) to incorporate all necessary input controls and validation checks in the system. It further stated that in most of the highlighted cases, the country liquor was issued within the validity period but due to paucity of time, the invoices were generated later. As regards to 21 fictitious invoices, it stated that necessary rectification entries had been made and the fictitious entries got corrected.

The reply of the Government that invoices were generated later on is not convincing because it is possible only when a parallel system of manual sale is in vogue which is prohibited as per the directions of the Company. As regards to the document provided in support of rectification entries made, only the additional digit from the permit number was found removed without rectifying the whole transaction *i.e.* balances of retail licensee, balances of closing stock and payment already made to private supplier.

Cash/credit sales to retailers

2.2.25 As per policy of the Company, for purchase of country liquor from its depots, the retailers are required to deposit the amount either in State Bank of

9 Bhawanimandi, Jhalawar and Rajsamand.

10 (five entries worth ₹ 2.11 lakh in BhawaniMandi), (13 entries worth ₹ 2.11 lakh in Jhalawar) and (three entries worth ₹ 0.18 lakh in Rajsamand).

Bikaner and Jaipur or Bank of Baroda through challan issued by the Company and to produce a copy of the challan at depot. The system verifies the copy of challan produced by the retailer with the Bank data and then generates the invoice for sale of country liquor upto the deposited amount, *i.e.* invoice amount up to the credit balance of that retailer. Further, the Company issued (June 2013) order prohibiting acceptance of cash in lieu of bank challan.

We noticed that the integrated system did not have adequate controls and therefore accepted manual interventions *i.e.* the depot manager could accept cash in lieu of bank challan, edit the challan amount, challan number, challan date, *etc.* Our analysis of database disclosed that:

- In 1735 instances at 59 depots of the Company, the depot manager accepted cash from the retailers and the system allowed manual intervention of cash entries by generating invoices valuing ₹ 2.05 crore during 2013-15.
- There were 411 and 214 instances of credit sales valuing ₹ 1.15 crore and ₹ 0.42 crore during 2013-14 and 2014-15 respectively. Further an amount of ₹ 0.20 crore and ₹ 0.09 crore remained outstanding against 54 retailers and 19 retailers on account of credit sales at the end of 2013-14 and 2014-15 respectively. The Company did not have any financial hold against these retailers.

The Government stated (October 2015) that cash transactions were accepted due to non-working day of the banks, non-uploading of licensees name on 1st April and to ensure fulfillment of monthly guarantee. It further stated that after pointing out by audit, necessary provisions were being mapped in the software. The credit sales had occurred due to deletion of challans and correction in brands mentioned in invoices after the end of the financial year. The Government added that in the instances quoted by audit, there were no credit sales as no negative balance appeared in licensees ledger.

The reply is not convincing as apart from 1st April, huge number of transactions pertain to different dates and locations. Further, it was violation of the Company's directives issued to the depot in-charge every year not to accept cash on 1st April. Moreover, the system was deficient as it accepted the backhand entries of deletion of challans or correction in brands mentioned in invoice. The fact remained that due to inadequate control, the system accepted manual interventions which caused outstanding amount of ₹ 0.29 crore.

Shortcomings in Material Inward Slip

2.2.26 For the supply of country liquor from the distilleries/bottlers/manufactures, the suppliers are required to obtain a permit from the Excise Department. The permit so issued indicates the specific brand and quantity of country liquor. The Excise Department issued online permit to the supplier from May 2014 onwards. The Company prepared a Material Inward Slip (MIS) on receipt of the consignment of country liquor.

Analysis of database disclosed that the integrated system did not have adequate validation checks to ensure permit validity, quantity and receipt of consignment while preparation of MIS. We noticed the following discrepancies:

- In 4172 instances, the Company received 33.80 lakh cases of country liquor from private suppliers even after the expiry of validity of permit (ranging between 1 to 68 days). Further, in one case, the system generated the MIS of supplier's brand which was not approved by the Excise Department.
- In 44 instances, the Excise Department issued permit quantity of 35675 cases against which only 27889 cases were supplied at various depots of the Company.
- 81 permits issued by the Excise Department during 2014-15 to private suppliers for supply of 58401 cases of country liquor to various depots of the Company were neither cancelled by the Excise Department nor was any supply received at the Company's depot. As per the prescribed rate of excise duty, the above mentioned quantity of country liquor involved excise duty of ₹ 3.14 crore.

The Company did not take up the matter with the suppliers/Excise Department for short/non-supply of country liquor. The possibility of supply of country liquor illegally to the retailers and evasion of excise duty cannot be ruled out.

- In 31206 instances there was substantial delay ranging between 1 and 93 days in preparation of MIS from the date of receipt of the consignment (gate entry) which indicates delay in unloading of the consignment of country liquor.

The Government, while accepting the facts of not having adequate input control and validation check in the system, stated (October 2015) that gate entries at depots were taken as the date of receipt of consignment and not the date of material inward slip. Further, less receipt of country liquor at Depot as compared to the quantity shown in the permit was attributed to accident of truck carrying consignment, theft of consignment in transit, rejection of sample by the laboratory after gate entry, etc. It further assured to develop a system wherein online permits will be issued to the suppliers as per the OFS being issued by the Company.

The reply is not convincing in view of the facts that there was substantial delay in receipt of consignment. Even if date of entry is taken as date of receipt, the consignment was taken into stock with a delay ranging between 1 to 93 days. Further, no documentary proof was produced in support of reasons mentioned for less receipt of consignment at depot. In case of theft of consignment in transit, there was direct loss of excise revenue. However, these matters were neither taken up nor reconciled. The reply of the Government was silent on the issue of non-cancellation of permits where no supply was affected.

Issue of Order for supply

2.2.27 For supply of country liquor at specific depot of the Company, the supplier/manufacturer makes a request to the Company. The Company after analyzing the stock position of respective depot can accept the request of the supplier and issue Order for Supply (OFS) accordingly.

We noticed that the system did not validate the quantity of OFS while preparing of MIS. There were three instances noticed wherein the system

accepted excess quantity of 750 cases as compared to quantity for which OFS was issued.

Further, there were 37 and 34 instances during the year 2013-14 and 2014-15 respectively wherein the full quantity shown in OFS was not received and in 31 instances though OFS were issued, no MIS was generated during 2013-15. Further, these OFS were not cancelled by the Company. We observed that the system was deficient as it issued subsequent OFS on the same suppliers without raising any alert that the quantity of previous OFS was either short received or not received.

The Government assured (October 2015) that the point raised by Audit would be taken care of in future. It further stated that new system would be introduced after December 2015 to avoid such problems in future.

Duplicate Permit Number

2.2.28 Permits with unique numeric number of seven digits are manually issued to the retailers on payment of permit fee and excise duty. The permits issued by the Excise Department are entered in the integrated system at Company's depot while generating the invoice for sale of country liquor.

Analysis of database, however, disclosed that the system did not have appropriate input controls to identify the same permit number. Due to this deficiency, the system accepted the entries of the same permit number more than once. As a result, 18768 and 24275 instances of duplicate permit numbers were noticed during 2013-14 and 2014-15 respectively. Further due to absence of appropriate input controls, the system accepted any type of alpha-numeric number of permit.

We noticed that the applicable amount of excise duty on duplicate permit numbers worked out to ₹ 139.61 crore. Due to the shortcoming of the system in accepting the same permit number, there were possibilities of obtaining the supply of country liquor by the retailers without payment of excise duty. We test checked 48 instances where the same retailer obtained the supply by providing the same permit for the same quantity. We cross verified these instances with the record of the depot and noticed that in few instances the irregularity was due to wrong feeding of the permit number whereas in two depots (Chittorgarh and Nimbahera) as against 20 invoices worth ₹ 8.07 lakh, only 10 permits were found on record and 10 invoices were generated on the same permit number which led to evasion of excise duty of ₹ 7.01 lakh.

	FIN_YEAR	DEPT	COMER_ID	INVOICE_NUMBER	INVOICE_DATE	PERMIT_NO	PERMIT_DATE	NET_AMOUNT	/OI
1	20132014	CHITTORGARH	46301	CHR01C000975	06-01-14	187654	06-01-14	61,608.00	
2	20132014	CHITTORGARH	46301	CHR01C000976	06-01-14	187654	06-01-14	61,608.00	
3	20132014	CHITTORGARH	46321	CHR01C000971	06-01-14	187652	06-01-14	32,236.00	
4	20132014	CHITTORGARH	46321	CHR01C000972	06-01-14	187652	06-01-14	32,236.00	
5	20132014	CHITTORGARH	46358	CHR01C000969	06-01-14	187651	06-01-14	41,689.00	
6	20132014	CHITTORGARH	46358	CHR01C000970	06-01-14	187651	06-01-14	41,689.00	
7	20132014	CHITTORGARH	46390	CHR01C000973	06-01-14	187653	06-01-14	32,063.00	
8	20132014	CHITTORGARH	46390	CHR01C000974	06-01-14	187653	06-01-14	32,063.00	
9	20132014	CHITTORGARH	46434	CHR01C001121	01-03-14	305902	26-02-14	28,664.00	
10	20132014	CHITTORGARH	46434	CHR01C001136	03-03-14	305902	26-02-14	28,664.00	
11	20132014	CHITTORGARH	46436	CHR01C000977	06-01-14	30699	06-01-14	119,306.00	
12	20132014	CHITTORGARH	46436	CHR01C000978	06-01-14	30699	06-01-14	119,306.00	
13	20132014	CHITTORGARH	46441	CHR01C000967	06-01-14	30698	06-01-14	17,421.00	
14	20132014	CHITTORGARH	46441	CHR01C000968	06-01-14	30698	06-01-14	17,421.00	
15	20132014	NIMBAHERA	46193	CHR08C000182	16-05-13	155686	15-05-13	667.00	
16	20132014	NIMBAHERA	46193	CHR08C000776	17-01-14	155686	13-05-13	667.00	
17	20132014	NIMBAHERA	46226	CHR08C000564	26-10-13	224807	26-10-13	71,377.00	
18	20132014	NIMBAHERA	46226	CHR08C000566	26-10-13	224807	25-10-13	71,377.00	
19	20132014	NIMBAHERA	46231	CHR08C000145	03-05-13	155647	03-05-13	33,491.00	
20	20132014	NIMBAHERA	46231	CHR08C000295	28-06-13	155647	27-06-13	33,491.00	

Duplicate Permits in Chittorgarh and Nimbahera Depot

The Government accepted the facts and stated (October 2015) that two invoices on a permit number were issued and the stock of the country liquor was reduced twice and accordingly the payment was also made to the supplier. It further stated that a new system had been introduced to avoid such problems.

Duplicate Challan Number

2.2.29 The Challan Slips with unique numeric number of seven digits are kept in control of the store keeper at Head Office. These challan slips are issued to depots and are used by the retailers for depositing the amount in the bank.

We noticed that:

- the Company did not have details of Challan Book issued to its various depot which indicated shortcomings in maintaining the records relating to issue of challan book.
- the Challan Book/slip instead of having alpha-numeric seven digits had only numbers.
- the system accepted 67994 entries of challan numbers having less/more than seven digits during 2013-15.
- the system did not have appropriate input controls to identify the same challan number. As a result, it accepted the entries of the same challan number more than once. There were 5747 and 8206 instances wherein the system accepted the same challan number valuing ₹ 26.83 crore

and ₹ 35.19 crore in the same year during 2013-14 and 2014-15 respectively.

We observed that there were 74 retailers during 2013-14 and 2014-15 who obtained the supply of country liquor worth ₹ 33.09 lakh from the same depots by producing the same challan for the same amount deposited in the bank on a given date. As the system accepted manual interventions, there was sale of country liquor without payment and consequential minimum loss of ₹ 16.55 lakh to the Company.

	FIN_YEAR	CHALAN_NO	DEPOSIT_DATE_DATE	CUSTOMER_ID	AMOUNT	POSIT_DA
1	20142015	1391372	04-08-14	55528	10,000.00	00
2	20142015	1391372	04-08-14	55528	10,000.00	00
3	20142015	1330215	12-02-15	54505	9,000.00	00
4	20142015	1330215	12-02-15	54505	9,000.00	00
5	20142015	1326795	19-02-15	51786	44,000.00	00
6	20142015	1326795	19-02-15	51786	44,000.00	00
7	20142015	1295435	02-02-15	51977	13,500.00	00
8	20142015	1295435	02-02-15	51977	13,500.00	00
9	20142015	1295434	31-01-15	51977	18,500.00	00
10	20142015	1295434	31-01-15	51977	18,500.00	00
11	20142015	1278407	07-03-15	54772	60,600.00	00
12	20142015	1278407	07-03-15	54772	60,600.00	00
13	20142015	1271131	29-12-14	54818	25,000.00	00
14	20142015	1271131	29-12-14	54818	25,000.00	00
15	20142015	3943	05-11-14	54048	19,080.00	00
16	20142015	3943	05-11-14	54048	19,080.00	00

Duplicate Challan Numbers during 2014-15

The Government stated (October 2015) that in the reported cases, manual entry was made at various depots to issue country liquor to licensees as the entries of the deposited amount were not displayed in the system in real time due to non-clearance by the concerned banks. Later on, the banks also cleared deposit entries and this way the challans were doubled. However, the country liquor was issued only once. The Government further stated that in the reported cases, necessary corrections had been made and wherever the deposited amount fell short, the same had been recovered from the licensees. It further assured to put in place proper safeguards in the software to avoid such cases in future.

Undue benefit given to supplier in supplied schedule

2.2.30 The Company issued online schedule to the private manufactures/suppliers for supply of country liquor on monthly basis as per the request made by the supplier and stock availability of the supplier's brand at depot where the supply was to be done.

We observed that the system, by default, determined the maximum validity period up to the last date of the month in which supply was to be made. We also noticed that the integrated system did not have input control to determine the commencement date of supply. The system took the date of issue of order

for supply (OFS) as date of commencement of supply irrespective of the fact that supply was to be made in the next month as per the request made by the supplier. Analysis of database disclosed that the system accepted the material before the month in which the supplies were to be made. There were 44 and 62 instances during 2013-14 and 2014-15 wherein the supplier commenced the supplies before the scheduled month on the basis of OFS issued.

The Government assured (October 2015) that the OFS would be issued specifically for the time period within which the supply has to be made by the suppliers. It further assured to put in place proper input control and validation check in the system.

Excess Quantity accepted in Integrated System

2.2.31 The Company issued (October 2013) directions to all the depots specifying not to accept consignment of more than 625 cases without prior approval of the Head Office.

We noticed that in absence of adequate input control, the system did not validate the quantity of cases while preparing the material inward slip and thereby accepted the country liquor consignment having more than 625 cases. Further, no system was found in place to obtain prior approval of the Head Office in case the consignment exceeded 625 cases.

Our analysis disclosed that there were 3079 and 4311 instances during 2013-14 and 2014-15 respectively wherein the consignments exceeded 625 cases but approval of the Head Office was not obtained.

The Government stated (October 2015) that as per the decision taken in the meeting held in March 2014, the suppliers were allowed to supply upto 950 cases in case the distance involved was more than 200 km. It further assured to put in place proper input control and validation check in the system.

Irregularities in changes of retailer's depot

2.2.32 Condition 6.2 of license for retail sale of country liquor provides that retail licensee can obtain the supply of country liquor from the allotted depot of the Company. It further provides that the licensee cannot obtain supply of country liquor from any other place or other licensees. The Excise Department finalized the list of licensees and allotted Company's depot for each licensee for purchase of country liquor and entered the same in the integrated system.

Analysis of database disclosed that the system lacked adequate input control and validation checks as there were 50 and 145 instances during the year 2013-14 and 2014-15 respectively wherein the retail licensee obtained supply of country liquor from more than one depot. This happened as the permits were issued by the Excise Department manually. We also observed that in one instance of Pokhran Depot, the Company itself changed the depot of licensee for one day to regularize the illegal sale of unapproved brand of country liquor made in April 2014 to match the stock of Pokhran Depot on approval of the brand in December 2014.

Thus, non-mapping of business rules coupled with inadequate validation control led to non-adherence to the directions of the Head Office by depot officials as well as suppliers.

The Government stated (October 2015) that the Company had to comply with the direction of the Excise Authorities and therefore the country liquor was sold as per the permit issued by the Excise Department. It further stated that as per the permit issued (3 April 2014) by the Excise Department, Pokhran Depot in-charge sold the country liquor of Ojas brand (initially not approved) manually and to regularize the same, allocation of the licensee was changed for one day with approval of Head Office. It further stated that access of the system had been given to District Excise Officers to avoid such instances in future.

The reply of the Government confirmed the fact that the integrated system was not secure and accepted any change/modification without proper authorisation. Further, the reply of the Government was silent on issuance of permits to the licensees by the Excise Department for lifting supplies from two depots.

Overloading of sugarcane in vehicles

2.2.33 The Company issued demand slip to all the farmers for supply of sugarcane on the basis of requirement and keeping in view the vehicle capacity. Further, the Company had also determined the loading capacity of each type of vehicle *i.e.* truck (150 quintals), tractor trolley (120 quintals) and camel cart (30 quintals).

We noticed that the sugar module developed by the service provider was not fully operational as the database did not have details about crushing of sugarcane and production of sugar as well as its byproduct. The database has details upto the weigh-in of sugarcane only.

We observed that though the demand slips were issued through the system, the same were not validated at the time of weigh-in of the sugarcane. Our analysis of database disclosed that there were 2989 and 3585 instances during 2013-14 and 2014-15 respectively wherein the sugarcane quantity was much beyond the carrying capacity of the vehicles. We noticed that the overloading in a truck ranged between 20 quintals and 189 quintals whereas overloading in a tractor trolley ranged between 23 quintals and 210 quintals beyond the capacity of these vehicles. The overloading to the extent of 126 *per cent* in case of truck and 175 *per cent* in case of trolley was abnormal but in absence of validation check, the system did not raise any alert about overloading. As the database did not have complete details about crushing and production of sugar, we could not vouchsafe the quantity of sugarcane actually received.

The Government stated (October 2015) that the higher-weight vehicles of sugarcane were accepted to avoid administrative, law and order situation created by the cultivators in case of non-weighing of the overloaded vehicles. It further stated that the data of cane crushing and sugar production was well maintained. It assured to put in place proper input control and validation check in the system.

Thus, the system did not validate the weight of sugarcane loaded in the vehicles with reference to demand slip issued. Further, the database did not have details of cane crushing and sugar production.

There was lack of input controls and validation checks. As a result, the system accepted same permit and challan numbers more than once. There

were instances of sale of liquor beyond the validity of permit or without permit, cash sales to retailers and irregular change of retailers' depot.

The Company should build in adequate input controls and validation checks to overcome the above deficiencies and to ensure correctness and completeness of the data.

Compliance of provisions of the contract

Terms and conditions of the work order

2.2.34 As per the work order awarded in June 2010, the project was to be completed before December 2010 for procurement and installation of hardware and for preparation of a web based application software in the Company's Head office and its units/reduction centre/depots. The service provider was responsible for maintaining integrity, security and backup of the Company's data and applications. The work envisaged preparation of 24 modules using Oracle Relational Database Management System for integration of all the activities of the Company.

We noticed that the work was not completed within the prescribed time period. However, the project completion period was extended up to March 2012 without imposing any liquidated damages as per the condition of the work order.

We further observed that the service provider had not completed the entire work even by June 2015 as 11 modules including the financial accounting module, human resource & payroll module and sugar/by products production module were not running and the Company had to use a parallel system.

Thus, the service provider failed to comply with the contractual liabilities.

The Government stated (October 2015) that the nodal agency (RSBCL) imposed (May 2012) the penalty and no payment was made for the gap period due to non-completion of work. It further stated that efforts were being made to operationalise the remaining modules.

Internal Controls

2.2.35 The existence of an adequate system of internal control minimises the risk of errors and irregularities. Internal controls in a computer system are all the manual and programmed methods, policies and procedures, practices and organizational structures that ensure the protection of the entity's assets, accuracy and reliability of records, and operational adherence to the management standards. Deficiencies noticed in the internal control system are discussed below:

Sale of unapproved brand of country liquor

2.2.36 Rule 69 (3) of the Rajasthan Excise Rules, 1956 provides that every manufacturer of country liquor, Indian Made Foreign Liquor (IMFL) and beer shall have to get labels (irrespective of size, viz. quart, pint or nip) of brands intended to be sold or manufactured in Rajasthan, approved and recorded with Excise Commissioner and a fee of ₹ 25000 shall be payable per brand per year

or part thereof for this purpose. Further, clause 54 of the Excise Act, 1950 provides that whoever in contravention of this Act or any rule or order made or any license, permit or pass granted there under imports, exports, transports, manufactures, collects, sells or possesses any excisable article shall be punishable with imprisonment and fine.

As per the prescribed mechanism, the Excise Department approves the brand and forwards the same for entry into the integrated system. Once a brand is forwarded by the Excise Department for entry into the integrated system, it is available for sale at RSGSM depot. In absence of approval of brand and its entry into the integrated system, invoices cannot be generated.

We noticed that the Excise Department approved the brands of a private supplier, *i.e.* M/s Ojas Industries Private Limited in December 2014 and January 2015 and therefore, these brands were not available for sale upto December 2014/January 2015.

Our scrutiny of database and test check of depots disclosed that at five depots of the Company, the Company's official sold 1542¹¹ cases worth ₹ 5.12 lakh of various brands of Ojas Industries Limited in April 2014 manually bypassing the system. In spite of being aware of the facts, the management accorded (February 2015) its approval to feed the old entries of sale in the system at Pokhran depot. Further, similar irregularity was also noticed at four more depots test checked wherein feeding of the data in system was allowed without verifying any permit or corresponding challans.

The Government stated (October 2015) that the sale of unapproved country liquor was made against permit issued by the Excise Department. It further stated that suitable instructions had been issued to all Unit Manager and depot in-charge to issue country liquor of approved brands only.

The reply of the Government confirmed that not only the Excise Department issued permits of unapproved brand but the Company also sold the unapproved brand of country liquor manually bypassing the online system. Further, the reply of the Government was silent on issue of permits of unapproved brand of country liquor.

Illegal transaction at Rajsamand depot

2.2.37 We noticed that the Excise Department did not approve 'Pin Kon King Queen brand' of a private supplier *i.e.* M/s Mahamaya Limited for the year 2014-15 and therefore, the same was not available for sale in the year 2014-15.

Our scrutiny of database, Inspection Reports and test check of depot disclosed that the Excise Department issued the permit for sale of this brand. As the Excise Department issued the permit to the retailers/licensees manually instead of using the integrated system it could not assess the fact whether the brand, for which permit was being issued, was an approved brand. We observed that on production of permit by the retail licensee, the Rajsamand depot sold 2496 bottles (52 cases) (out of the total stock of 25812 bottles) manually without generating the invoice through the system. When the

11 Bhawanimandi Depot (624 cases), Jhalawar Depot (624 cases), Pokhran Depot (220 cases) Rajsamand Depot (54 cases) and Ramganjmandi Depot (20 cases).

discrepancy in the stock was pointed out during the course of physical verification of stock, the depot official generated the invoice of another supplier's brand, *i.e.* 'Ghunguroo' on a subsequent date to match the stock position.

We observed that the integrated system was not fully operational and if the permits to the retail licensee were issued through the system only, such irregularities could be controlled. Further, the depot could only generate the invoice for which the permit was issued. We also observed that the depot returned (May 2015) the total quantity of 25812 bottles to the supplier without generating a material outward slip. This is substantiated from the fact that the integrated system still indicated 25812 bottles worth ₹ 1.80 lakh in the stock of Rajsamand Depot.

The Government stated (October 2015) that a preliminary enquiry was ordered in the matter of illegal transaction at Rajsamand Depot. It further stated that the sale of country liquor was made as per the permit issued by the Excise Department manually for unapproved brand. The Government added that in the new system of online issue of permits, such incidents will not occur in future.

The reply of the Government confirmed the fact that such incidents took place due to issue of permits manually and the depot in-charge sold the country liquor of unapproved brand by generating the invoice of another brand. Further, the reply of the Government was silent on issue of permits of unapproved brand of country liquor.

Irregularities in licensee balances

2.2.38 As per the policy of the Company, for purchase of country liquor from its depots, the retailers are required to deposit the amount either in State Bank of Bikaner and Jaipur or Bank of Baroda through challan issued by the Company and to produce a copy of the challan at depot. Further, in case the total value of invoice for sale of country liquor is less than the amount deposited by the licensee in the Bank, the same is shown as credit balance of that particular licensee.

Analysis of database disclosed that an amount of ₹ 4.59 crore and ₹ 6.48 crore was shown as credit balance in respect of 4821 and 5605 licensees at the end of 2013-14 and 2014-15 respectively. However, the same was shown as 'nil' in the beginning of next financial year. We observed that the system allowed manual interventions and, therefore, the data as regard to credit balances of the licensees had been changed/modified without specific approval of the Management.

We also observed that the Company did not have authorisation policy as regards to any change/modification in the database. Further, the integrated system was not found foolproof and the internal control of the Company was weak as no mechanism of reconciliation of balances shown in the system and financial statements of the Company existed.

The Government stated (October 2015) that the 'petty amount' of excise licensees remaining in the books at the end of the financial year is released if claim is made by the licensee and in case, no claimant comes, the petty amount is transferred as 'miscellaneous income' in the books of accounts of the

Company. It further stated that a Committee had been constituted to reconcile the amount lying in the credit balances of excise licensees as per IT system and as per physical books of accounts and action would be taken to account for the same on some rational basis as may be decided by the Management.

Thus, there was no mechanism to reconcile the balances of the licensees with financial statements.

Non-reconciliation of data

2.2.39 The work of Integrated IT Services in Excise Department, RSBCL and the Company was initiated with the aim to process all the work online.

We, however, noticed that no mechanism was evolved for reconciliation of data pertaining to the Company, RSBCL and Excise Department. While checking the cross referential integrity of data of sale of country liquor by the Company with the data of Excise Department, the following discrepancies were noticed:

- Under the 'Guarantee System' of the Rajasthan Excise Rules, 1956, an amount of ₹ 14.53 crore was to be recovered under the head of shortfall/deficit against monthly guaranteed sales as per the sales module of the Company whereas in the database of the Excise Department, only ₹ 6.85 crore was shown as recovered.
- As per the data of the Company, 16.40 crore BL (8.98 crore BL 40UP and 7.42 crore BL 50UP) country liquor was sold during 2013-14. Accordingly, as per the database of the Company and as worked out by us, the total excise duty leviable comes out to ₹ 1062.15 crore whereas in the database of the Excise Department, the amount recovered towards excise duty was shown as ₹ 566.26 crore only.
- The Company sold 16.40 crore BL (9.86 crore BL of private suppliers and 6.54 crore BL of its own production) country liquor during 2013-14. Accordingly, ₹ 72.16 crore was to be recovered as bottling fee at the rate of ₹ 4.40 per BL on total sales of 16.40 crore BL during 2013-14 whereas the collected bottling fee shown in the database of the Excise Department was ₹ 22.23 crore only during 2013-14.

In absence of any mechanism in the integrated system as regards to reconciliation of guaranteed collection of excise duty, excise duty leviable as per the actual sale of country liquor, collection of bottling fee with amount actually collected by the Excise Department, *etc.*, the basic objective of developing an integrated system was defeated. Further, the system could not ensure that chances of leakage of revenue, if any, were ruled out.

The Government stated (October 2015) that IEMS is managed and controlled by the nodal agency (RSBCL). It further stated that actual revenue from excise duty on country liquor and different types of fees was ₹ 1215.99 crore but the difference occurred due to non-feeding of the data.

The fact remains that the integrated system did not have any mechanism for reconciliation of data.

The internal control mechanism was deficient and it led to sale of unapproved brand of country liquor, illegal transactions and non-

reconciliation of data of the Company with the data of the Excise Department.

The Department and the Company should strengthen the internal control mechanism to ensure proper monitoring of the sale of country liquor and reconciliation of Company's data with the data of the Excise Department to avoid any leakage of revenue.

Conclusion

The Company did not have an IT policy and there was no business continuity/disaster recovery plan in case of any untoward incident. The system was also deficient with respect to physical and logical security. The design deficiencies and inadequate input controls led to irregularity in approval of label, location of depot and sale of country liquor without testing. The integrated system lacked mapping of business rules in accordance with the Excise Act/Rules which led to statutory violation in sale of country liquor/issue of permit on dry days/election dates and sale of liquor beyond working hours and on non-working days. There was lack of input controls and validation checks. As a result, the system accepted same permit and challan numbers more than once. There were instances of sale of liquor beyond the validity of permit or without permit, cash sales to retailers and irregular change of retailers' depot. The internal control mechanism was deficient and it led to sale of unapproved brand of country liquor, illegal transactions and non-reconciliation of data of the Company with the data of the Excise Department.

CHAPTER III

Compliance Audit Observations

Chapter III

3. Compliance Audit Observations

Important audit findings emerging from test check of transactions of the State Government Companies and Corporations have been included in this Chapter.

Government Companies

Ajmer Vidyut Vitran Nigam Limited

3.1 Release of new connections

The Government of Rajasthan (GoR) promulgated (September 2011) 'The Rajasthan Guaranteed Delivery of Public Services Act, 2011' (Act) to provide delivery of certain services to the people of the State within stipulated time. Section 4 of the Act provides that the designated officer shall provide the service notified under Section 3 to the person eligible to obtain the service within stipulated time. In case a person is not provided a service within the stipulated time, the person may file an appeal to the first appellate authority within 30 days from the rejection of the application or expiry of the stipulated time limit. A second appeal may also be filed against the decision of the first appellate authority within a period of 60 days from the date of decision of first appeal. Where the second appellate authority is of the opinion that the designated officer has failed to provide service or caused delay without sufficient and reasonable cause, he may impose a lumpsum penalty between ₹ 500 and ₹ 5000, which shall be recoverable from the salary of the designated officer in accordance with the Section 7 of the Act.

The present study was conducted (February to May 2015) to assess whether 'Ajmer Vidyut Vitran Nigam Limited' (Company) released new electricity connections during 2013-14 to 2014-15 within the stipulated time prescribed in the Act.

The Company's area of operation is divided into three zones (Ajmer, Jhunjhunu and Udaipur), 12 Circles and 183 sub-divisions under the Circles. Audit selected one Circle each from the three zones *i.e.* Ajmer City, Sikar and Udaipur to ensure geographical representation of all the zones. Further, two sub-divisions¹ each from the selected Circles were also selected based on multi-stage stratified sampling to ensure uniform coverage of all categories of consumers. The results of the audit are based on the analysis of the applications received from different categories of consumers for release of new connections during the period 2013-14 and 2014-15 (upto December 2014). In view of large number of applications for release of new connections in domestic category, the applications received during the first three months (1 April to 30 June) of each year were analysed to derive the results.

1 D-IV and Madar sub-divisions under Ajmer City Circle, Madhuban and Jhadol sub-divisions under Udaipur Circle and Reengus and CD-III sub-divisions under Sikar Circle.

The Company released 2.00 lakh and 1.33 lakh new connections to various categories of consumers during 2013-14 and 2014-15 (up to December 2014) respectively. New connections released to various categories of consumers in selected Circles and sub-divisions during the period were as below:

Year	Ajmer City Circle	Selected sub-divisions under Ajmer City Circle	Sikar Circle	Selected sub-divisions under Sikar Circle	Udaipur Circle	Selected sub-divisions under Udaipur Circle
2013-14	8787	2257	23568	2281	30518	4443
2014-15	6260	1624	16381	1595	14641	1859
Total	15047	3881	39949	3876	45159	6302

3.1.1 Process of release of new connections

The process, provisions and time frame relating to release of new electricity connections are mentioned in the 'Terms and Conditions for Supply of Electricity', 2004 (TCOS 2004), Rajasthan Electricity Regulatory Commission (RERC) (Electricity Supply Code and Connected Matters) Regulations-2004 (RERC Regulations 2004), Revenue Manual, 2004, the Rajasthan Guaranteed Delivery of Public Services Act, 2011 and directions issued by the GoR from time to time.

The application for release of a new connection is required to be made in Form-1² along with prescribed fee, Form-L and other relevant documents. The Form-L³ in respect of an agriculture or High Tension (HT) connection can be furnished later but before release of connection. The Company has to provide receipt of the application and in case of deficiency or incomplete application, inform the applicant within seven days of receipt of application. The applicant has to comply with the deficiencies within 30 days from the date of receipt of such intimation otherwise the application is cancelled and the application fee forfeited.

The Company has to maintain a priority register sub-division/locality wise for each category of consumer as per tariff schedule and release the connections as per priority on first come first serve basis. Further, a register in form A-49 is to be maintained by the service connection clerk indicating the progress right from the stage of allotment of service number, account number and location number to the stage of receipt of files in service connection section from the various sections/officials in order to ensure timely disposal of the consumer's connection file. A separate file for each consumer along with supporting document such as application, L-Form, copy of intimation of shortcomings in application, compliance by the applicant, demand notice, job order and its completion date, service connection order and release of connection is also required to be maintained.

We noticed that none of the sub-divisions maintained the priority register properly and vital details viz. date of submission and receipt of the estimate for sanction, cost of service material to be recovered from the consumer, date of issue of demand notice, date of deposit, submission of L-form, date of test report, date of connection, connected load, meter number, etc. were found missing. The A-49 register also lacked details regarding issue and completion

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- 2 Application cum agreement form for new connection, extension/reduction of load and change of name or transfer of connection.
- 3 A certificate prescribed by Electrical Inspector regarding applicant's installation.

of job order. Further, the individual connection files of consumers were not maintained properly. The Madar and Jhadol sub-divisions failed to provide individual connection files of consumers in majority of the cases.

Our scrutiny disclosed that in Jhadol sub division (Udaipur Circle), 86 connections were released to BPL category on 26 March 2014 though the date of application was 24 April 2014. Further, in 427 BPL connections, the date of issue of service connection order and date of release of connection was same (6 June 2014). Besides, the sub-division also re-issued connections to 11 BPL consumers in the year 2014 without any application or cancellation of earlier released connections in the year 2010.

3.1.2 Delay in release of connections

The process of release of connections can be divided into two stages as per the time period allowed for different activities for different categories of consumers in the Act.

- Stage-I: This involves issue of demand notice to the applicant after submission of application.
- Stage-II: This involves release of connections after deposit of the demand raised.

The time period allowed in the Act for release of connections to different categories of consumers in various situations *i.e.* in case of electrified areas, erection of distribution lines, augmentation of transformers, *etc.* is given in **Annexure-4**.

The performance of the selected sub-divisions in release of new connections to 5148 applicants as per audit sample after excluding agricultural consumers, considering all factors *viz.* holidays, erection of distribution lines, augmentation of transformers, court stay, *etc.* is shown below:

(Figures in numbers)

Particulars	D-IV and Madar sub-divisions of Ajmer City Circle		Madhuban and Jhadol sub-divisions of Udaipur Circle		Reengus and CD-III sub-divisions of Sikar Circle		Total	
	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15
Total connections under study	654	672	768	1396	938	720	2360	2788
Delay in Stage-I only	114	58	10	7	129	63	253	128
Delay in Stage-II only	162	78	114	169	131	138	407	385
Delay in both stages	58	39	5	1	173	67	236	107
Total connections released with delay	334	175	129	177	433	268	896	620
Total connections released with delay (percentage)	51.07	26.04	16.80	12.68	46.16	37.22	37.97	22.24

It would be seen that the Company released 37.97 and 22.24 *per cent* connections beyond the stipulated time period prescribed in the Act during 2013-14 and 2014-15 respectively. On an average, 29.45 *per cent* connections were released with delay during 2013-15. Out of 5148 connections under study, first stage delay was observed in 14.06 *per cent* cases while second stage delay was found in 22.05 *per cent* cases. Delay in issue of demand

notices was due to delay in intimation of shortcomings to the applicants and preparation of estimates by the Junior Engineers. Delay in release of connections after deposit of the raised demand was on account of non-observance of the prescribed time period for movement of service connection file amongst various sections/officers and due to delay in completion/installation/augmentation of distribution network.

The Revenue Manual provides a period of 10 days to the Junior Engineers for release of connections and return of case file to the service connection clerk. In 1153 cases (76.06 *per cent*) out of 1516 cases, we found that the Junior Engineers did not release the connections within a period of 10 days despite issue of service connection order and the delay ranged upto 256 days. Non-release of connections even after issue of service connection orders indicate slackness in the working of sub-divisions and lack of monitoring by the concerned authorities and the possibility to extract undue rewards from the waiting consumers could not be ruled out. The reasons for abnormal delay need to be investigated as to whether delays were on account of technical issues or arbitrariness of the concerned staff.

The delay in release of connections in 1516 cases during 2013-15 was as below:

Per cent cases	Range of delay (in days)
55.21	1-30
31.17	31-100
13.62	101-464

The sub-divisions observed maximum delay in issue of connections to domestic rural (44.37 *per cent*) category, followed by domestic urban (19.36 *per cent*), urban non-domestic (17.26 *per cent*) and rural non-domestic (9.43 *per cent*) categories. The delay in release of connections was moderate in high tension (0.07 *per cent*), mix load (0.28 *per cent*), public service lighting (0.56 *per cent*), medium industrial power (0.70 *per cent*) and small industrial power (2.59 *per cent*) categories.

The RERC Regulations, 2004 provides that the licensee shall achieve the overall standards of performance in discharge of its obligations. The overall minimum standard of performance to be achieved by the Company in case of release of new connections during a year was 90 *per cent* as per schedule 4 of the regulations. None of the three Circles had, however, achieved the minimum standard of performance in release of new connections during 2013-14 and 2014-15. The sub-division wise analysis disclosed that only Madhuban sub-division of Udaipur Circle achieved 90.11 and 95 *per cent* performance in release of new connections during 2013-14 and 2014-15 respectively. The performance of the remaining five sub-divisions ranged between 21.62 and 80.08 *per cent* during 2013-14 and 30.72 and 87.50 *per cent* during 2014-15. The Reengus sub-division of Sikar Circle performed abysmally where 78.38 and 69.28 *per cent* connections were released with delay during 2013-14 and 2014-15 respectively.

The objective of the Government to ensure timely release of connections to the people of the State was, therefore, not achieved.

3.1.3 Release of connections to agricultural category

The release of agricultural connections is governed by the Agriculture policy/directives of the State Government. The Act did not mention timelines for release of agricultural connections. The Agriculture policy and other directives issued from time to time provides priority in release of connections to various categories viz. scheduled caste and scheduled tribe, dependents of martyrs, drip irrigation, farm houses, etc. The consumer charter of the Company, however, provides that new agricultural connections should be issued within 120 days from the receipt of amount raised in demand notice or due date of demand notice, whichever is later. The performance of selected sub-divisions in release of connections to agricultural category during 2013-14 and 2014-15 was as below:

Particulars	Selected sub-divisions of Ajmer City Circle		Selected sub-divisions Udaipur Circle		Selected sub-divisions Sikar Circle		Total		Total
	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	
Total Connections under study	63	62	108	0	37	12	208	74	282
Stage II delay	2	1	93	0	2	0	97	1	98
Delay in days	16 and 175	4	11 to 318	-	22 and 30	-	11 to 318	4	4 to 318
Connections released with delay (percentage)	3.17	1.61	86.11	0.00	5.41	0.00	46.63	1.35	34.75

It would be seen that the sub-divisions released 34.75 per cent agricultural connections with delay ranging between four and 318 days during 2013-15. A higher percentage of delayed connections in Udaipur Circle during 2013-14 was due to poor performance of Jhadol sub-division where 92 connections were released with delay upto 318 days. Further, the sub-division received 597 applications during 2014-15 (upto December 2014) but no connection could be released (March 2015). The sub-division issued (March to December 2014) 210 service connection orders in respect of applications received prior to 2014-15 but the same were pending (March 2015) for release of connection though the connections should have been released within 10 days as per the provisions of Revenue Manual.

The Company accepted (September 2015) the facts and stated that delay in release of new connections was due to various reasons viz. shortage of ministerial/technical staff, non-availability of matching line material for releasing connections, hindrances in line work by land owner, court stay, etc. The Company as regards poor performance of Jhadol sub-division, in addition to above reasons, stated that the sub-division is located in hilly area and proper public conveyance is not available. The locality of consumers is much stretched out and reaching every consumer is very difficult. Further, the work of release of BPL connections was awarded to a private firm under RGGVY. The list of connections released by the firm was entered into the records.

The Government endorsed (September 2015) the reply of the Company.

Recommendation

The Company should streamline the system of release of connections to various categories of consumers by ensuring deployment of adequate

manpower, proper monitoring and availability of material to adhere to the timelines prescribed in the Rajasthan Guaranteed delivery of Public Services Act, 2011 and the TCOS 2004.

Jaipur Vidyut Vitran Nigam Limited

3.2 Procurement of compact fluorescent lamp at higher prices

The Company purchased compact fluorescent lamps at higher rates despite lower rates offered by two firms and thereby incurred avoidable excess expenditure of Government funds of ₹ 2.20 crore.

The Chief Minister, Rajasthan announced ‘Mukhyamantri Bijlee Bachat Lamp Yojana’ in the Budget speech for the year 2013-14. The scheme aimed to conserve energy by providing two Compact Fluorescent Lamps (CFLs) free of cost to 50 lakh households living ‘Below Poverty Line’ (BPL) and small rural and urban domestic consumers. The scheme was extended (August 2013) to cover all domestic urban consumers who were earlier not covered under the scheme. The procurement and distribution process of one crore CFLs was discussed (12 April 2013) in a meeting held under the Chairmanship of Chief Secretary, Rajasthan. It was decided to purchase CFLs from the Indian manufacturers registered under the Director General of Supplies & Disposal (DGS&D) rate contract after obtaining maximum discount on the DGS&D approved rates. Further, the distribution of CFLs was to be completed by September 2013.

Jaipur Vidyut Vitran Nigam Limited (Company) on behalf of the three⁴ power distribution companies of Rajasthan invited (15 April 2013) quotations from the registered firms under the DGS&D rate contract. The quotations of 16 responsive firms were opened (24 April 2013) wherein the ‘Free on Road’ (FOR) destination rate of ₹ 115.44 per CFL was found the lowest. The purchase committee, however, decided to hold negotiations with the bidders individually to pursue them to offer the maximum discount and inform the maximum quantity which could be supplied in the months of June, July and August 2013. The negotiations were held (8 May 2013) individually with 11 responsive bidders wherein five⁵ firms verbally offered all adjusted FOR destination rate of ₹ 107 per CFL.

We noticed that all firms, except three firms⁶, including those five which offered the lowest rate confirmed their prices in writing on the same day. The remaining three firms sent confirmation fax on next day (9 May 2013). The purchase committee, however, decided to place purchase orders on the same day (8 May 2013) on five firms which offered lowest all adjusted FOR destination rate of ₹ 107 per CFL during negotiations. The Letters of Intent (LoIs) were issued on 13 May 2013 for purchase of one crore CFLs. The purchase orders (POs) were issued on 17 and 20 May 2013 for different

4 Ajmer Vidyut Vitran Nigam Limited, Jaipur Vidyut Vitran Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited.

5 (1) Surya Roshni Limited, Delhi, (2) Halonix Limited, Noida, (3) Crompton Greaves Limited, Delhi, (4) Wipro Limited, New Delhi and (5) Bajaj Electricals Limited, Delhi.

6 Solan Energy Savings Products Private Limited, New Delhi, Plaza Power & Infrastructure, Himachal Pradesh, and HQ Lamps.

destinations of the three power distribution companies. Further, the Company also issued (27 August 2013) purchase orders to these five firms for procurement of additional quantity of 25 lakh CFLs at the same rate after completion of the earlier ordered supplies. All the supplies were received by the stipulated date of 10 September 2013.

Our scrutiny disclosed (April 2015) that out of the three firms which sent confirmation fax on 9 May 2013, two firms (i) Solan Energy Savings Products Private Limited, New Delhi and (ii) Plaza Power & Infrastructure, Himachal Pradesh, offered an all adjusted rate⁷ of ₹ 102/103 per CFL though, these firms had verbally offered rates of ₹ 109 and ₹ 111.80 per CFL respectively during negotiations held on 8 May 2013. The Company, however, did not take any action on the revised offers of the firms.

Thus, the Company purchased CFLs at higher rates despite lower rates offered by the firms and thereby caused avoidable excess expenditure of Government funds of ₹ 2.20 crore⁸. The purchase of CFLs at higher rate also defeated the very objective of getting maximum discount on purchase of CFLs which was decided in the meeting held (12 April 2013) under the chairmanship of the Chief Secretary.

The Government stated (September 2015) that the offers of these two firms were neglected in view of the clause of 'Instructions to Bidders' (ITB) which provides that *suo moto* changes in price by the bidders would attract severe action of debarment from future bids. The reply was not convincing as ITB was applicable for open tenders only. Further, ITB was also not part of the specific terms and conditions intimated to the DGS&D registered firms at the time of invitation of quotations and any further correspondence. The Company also did not counter offer the rate of ₹ 102 per CFL to the five firms to ensure procurement of CFLs at maximum discount when the LOI and POs were issued subsequently (13/17 and 20 May 2013). It is pertinent to mention that the Company adopts the system of giving counter offers of lowest rates received by it to all the bidders in purchase of material.

It was noticed that in open tenders the Company had itself cancelled letters of intent and purchase orders after receipt of lower prices in subsequent tenders or in the tenders opened by other power distribution companies. The Company, for example, cancelled letters of intent/purchase orders of lowest bidders under Tender Notice (TN) 4409 (14 March 2013) and TN 4420 (April/May 2013) due to receipt of lower rates in the tenders opened by Jodhpur Vidyut Vitran Nigam Limited. However, in the instant case, the Company did not accept the offers despite having received these on the very next day of negotiations. The offers were not even considered at the time of placing purchase orders for additional quantity of 25 lakh CFLs.

7 Solan Energy offered to supply CFLs at all adjusted unit price of ₹ 102. Plaza Power offered to supply CFLs at all adjusted unit price of ₹ 102 for minimum ordered quantity of 18 lakh CFLs. The all adjusted offered price was ₹ 103 per unit for ordered quantity below 10 lakh CFLs.

8 Monthly quantity offered by the firms X 4 months (three months allowed in original purchase order and one month allowed in additional purchase order) X (₹ 107 - ₹ 102) *i.e.* 11 lakh CFLs per month (Six lakh CFLs per month offered by Plaza Power and five lakh CFLs per month offered by Solan Energy) X 4 month X ₹ 5 per CFL.

Jodhpur Vidyut Vitran Nigam Limited

3.3 Systemic lapses in assessment of civil liability on theft of energy

Theft of electricity is an economic crime. It swallows a substantial portion of the revenue of electricity distribution companies and at the same time burdens sincere consumers as it results into increase in tariff. Section 126 and 135 of the Electricity Act, 2003 entrusted powers to the electricity distribution companies to investigate and prosecute for the offence of theft of electricity. The electricity distribution companies of Rajasthan authorised (January 2004) the Executive Engineers (XENs), Assistant Engineers (AENs) and Junior Engineers (JENs) to conduct search and seizure activities for prevention of theft of electricity.

3.3.1 Regulatory framework

Civil liability means loss or damage incurred by the Board or licensee or the concerned person (electricity distributor) due to theft of electricity, electric lines and materials and breaking or damaging of works as referred to in Sections 135 to 139 of the Electricity Act, 2003.

The RERC Regulations, 2006 and the TCOS, 2004 framed by the Company provides that the authorised officer, in case of theft of electricity, would serve a copy of inspection and seizure memo and cause the Company to immediately disconnect the supply. The authorised officer would determine the period of theft, not exceeding 12 months preceding the date of inspection, based on the available/seized/inspection record and the record available with the billing officer. In case it is not feasible, it would be presumed that theft of electricity was continuing for a period of 12 months immediately preceding the date of inspection. The authorised officer would assess the civil liability based on the quantum and period of assessment and rate of charges. The amount of civil liability shall be provisionally assessed at twice the tariff charged as per tariff schedule in vogue during the period of assessment.

As per Section 154 of the Electricity Act, 2003, the Special Court shall determine the civil liability against a consumer or a person in terms of money for theft of energy which shall not be less than an amount equivalent to two times of the tariff rate applicable for a period of twelve months preceding the date of detection of theft of energy or the exact period of theft if determined, whichever is less, and the amount of civil liability so determined shall be recovered as if it was a decree of civil court.

3.3.2 Vigilance infrastructure

The Corporate Vigilance Squad (CVS) of Jodhpur Vidyut Vitran Nigam Limited (Company) was established in July 2000 to conduct raids, provide assistance to the officers of Operation & Maintenance wing in prevention of theft of energy and to look after other matters relating to theft of electricity. The CVS is headed by an Additional Superintendent of Police (Rajasthan Police Service) who is assisted by the other Police and Technical Vigilance officers. The Company has posted Vigilance Officers in all the 11 Circles. Besides CVS, the vigilance wings and Operation and Maintenance (O&M) Wings at each Circle are also engaged in prevention of theft of energy.

The present study was conducted (February 2015 to April 2015) to assess

whether the Company charged civil liability in theft cases as per the provisions of Electricity Act, 2003, Rajasthan Electricity Regulatory Commission (RERC) (Supply code and connected matters) Regulations 2006 (Regulations 2006) (fourth amendment) and Terms and Conditions for Supply of Electricity (TCOS), 2004. We scrutinized records of the CVS, vigilance wing and O&M wing of the Jodhpur District Circle (JPDC) for the period 2013-14 to 2014-15. The CVS was selected as it is the integrated vigilance wing authorised to carry out checking and raids in all the Circles of the Company. The JPDC was selected because it registered the highest (i) Transmission and Distribution losses during 2014-15 (upto December 2014) and (ii) vigilance checking by the CVS compared to the remaining 10 Circles.

Audit findings

The audit findings highlight the performance in vigilance checking and recovery of civil liability and related aspects, *viz.* deficiencies in vigilance checking reports, recovery of electricity duty and urban cess, *etc.* The major audit findings are as below:

- The RERC directions (2006) for recovery of civil liability in theft cases were belatedly implemented (12 February 2013). Further, the CVS and Circle offices did not implement the directions with immediate effect. As a result the CVS and vigilance wing of JPDC did not recover civil liability of ₹ 36.50 lakh in theft cases detected after 12 February 2013.
- The checking officers in majority of theft cases decided the period of assessment on the basis of bills of purchase of equipment produced by the offenders, affidavits making self-declaration about the period of theft and meter testing reports. The meter testing reports were authentic but the bills of purchase of equipment and self-declared affidavits were not reliable basis for determination of the period of theft. The checking officers initially determined the period of theft as 12 months but subsequently reduced it on production of the bills and affidavits by the offenders. The checking officers in JPDC short assessed civil liability of ₹ 17.93 lakh in 25 cases due to taking incorrect period of assessment on the basis of bills and affidavits for which the Company's Management initiated disciplinary action against them.
- The Vigilance Checking Reports (VCRs) were not filled as per the guidelines and instructions issued by the vigilance wing. The VCR registers were not maintained in the prescribed format and various columns *viz.* date of filling of VCR, details of amount recovered, *etc.* were found blank in several instances.
- The vigilance wing of JPDC, O&M wing JPDC and the CVS did not achieve the targets of vigilance checking and theft detection during 2013-14 and 2014-15. Further the performance of O&M wing and CVS in theft detection was poor and the achievement was only 2.25 and 11.77 *per cent* and 16 and 33.44 *per cent* during 2013-14 and 2014-15 respectively.
- The Company did not prepare any action plan to ensure uniform coverage of all the Circles and Sub-divisions on the basis of distribution losses incurred by them. Further, the CVS and vigilance wings of various Circles did not prepare an optimum mix of Circles, Sub-divisions and consumers to ensure balanced checking.

3.3.3 Performance of CVS, Vigilance wing of JPDC and O&M wing of JPDC

The Company fixed minimum monthly targets of Vigilance checking, theft detection, assessment, realisation of assessed amount and lodging of First Information Reports (FIRs) in Anti Power Theft Police Stations for the

officers (XENs, AENs and JENs) posted at CVS, vigilance wings of Circles and O&M wings of Circles. The targets and achievement of CVS, vigilance wing of JPDC and O&M wing of JPDC during 2013-14 and 2014-15 on the basis of minimum monthly targets set for the officers are given below:

Particulars	Vigilance wing of JPDC		O & M wing of JPDC		CVS	
	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15
Targets						
Checking targets (Numbers)	1260	2000	25920	17228	1620	1840
Theft targets (Numbers)	840	1680	12960	8640	1050	1540
Assessment targets (₹ lakh)	168.00	224.00	691.20	691.20	192.00	208.00
Realisation targets (₹ lakh)	126.00	168.00	518.40	518.40	144.00	156.00
FIR (Numbers)	120	240	216	216	150	220
Achievement						
Checking (Numbers)	887	1277	2007	11340	515	1574
Theft (Numbers)	562	998	291	1017	168	515
Assessment (₹ lakh)	193.93	346.13	90.17	268.76	144.67	241.44
Realisation (₹ lakh)	111.28	177.83	56.26	73.99	80.41	151.71
FIR (Numbers)	202	653	48	240	53	44
Percentage achievement						
Checking	70.40	63.85	7.74	65.82	31.79	85.54
Theft	66.90	59.40	2.25	11.77	16.00	33.44
Assessment	115.43	154.52	13.05	38.88	75.35	116.08
Realisation	88.32	105.85	10.85	14.27	55.84	97.25
FIR ⁹	168.33	272.08	22.22	111.11	35.33	19.50

The vigilance wing of JPDC, O&M wing of JPDC and the CVS did not achieve the targets of vigilance checking and theft detection during 2013-14 and 2014-15. The performance of CVS and O&M wing of JPDC improved in vigilance checking during 2014-15 and the achievement significantly increased to 85.54 and 65.82 per cent from 31.79 and 7.74 per cent during 2013-14. However, the checking by vigilance wing decreased from 70.40 per cent in 2013-14 to 63.85 per cent during 2014-15. The performance of O&M wing and CVS in theft detection was meager and the achievement was only 2.25 & 11.77 per cent and 16 and 33.44 per cent during 2013-14 and 2014-15 respectively. The vigilance wing of JPDC achieved the targets of assessment, realisation (except 2013-14) and lodging of FIRs but the performance of O&M and CVS in this respect (except assessment by CVS and lodging of FIRs by O&M during 2014-15) remained unsatisfactory during 2013-14 and 2014-15.

These wings made assessment of ₹ 12.85 crore towards theft detected during 2013-15 but the realisation of the assessed amount was only ₹ 6.51 crore (50.66 per cent). The Company, however, did not take effective steps to minimise the gap between assessment and realisation of the assessed amount. Non-realisation of the assessed amount led to increased number of lodging of

9 The percentage achievement in case of FIRs was more than 100 due to non-realisation of the assessed amount from the offenders.

FIRs against the offenders.

The Government stated (July and September 2015) that the officers and their vehicles were deployed on election duty during October 2013 to February 2014 which led to non-achievement of the targets of vigilance checking. Further, the vacant positions of checking officers and the leaves taken by the officers also caused non-achievement of targets. It further stated that the checking officers were directed to achieve the targets in monthly meetings and show cause notices were issued to those lacking in achievement of targets.

3.3.4 Recovery of Civil Liability

The RERC Regulations 2006 in cases of theft of electricity under Section 135 of the Electricity Act, 2003, stipulated provisional assessment of civil liability at twice the tariff charged as per tariff schedule in vogue during the period of assessment.

As the prescribed format of notice to be issued in cases of theft of electricity did not contain field for representation of civil liability, leading to non-assessment of civil liability even by the Special Courts, the Company issued directions (25 October 2007) for making necessary changes in the prescribed format to ensure calculation of civil liability along with compounding charges. The Company's directions were, however, not implemented by the designated officers and theft cases were continued to be settled by recovering compounding charges only. The Company issued (12 February 2013) directions for assessment and recovery of civil liability along with compounding charges from the persons charged under Section 135 of the Electricity Act, 2003 for the first time. However, the directions were not immediately implemented by the CVS and Circle Offices. We found that the CVS and vigilance wing of JPDC did not assess and recover civil liability of ₹ 36.50 lakh in 27 cases¹⁰ noticed after issue of directions dated 12 February 2013.

The Government stated (July 2015) that civil liability was not charged in 27 cases after 12 February 2013 because these consumers only made unauthorised shifting of their connections to other *khasras* and there was no theft of electricity in physical terms. As unauthorized shifting was considered as theft of electricity, only compounding charges were recovered from these consumers. The reply was not convincing as shifting of connection was found in two cases only where the consumers operated additional pump in single phase connection which was considered as theft of electricity (indirect commercial theft) by the Company under section 135 of the Electricity Act, 2003. In remaining 25 cases, the consumers indulged in theft of electricity by tampering the meters, taking direct supply from pole/lines, *etc.* As all the cases were treated as theft of electricity under section 135 of the Electricity Act, 2003 causing loss to the Company, the vigilance officers were required to charge civil liability from the offenders as per Rules.

The Government in subsequent (September 2015) reply stated that directions had been issued for recovery of civil liability in all the 27 cases as per Rules.

10 10 cases pertained to CVS having amount of civil liability of ₹ 17.29 lakh and 17 cases pertained to JPDC having amount of civil liability of ₹ 19.21 lakh.

3.3.5 Assessment of civil liability

Scrutiny of 877 Vigilance Checking Reports and assessment sheets pertaining to the period 2009-13 out of 10566 theft cases detected by the CVS, Operation and Maintenance (O&M) Wing of JPDC and Vigilance Wing of JPDC during 2006-07 to 2012-13 disclosed that the checking officers did not mention the period during which theft of electricity was being committed by the offenders. In absence of the period of theft, the amount of civil liability forgone by the Company in these 10566 cases was not ascertainable.

Scrutiny of VCRs and assessment sheets of theft cases pertaining to the period 2013-15 where the checking officers assessed the amount of civil liability disclosed that the period of assessment in majority of cases was decided by the checking officers on the basis of bills of purchase of equipment produced by the offenders, self-declared affidavits about the period of theft and meter testing reports.

We observed that the meter testing reports were authentic basis for determination of the period of theft as the reports testified the actual period of theft but the bills of purchase of equipment and self-declared affidavits were not reliable basis for determination of the period of theft. It was noticed that the checking officers initially determined the period of theft as 12 months in these cases but subsequently reduced it on production of bills and affidavits by the offenders. The AENs (75 cases) and XENs (95 cases) of the vigilance wing of JPDC Circle decided the period of assessment ranging between one day and nine months during 2013-15 on the basis of bills and self-declared affidavits. Thus, determination of the period of theft by the checking officers was not done on a sound and rational basis.

The vigilance wing of JPDC in 21 cases (₹ 16.56 lakh) and the CVS in four cases (₹ 1.37 lakh) made short assessment of civil liability of ₹ 17.93 lakh due to taking incorrect period of assessment on the basis of bills and affidavits. The Company, however, initiated (March 2015) disciplinary action against the delinquent officials of the vigilance wing of JPDC by issuing charge sheets.

The Government stated (July 2015) that determination of the period for assessment of civil liability on the basis of bills of purchase of electrical equipment and affidavits on non-judicial stamp was made as per the written directions issued by the competent authority from time to time. Further, determination of the period on the basis of bills and affidavits was correct as per the provisions of Electricity Act, 2003 and TCOS. The reply was not convincing as there was no such provision in the Electricity Act, 2003 and TCOS which provided determination of the period for assessment of civil liability on the basis of bills of purchase of electrical equipment and affidavits. Even, the Government/RERC/Company did not issue any orders/directions to consider the bills and affidavits for determination of the period for assessment of civil liability.

In subsequent reply (September 2015), however, the Government accepted the audit observation and stated that directions were being issued for assessment of civil liability only on the basis of meter testing reports/vigilance checking reports.

3.3.6 Planning and monitoring of vigilance checking

The Chairman of the Coordination Committee of the three DISCOMs constituted (April 2008) a VCR Monitoring and Reviewing Committee for proper monitoring and settlement of grievances arising out of VCR under section 135 of the Electricity Act, 2003. The Committee settled 1993 cases out of 2327 cases registered during the period from May 2008 to December 2014. The Company in order to have effective control and monitoring over vigilance checking by the authorised officers; poor quality of vigilance checking; and pending VCRs in large numbers, deployed (April 2013) one senior technical officer of the rank of Superintending Engineer exclusively for vigilance checking work. The Superintending Engineer was required to:

- exercise administrative control on all vigilance officers (XENs, AENs and JENs) posted in the Circles;
- ensure target and quality of vigilance checking by each officer; and
- plan surprise vigilance checking as and when warranted.

The shortcomings noticed in planning and monitoring of vigilance activities are discussed in succeeding paragraphs:

3.3.7 Deficiencies in Vigilance Checking Report (VCR)

VCR is the prime document for the purpose of assessment, realization and prosecution of the offenders. It is also essential for all future legal actions. The guidelines and instructions issued (2004) for filling of VCRs provided that the Checking Officers were required to fill the VCRs in a clear legible manner specifically indicating the details of offender/consumer, account number, category, sanctioned load, meter details, meter reading at the time of checking, meter body seal number and consumer's signature, *etc.* The guidelines further provided that the VCR registers should be properly maintained in the prescribed format and the VCRs along with relevant records should be submitted to the concerned AEN of the sub-division within 24 hours. The concerned AEN was required to check the entries made in VCR and to keep the record and seized items in safe custody till submission in the Court or disposal of the case. Beside, the concerned officers were required to prepare an abstract of monthly details at the end of every month.

It was noticed that in vigilance wing of JPDC, the VCRs were not filled as per the guidelines and instructions issued by the Company. Out of 1771¹¹ theft cases detected by the vigilance wing of JPDC and CVS during 2013-14 to 2014-15 (upto December 2014), defective VCRs were found filled in 155 theft cases. Meter number (12 cases), present meter reading at the time of vigilance (44 cases), meter body seal number (153 cases), consumer account number (31 cases), sanctioned load (32 cases) and consumer signature (32 cases) were not found mentioned in the VCRs. The vigilance wing accepted the VCRs despite absence of vital details. Further, the VCR registers were not maintained in the prescribed format and various columns *viz.* date of filling of VCR, details of amount recovered, *etc.* were found blank in several instances. In absence of these vital details, the Company ran the risk of suffering adverse decisions in

11 1233 number of thefts were detected by JPDC and 538 number of thefts were detected by CVS.

settlement committees and court of law. Defective procedures adopted by the checking officers in filling of VCRs during investigation had led to losing the cases in court of law. The Company, however, did not take remedial action to address defective filling of VCRs.

The Government stated that meter/seal numbers were indicated in the VCRs and VCR registers were properly maintained in the prescribed format. The columns for account number and sanctioned load remained vacant at the time of on spot filling of VCRs due to non-production of electricity bills by the consumers. These columns were, however, filled after collecting information from the sub-division office. It was also stated that the monthly progress reports were sent to the higher authorities on 1st and 2nd day of the month. The reply was not in consonance with the facts that details were not found mentioned in the VCRs and VCR registers in above mentioned cases. Further, the higher authorities did not take any action on poor filling of VCRs and maintenance of registers.

The Government, in subsequent (September 2015) reply, stated that directions were being issued to all vigilance officers to ensure filling of all possible details in the VCRs and obtain signatures of consumers/defaulters.

3.3.8 Planning of vigilance checking

Reduction in Transmission and Distribution (T&D) losses which include losses on account of theft of energy is a major concern for electricity distribution companies. The Company suffered T&D losses to the extent of 21.88 *per cent* and 20.57 *per cent* (upto December 2014) during 2013-14 and 2014-15 respectively. The Circle wise T&D losses ranged between 9.39 *per cent* (Pali Circle) and 29.83 *per cent* (Churu Circle) during 2013-14 and 9.78 *per cent* (Jodhpur City Circle) and 35.58 *per cent* (JPDC) during 2014-15 (upto December 2014). Wide disparity in T&D losses among various Circles of the Company required a rational mechanism for vigilance checking depending upon the total number of consumers in sub-divisions, different categories of consumers and the T&D losses incurred by the Circles and individual sub-divisions of the Circles.

Circle wise analysis of the vigilance checking carried out by the CVS during 2013-14 to 2014-15 (upto December 2014) disclosed that the CVS mainly concentrated on Jodhpur City Circle (JCC) and JPDC. The cumulative vigilance checking in JCC and JPDC by the CVS was 93.59 *per cent* and 86.55 *per cent* of the total vigilance checking during 2013-14 to 2014-15 respectively. This indicated that vigilance checking done by CVS was not commensurate with the distribution losses suffered by the Company in individual Circles. Eight¹² Circles registered T&D losses more than the JCC (9.78 *per cent*) during 2013-14 but vigilance checking in these Circles ranged between zero and 0.78 *per cent* only during 2013-14. Further, vigilance checking in these eight Circles during 2014-15 (December 2014) ranged between zero and 5.29 *per cent*.

Sub-division wise checking done by the Vigilance wing of JPDC disclosed

12 Churu (29.83 *per cent*), Bikaner (27.44 *per cent*), Jaisalmer (20.49 *per cent*), Barmer (19.05 *per cent*), Sriganganagar (16.22 *per cent*), Hanumangarh (14.69 *per cent*), Jalore (14.14 *per cent*) and Sirohi (11.05 *per cent*).

that the checking was not commensurate with the distribution losses incurred by the individual 17 sub-divisions.

The Company, however, did not prepare any action plan to ensure uniform coverage of all the Sub- division as well as Circles on the basis of distribution losses. Further, the CVS and vigilance wings of various Circles did not prepare an optimum mix of Circles, Sub-divisions and consumers to ensure balanced checking.

The Government stated (July 2015) that CVS and vigilance wing had to do vigilance checking on the basis of information received from the informers and complaints received by the higher authorities. However, efforts were being made to carry out vigilance checking in the areas having high T&D losses. The fact remained that the Company did not prepare any action plan to ensure uniform and balanced coverage of all the Sub- division as well as Circles on the basis of distribution losses.

The Government in subsequent (September 2015) reply stated that checking officers had been directed to carry out maximum checking in the areas/feeders registering high T&D losses.

3.3.9 Non recovery of Electricity Duty in assessment of civil liability

Section 3 of the Rajasthan Electricity (Duty) Act, 1962 provides for levy of electricity duty on the energy consumed by the consumers at the rates notified by the State Government from time to time. The electricity duty shall be collected from the consumer and paid to the State Government by the supplier.

We noticed that the Company did not recover electricity duty from the delinquent consumers at the time of making assessment in cases of theft of electricity. The vigilance wing of JPDC and the CVS did not recover electricity duty of ₹ 7.29 lakh in 1654 theft cases found during February 2013 to December 2014.

3.3.10 Recovery of Urban Cess in theft cases

The Rajasthan Finance Act, 2010 provided for levy of Urban Cess at the rate of 10 paise per unit on the energy consumed by a consumer other than a supplier generating energy for his own use or consumption. The company, however, did not recover the Urban Cess from the offender consumers.

The Government accepted (September 2015) the facts and stated that all the sub-divisions had been directed to recover electricity duty and urban cess as per Rules.

We recommend that the Company should:

- **undertake periodical review by the apex management of the compliance of instructions and guidelines, recovery of the amount of civil liability, electricity duty and urban cess as per Rules by the CVS and Circle offices;**
- **issue directions regarding acceptability of the documentary evidence for determination of the period of assessment in theft cases; and**
- **prepare a comprehensive strategy to ensure coverage of all the Circles and categories of Consumers on the basis of distribution**

losses and inherent risk involved in supply of electricity to various sub-divisions and consumers.

The Government accepted (July and September 2015) all the recommendations made by Audit and it stated that necessary directions had been issued and monitoring and compliance of directions would be made scrupulously.

Rajasthan State Industrial Development & Investment Corporation Limited and Rajasthan State Mines and Minerals Limited

3.4 Irregular contribution to the employees' provident fund towards leave encashment

Rajasthan State Industrial Development & Investment Corporation Limited and Rajasthan State Mines and Minerals Limited made irregular contribution of ₹ 3.42 crore to the Employees' Provident Fund towards leave encashment.

The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (Provident Fund Act, 1952) provides for employers' contribution to the Employees Provident Fund (EPF) at the rate of 12 *per cent* of the basic wages, dearness allowance and retaining allowance (if any) payable to an employee.

There was a dispute whether the amount received through encashment of earned leave was a part of 'basic wages' under Section 2(b) of the Act requiring pro-rata employer's contribution. Pursuant to the decisions of High Courts¹³ that leave encashment was to be reckoned as part of basic wages for the purpose of contribution to Employees' Provident Fund, the Employees Provident Fund Organisation (EPFO) advised (9 September 2005) its field offices to enforce recovery of employers' contribution on leave encashment with effect from 1 May 2005. However, the Hon'ble Supreme Court subsequently decided¹⁴ (12 March 2008) that "basic wage was never intended to include amounts received for leave encashment" and directed that, "if any payment has already been made, it can be adjusted for future liabilities and there shall not be any refund claim since the fund is running one". Consequent to this decision, the EPFO issued (5 May 2008) clarification to discontinue provident fund deduction on leave encashment with immediate effect. It was also clarified that where provident fund contribution of the employers' share had been received, the same should be adjusted against future liabilities.

Rajasthan State Industrial Development & Investment Corporation Limited (RIICO) and Rajasthan State Mines and Minerals Limited (RSMML), being establishments covered under the provisions of Provident Fund Act, 1952,

13 (1) Bombay High Court (1995 LLR 416) in the case of Hindustan Lever Employees' Union *versus* Regional Provident Fund Commissioner and (2) Karnataka High Court (October 2003) in the case of Manipal Academy of Higher Education *versus* Provident Fund Commissioner.

14 In the case of Manipal Academy of Higher Education *versus* Provident Fund Commissioner – Appeal (Civil) No. 1832/2004.

framed (April 1971 and December 1974 respectively) their respective Rules¹⁵ and created separate Employees Provident Funds under the India Trusts Act, 1882. The definition of basic wages adopted by both RIICO and RSMML was exact replica of the definition given in Provident Fund Act, 1952.

We noticed that both the Companies made employers' share of provident fund (PF) contribution on leave encashment after receipt of EPFO's clarification dated 9 September 2005. The companies, however, did not give cognizance either to the Hon'ble Supreme Court's decision or to the EPFO's clarification dated 5 May 2008 and continued contributing their share on leave encashment by treating it as a part of basic wages. After being pointed out by Audit, RSMML (October 2013) and RIICO (April 2014) discontinued the practice of allowing the PF contribution on encashment of surrendered leave. RIICO, however, continued its PF contribution on leave encashment at the time of retirement of employees.

This resulted in RSMML making irregular contribution of ₹ 2.61 crore towards employers' share of PF on leave encashment during 2008-13 while the Head Office and nine¹⁶ other units of RIICO made irregular contribution of ₹ 81.04 lakh¹⁷ during the period from April 2010 to October 2014 of which ₹ 60.78 lakh and ₹ 65.77 lakh pertained to those employees of RSMML and RIICO respectively, who had either retired or left the service. This amount, therefore, could not be adjusted against the future liabilities.

In response to Audit observation, RIICO intimated (10 April 2014) the Regional Provident Fund Commissioner (RPFC), Jaipur that PF contribution on leave encashment was being made as an extension of benefits to employees. It, however, sought clarification whether such contribution could be treated as an extension of benefit to employees. The RPFC, Jaipur directed (May 2014) the company to take action as per clarification issued (5 May 2008) by the Central EPFO, New Delhi. It had also mentioned that any extension of benefit to employees come under the jurisdiction of the Trust.

The Government in respect of RIICO replied (June 2015) that the EPFO's clarification dated 5 May 2008 was not communicated to the PF Trust of RIICO. Further, the company had also discontinued (April 2015) its share of PF on encashment of earned leave at the time of death/retirement of employees.

RSMML replied (July 2015) that the EPFO neither communicated the Hon'ble Supreme Court's judgment nor sent any circular in this regard and hence the company continued to deduct PF from leave encashment and provided employer's share on the same. It was further replied that the matter regarding recovery of past payments had been referred to EPFO, Udaipur and suitable action would be taken on receipt of the opinion of the EPFO. The Government endorsed (July 2015) the reply of the company.

15 RIICO: Rajasthan State Industrial and Mineral Development Corporation Limited Contributory Provident Fund and RSMML: Rules of the Provident Fund of Rajasthan State Mines & Minerals Limited.

16 (1) EPIP-Sitapura, (2) Sikar, (3) Balotra, (4) Jaipur (Rural), (5) Unit-I Bhiwadi, (6) Sriganganagar, (7) Bharatpur, (8) Alwar and (9) Jodhpur.

17 ₹ 15.27 lakh on surrendered leave encashment and ₹ 65.77 lakh on leave encashment paid to the employees on retirement.

The facts, however, remained that both the Companies made irregular contribution to PF in violation of the Hon'ble Supreme Court's judgment and directions of the EPFO.

Rajasthan Small Industries Corporation Limited

3.5 Performance of Emporia

Introduction

Rajasthan Small Industries Corporation Limited (Company) was incorporated (June 1961) as a wholly owned Government Company to assist small industries, promote handicrafts and to extend support to the artisans of the State. The Company had nine¹⁸ Rajasthalis (emporia) at various locations in and outside the State.

The sale of handicraft items in emporia was made through (i) own counters of the Company, (ii) counters given to artisans or other private parties on 'Minimum Sales Guarantee' (MSG) basis and (iii) space provided to the registered artisans under 'Goods on Approval' (GoA) basis. The Company purchased finished products from the artisans and handicraft units and maintained a Central Store to ensure timely supply of goods to various emporia. The sale of Central Store items was made through own counters of the Company. The MSG counter holders were allotted space for market specific products on payment of 22.50 *per cent* commission on actual sales or minimum guaranteed amount, whichever was higher, along with rent in the form of license fee for the space provided in the emporia. The income from the MSG counters was, therefore, assured/guaranteed income without any investment in goods, manpower and sales promotion. Further, under GoA system, the Company provided space to the registered artisans for extending marketing assistance and their goods were sold after adding mark up as per the Company's policy.

The performance of emporia during 2002-07 was incorporated in the Report (Commercial) of the Comptroller and Auditor General of India for the year ended 31 March 2007, Government of Rajasthan. The Report was discussed (July 2010) by the Committee on Public Undertakings (COPU). The COPU recommended (October 2012) that the Company should form an aggressive marketing strategy to increase its own sales, encourage export and institutional sales to compensate the decreasing volume of sales and promote the brand 'Rajasthali' by adopting an appropriate franchisee system in the tourism potential cities where opening of emporia was not possible.

The present study was conducted (March to May 2015) to assess the performance of emporia during the period from 2010-11 to 2014-15 with a view to ensure that the Company made adequate and effective efforts in promotion and development of handicrafts and in providing support to the artisans of the State.

18 Jaipur, Delhi, Mumbai, Kolkata (Chowrangee lane and Garihat), Agra, Mount Abu, Udaipur (Chetak Circle and Jagdish Chowk).

3.5.1 Financial performance

Out of nine emporia, four¹⁹ emporia were located in Rajasthan while the remaining five²⁰ in other States of the Country. The Company closed two emporia (Chowrangee lane Kolkata and Mumbai) located in outside States. The Chowrangee lane (Kolkata) emporium was closed (2011-12) due to Company losing a land case while Mumbai emporium was closed (April 2014) due to lack of business. The year wise performance of emporia as regards turnover and profit/loss during 2010-15 is given in **Annexure-5**. The cumulative sales, profit/loss and employee cost registered by the emporia during five years ending March 2015 was as below:

(₹ in crore)

S. No.	Name of emporia	Total sales	Profit/(Loss)	Employee cost	Percentage of profit/(loss) to total sales	Percentage of employee cost to sales
1	Rajasthali Jaipur	20.94	0.95	3.69	4.54	17.62
2	Rajasthali Delhi	22.97	3.78	2.64	16.46	11.49
3	Rajasthali Udaipur*	1.95	(0.22)	0.65	(11.28)	33.33
4	Rajasthali Mount Abu	0.92	(0.13)	0.34	(14.13)	36.96
5	Garihat Kolkata	2.17	(0.06)	0.57	(2.76)	26.27
6	Rajasthali Agra	0.72	(0.12)	0.38	(16.67)	52.78
7	Rajasthali Mumbai	0.01	(0.20)	0.20	(2000.00)	2000.00
8	Chowrangee lane Kolkata	0.34	(0.10)	0.18	(29.41)	52.94
	Total	50.02	3.90	8.65	7.80	17.29

* The Company has two emporia at Udaipur i.e. Jagdish Chowk and Chetak Circle.

The performance of emporia was not encouraging as only two emporia (Jaipur and Delhi) earned profit in all the five years ending March 2015. The Udaipur, Agra, Mumbai and Chowrangee lane (Kolkata) emporia incurred losses in all the years of their operation. Further, the Mount Abu emporia (except 2013-14) and Garihat, Kolkata (except 2010-11 and 2014-15) also incurred losses in all the years. The overall profitability (₹ 3.90 crore) to total sales (₹ 50.02 crore) remained low at 7.80 per cent while the employee cost (₹ 8.65 crore) was 17.29 per cent of the total sales during 2010-15. The year wise performance disclosed that profit to sales ratio decreased from 3.91 per cent in 2010-11 to 1.70 per cent in 2011-12 and thereafter increased to 16.49 per cent during 2014-15. The ratio of employee cost to sales increased from 14.67 per cent in 2010-11 to 20.58 per cent in 2011-12 and thereafter decreased to 16.26 per cent in 2014-15.

We noticed that the total sales of emporia decreased (28.76 per cent) from ₹ 11.82 crore in 2010-11 to ₹ 8.42 crore in 2014-15. However, the profit increased (228.57 per cent) from ₹ 0.46 crore to ₹ 1.42 crore during this period due to increased proportion of MSG (from 69 to 74 per cent) sales and decrease (19.08 per cent) in employee cost (from ₹ 1.73 crore to ₹ 1.40 crore).

19 Jaipur, Chetak Circle & Jagdish Chowk at Udaipur and Mount Abu.

20 Chowrangee Lane & Garihat at Kolkata, Agra, New Delhi and Mumbai.

The share of the Company's own sale, MSG sales and GoA sales in total sales of emporia during 2010-11 to 2014-15 was as below:

Particulars		2010-11	2011-12	2012-13	2013-14	2014-15	Total
Company sales	₹ in crore	0.54	0.76	0.55	0.75	1.37	3.97
	Percentage of total sales	4.58	7.31	5.56	7.97	15.94	7.93
MSG sales	₹ in crore	8.21	7.80	8.04	7.44	6.39	37.88
	Percentage of total sales	69.45	75.01	81.96	79.56	73.98	75.73
GoA sales	₹ in crore	3.04	1.84	1.22	1.02	0.87	7.99
	Percentage of total sales	25.74	17.68	12.48	10.89	10.08	15.99

It would be seen that the MSG sales (75.73 per cent) were highest in all the years followed by GoA sales (15.99 per cent). The Company's own sale ranged between 4.58 and 7.97 per cent during 2010-14. The Company's share in total sale, however, increased to 15.94 per cent during 2014-15 due to increase in own sales and decline in MSG and GoA sales. The share of GoA sales also declined from ₹ 3.04 crore (25.74 per cent) in 2010-11 to ₹ 0.87 crore (10.08 per cent) in 2014-15. Further, the MSG sales which had been the backbone of emporia, also declined (22.17 per cent) from ₹ 8.21 crore in 2010-11 to ₹ 6.39 crore in 2014-15.

The Company closed (March 2009) the Central Store but re-started it in December 2009. However, the purchase of handicraft items was merely of ₹ 0.91 crore during 2010-13 which increased to ₹ 1.20 crore and ₹ 1.03 crore during 2013-14 and 2014-15 respectively after receipt (June 2013) of grant of ₹ 2.30 crore from the State Government to strengthen the Central Store. Increased purchases of handicraft items from the artisans also increased the Company's own sale from ₹ 74.57 lakh in 2013-14 to ₹ 1.30 crore in 2014-15.

We observed that the Company could not pick-up its own sales. Also, by having maximum share of MSG sales in all emporia, the very objective of promotion of handicraft and providing support to the artisans of the State got defeated as counters on MSG basis were allotted to a single vendor/s for specified products (folder, jewellery, paintings, sarees, gems, etc.) only.

The Government stated (September 2015) that the Company's sales picked up from 2013-14 onwards following grant from the State Government as well as due to vigorous efforts by the Company. The Company had to resort to the MSG arrangement in order to stall the declining profits. It was further stated that the MSG vendor too depends on the artisans for sourcing his products and therefore the MSG arrangement indirectly promoted the Company's mission. The reply of the Government as regards indirect promotion of artisans through MSG arrangement was not convincing as the MSG counters were allotted to a single vendor for specified products which could either be manufactured by him or could have been purchased from other than artisans at minimum cost for earning maximum profit thereby not rendering much benefit to the artisans of the State.

The Company should develop emporium specific strategies to improve their sales and profitability. Further, the Company while sustaining the MSG sales should also make efforts to increase its own sale to promote

the handicrafts and to provide adequate support to the artisans of the State. The Company may also consider promoting export and institutional sales and also on-line sales to overcome the decreasing trend of sales.

3.5.2 Revival of loss making emporia

The Board of Directors (Board) decided (2001) to close down the loss making emporia. However, the decision was not implemented. The Board reviewed (May 2004) its decision and decided to rent out space for all MSG items. Further, the Board decided (January 2005) to allot counters for precious/semi precious items. The Board reviewed (March 2009) the performance of emporia and observed that emporia were incurring losses despite prime locations with best quality products. The high administrative cost, allotment of space without assured revenue, non-expansion of network, high cost of water and electricity and low recovery of overhead expenses were the main reasons for losses. The irregular flow of tourists, diversion of tourists by agents/guides, non-linkage of staff compensation with performance, limited MSG items for assured income and absence of incentive for sales also contributed to losses.

The Board framed (March 2009) 10 strategies to revive the performance of emporia. The strategies included (i) widened scope of minimum sales guarantee system; (ii) guidelines for goods on approval (GoA) system; (iii) display cum sale counter for awardee artisans (Meena Bazar); (iv) franchisee of non-performing Rajasthali showrooms at Agra, Mount Abu, Udaipur, *etc.* to private entrepreneurs; (v) exclusive franchisee to private entrepreneurs of Rajasthali at their own showroom; (vi) profit centre approach; (vii) sales agent scheme; (viii) sales incentive scheme; (ix) reciprocal sales arrangement with TRIFED²¹, Jammu and Kashmir (J&K) Corporation, *etc.* and (x) space allocation plan for handicraft mall at Jaipur.

We noticed that the Company did not take any action to implement the strategies like Meena Bazar, exclusive franchisee to private entrepreneurs of Rajasthali at their own showroom, sales incentive scheme, sales agent scheme and reciprocal sales arrangement with TRIFED, J&K Corporation, *etc.* The implementation of profit centre approach and franchisee arrangements for loss making emporia are discussed in succeeding paragraphs.

The Government accepted the facts and stated that the reciprocal arrangement with J&K Corporation was not found feasible in view of shortage of staff and other entailing expenses while the TRIFED did not have provision for such reciprocal arrangements. Further, offers for franchisee were solicited from private parties through NITs/Company's website but no response was received.

3.5.3 Profit Center Approach

The emporia running into losses and not being taken by any franchisee were to operate under profit centre approach. The profit centre approach envisaged to treat each emporium as an individual profit center operating on self-financing basis with a revolving fund of ₹ 25000. The salary of the staff, electricity, water, telephone and all running expenditure were required to be met from the income of the emporium. As all the emporia were incurring losses, they were

21 The Tribal Cooperative Marketing Development Federation of India.

operated under profit centre approach with effect from 1 April 2009. However, the profitability did not improve. The emporia at Delhi and Jaipur started earning profit from 2010-11 after renovation, completion of construction and commencement of full operations.

The Committee formed to review the profit centre approach concluded (March 2010) that the approach lacked foresight planning and therefore the implementation process encountered several practical problems. Interruption in supplies due to closure of Central Store, cancellation of existing GoA arrangements and inadequate revolving fund were the main reasons for failure of the profit centre approach. The Board decided (May 2010) to pay salaries and reimburse all the permissible expenses (approximately ₹ 72 lakh) incurred between July 2009 and March 2010. Further, the incharge of emporia at Agra, Mumbai and Kolkata were given a period of six months from 1 June 2010 to bring their respective emporia into profit. On failure to bring the emporia into profit within a maximum period of one year, the emporia were to be considered for closure after approval of the Board.

The Board during review (November 2010) of profit centre approach, authorised the Chairman and Managing Director (CMD) to take decision for closure of loss making emporia or to explore alternative arrangements in the best interest of the Company. However, no formal decision regarding discontinuance of the profit center approach was found on record.

The Government stated that the Board decided (May 2010) to discontinue the profit centre approach after detailed review of each profit centre. The reply, however, did not address the outcome of delegation (November 2010) made to the CMD for taking decision for closure of loss making emporia or finding alternative arrangements.

3.5.4 Franchisee for non-performing emporia

The Company entered (July 2009) into franchisee agreement with Harish Handicraft (franchisee) for two emporia at Udaipur and one emporium at Mount Abu for a period of five years. The franchisee was required to renovate the emporia and render annual franchisee fee of ₹ 1.20 lakh for Chetak Circle (Udaipur) emporium and ₹ 60000 each for Jagdish Chowk (Udaipur) and Mount Abu emporia. The period of five years was to be reckoned from the date of completion of renovation. Further, the franchisee was also required to bear all the running expenditure of the emporia including salary of the staff deputed by the Company.

The franchisee incurred an expenditure of ₹ nine lakh on renovation of the three emporia and commenced sale from October 2009 and February 2010 at Udaipur and Mount Abu respectively. We observed that the franchisee arrangement did not work well due to dispute regarding posting of staff at the emporia and service tax matters. The franchisee complained (April 2011, September 2011 and February 2012) about unilateral transfer of deputed staff at Udaipur and absenteeism of the staff at Mount Abu. Further, the Company intimated (January 2013) service tax liability of ₹ six lakh to the franchisee which was not agreed by it.

The franchisee stopped sales at Udaipur (18 January 2013) and Mount Abu (3 February 2013). The incharge of Udaipur and Mount Abu informed the

Company that the franchisee had removed stock valuing ₹ 60 lakh from the three emporia. The Company served (March 2013) a notice to the franchisee and finally cancelled (May 2013) the agreement. The Company, however, did not lodge first information report against the franchisee for lifting of stock without its consent.

The Government stated that legal opinion had been initiated for implementation of the award given by arbitrator.

The Company should promote the brand ‘Rajasthali’, in the tourism potential cities of the Country by adopting an appropriate franchisee system.

3.5.5 Failure in establishment of Sourcing Hub and utilisation of grant

The Ministry of Textiles, Government of India (GoI) sanctioned (March 2009) the Company’s proposal (February 2009) for setting up of a handicrafts sourcing hub under the GoI’s marketing scheme with financial assistance of ₹ five crore. The proposed cost of the project was ₹ 41.85 crore including cost of land (₹ 30.83 crore) and construction of structure & interiors (₹ 11.02 crore). The scheme envisaged an exclusive showroom for display and sale of handicraft items purchased directly from the artisans including one floor for artisan gallery for craft demonstration by the awardee artisans.

The terms of sanction provided that in case the Company failed to utilise the grant for the sanctioned purpose, the same should be refunded with interest at the rate of 10 *per cent* per annum. The financial assistance of ₹ five crore was released (between March 2009 and March 2012) by the Ministry in four installments.

We noticed that the Company intimated (August 2011) the Ministry that an expenditure of ₹ 42.20 crore had been incurred on setting up of the sourcing hub. Our scrutiny disclosed that the information was incorrect as the Company had treated its own handicraft mall (Jaipur) as the sourcing hub. Further, the handicraft mall was constructed prior (March 2009) to the sanction of the Company’s proposal by the Ministry at a cost of ₹ 15.34 crore including cost of ₹ 3.03 crore towards purchase of land.

The scheme for establishment of sourcing hub was not implemented and the Company even failed to allot the constructed space in the handicraft mall. As on March 2015, the Company rented out 2160 square feet (5.20 *per cent*) space out of total allocable space of 40000 square feet in the handicraft mall. The remaining space was lying vacant.

The Company, therefore, failed to implement the scheme and the envisaged benefits of providing exposure to the products of the artisans and marketing facilities under one roof could not be achieved. Further, the grant was also not utilised for the sanctioned purpose.

The Government stated that consistent efforts were being made for allotting specific section/area/floor for display cum sale by the awardee artisans but these artisans were reluctant to come until the mall became substantially active. The fact remained that the Company failed to establish sourcing hub and utilize the grant for the sanctioned purpose.

3.5.6 Delay in implementation of bar-coding of handicraft products

The Company placed (December 2009) work order on Kamtech Associates for bar coding and computerisation at Jaipur emporium. The firm completed (May 2011) works of ₹ 2.18 lakh only and thereafter stopped the work due to disputes. The crucial works such as data entry of daily inventory, sales of GoA/Company counters, bar-coding on new items, human resource (salary and pay slip generation) were not completed by the firm. The Managing Director constituted (October 2014) a Committee which concluded (3 December 2014) that delay in completion of work by the firm was largely due to initial teething problems and some administrative hiccups. The Company released (January 2015) payment of ₹ 2.18 lakh and also awarded (January 2015) annual maintenance contract to the firm for six months without completion of work.

We observed that the Company did not adhere to the directions of GoI (April 2010) and the State Government (May 2010) regarding the use of bar coding to bring uniformity and standardization in the identification of handicraft items. Further, in absence of bar coding, the differential prices charged by the MSG for same items could not be verified.

The Government accepted the facts and stated that bar coding and computerisation at Jaipur emporium was a pilot project which did not take off due to the entire exercise being very technical in nature and varied and large inventory. The posted staff was also not familiar with the technology and was, therefore, reluctant to adopt the system. The Government further stated that the Company would take up the task of computerized inventory and billing in the first phase and the exercise of bar coding would be considered at a later stage, if found feasible.

3.5.7 Lack of publicity of the welfare scheme for artisans

The State Government declared (2003) Rajasthan Hastshilpi Avam Dastkar Kalyan Kosh Yojana for welfare of the artisans in the State. A corpus fund of ₹ one crore²² was created by the State Government. The scheme was to be implemented from the interest accrued on the corpus fund. The scheme envisaged grant of old age pension (₹ 500 per month increased to ₹ 1000 from June 2006) to the national and state awarded crafts persons, financial assistance of ₹ 10000 to the dependents of artisans on humanitarian ground for medical treatment of the identified diseases and to provide scholarship to the students of artisans community. The Company was required to implement the scheme and invite applications from the artisans every year by making wide publicity of the scheme.

We noticed that the Company did not make efforts to publicise the scheme. Consequently, the number of beneficiaries under the scheme was very low and only 13 artisans were granted old age pension of ₹ 6.81 lakh during 2005-2014. Further, no pension was distributed under the scheme after June 2014. Besides, financial assistance of ₹ 10000 only had been provided to one artisan since the commencement of the scheme.

22 State Government (₹ 50 lakh), Rajasthan State Industrial Development and Investment Corporation Limited (₹ 30 lakh), Rajasthan Financial Corporation (₹ 15 lakh) and the Company (₹ five lakh).

The Company, therefore, did not provide assistance and social security to the artisans of the State.

The Government accepted the facts and stated that the Company had time and again written letters to the General Managers (District Industries Centre) of all Districts for making efforts for dissemination of the schemes. It further stated that optimum efforts to be made in this regard would include preparing a publicity plan covering print, radio and television at regional and local levels. The fact remained that the Company failed to provide assistance and social security to the artisans due to lack of publicity and ineffective implementation of the welfare schemes meant for providing support to the artisans.

3.5.8 Delay in giving awards to the artisans

The State Level Committee shortlisted (January 2013) 29 artisans for award of the state craft award/merit certificate for the year 2010-11 and 2011-12. The Company, however, did not disburse (May 2015) the awards and merit certificates despite approval (March 2013, June 2013 and August 2014) and sanction of funds of ₹ 5.96 lakh by the Government. Abnormal delay in distribution of awards indicated lack of initiatives to promote the artisans of the State.

The Government stated that the Company had been organising award ceremony along with the 'Export Award Ceremony' of the Industries Department in order to save extra expenditure to the Government Exchequer as both the events are of same nature. Both the events are hosted at State level where the awards are distributed by the Chief Minister. However, the Chief Minister had not confirmed the date for award ceremony since last two years.

The Company should publicise and implement the welfare schemes to provide support to the beneficiary artisans.

3.5.9 Internal control

A sound internal control mechanism ensures efficient and optimum utilization of resources and provides a reasonable assurance that assets are safeguarded and rules and procedures are complied with. An effective internal control system minimises the risk of errors and irregularities. We noticed that weak internal control mechanism led to embezzlement in the Kolkata and Mumbai emporia.

(1) The Company during audit and physical verification (December 2010 and January 2011) at Garihat and Chowrangee lane emporia of Kolkata found shortage of stock and cash. Three officials were found (June 2012) guilty of shortage of stock and embezzlement of cash of ₹ 15.79 lakh. The guilty officers did not deposit the GoA sales in the bank account. Further, cash book was also not maintained. We noticed that the guilty officers admitted shortage of stock and embezzlement of cash. They, however, maintained that emporia were declared (March 2009) profit centers and salary was to be paid out of profits of emporia. As the emporia were incurring losses, they were not paid their salaries which led them to collusion and embezzlement.

We observed that lack of monitoring and action by the higher authorities for non-submission of monthly account by the emporia and non-conduct of quarterly audit/inspection of the emporia by the Head Office were the main reasons for embezzlement.

(2) The Company authorised (March 2010) the incharge of Mumbai emporium to conduct physical verification of the stock. Prior to this order, the officials of the Head Office of the Company were required to conduct physical verification of stock as per the directions. We noticed that the special audit team deputed by the Head Office for conducting physical verification of the emporium for the period 2005-06 to 2010-11 found (May 2011) shortage of stock of ₹ 2.26 lakh. The stock was disposed off by the staff but cash was not deposited in the bank account.

Thus, lack of internal control provided opportunity to the staff for indulging into corrupt practices.

The Government accepted the facts and stated that geographical distance and lack of adequate staff provided scope for misuse of Company's funds by the posted staff. The concerned employee was terminated and maximum possible amount was recovered from him. It further stated that the Company had become more vigilant on aspects that would prevent repetition of such acts in future and detailed updates were being sought from the incharge on regular basis.

The Company should strengthen the internal control mechanism to avoid instances of embezzlement and other irregularities.

Rajasthan Tourism Development Corporation Limited

3.6 Non-recovery of booking amount from General Sales Agent (GSA)

The Central Reservation Office, New Delhi did not adhere to the provisions of Reservation and Cancellation Policy for luxury trains. Further, delay in taking action against the defaulter general sales agent (Luxury Holidays) caused non-recovery of the booking amount of ₹ 13.17 crore besides loss of interest of ₹ 1.85 crore.

Rajasthan Tourism Development Corporation Limited (Company) operates two luxury trains, Palace on Wheels (PoW) and Royal Rajasthan on Wheels (RRoW).

The Company appointed (1 September 2003) Luxury Holidays, New Delhi as GSA and entered (15 September 2003) into an agreement for booking of cabins in PoW. Thereafter, a fresh agreement was executed (20 April 2005) for a period of two years which was renewable from time to time upto a maximum period of three years. Clause 10 of the agreement provided that 17 *per cent* commission would be admissible to Luxury Holidays, out of which two *per cent* would be paid at the time of final settlement and remaining 15 *per cent* was to be deducted by it while remitting final installment of booking amount to the Company.

The agreement with Luxury Holidays was renewed upto the year 2008. The Company thereafter did not enter into fresh agreements. However, the old agreement was considered renewed on the basis of renewal of bank guarantees by the Luxury Holidays on yearly basis. The amount of renewed bank guarantees was equivalent to the amount mentioned in the agreement entered in April 2005. Further, the Company also allowed Luxury Holidays for bookings in the newly launched (2009) luxury train (RRoW) on the basis of

yearly bank guarantee of ₹ 4.00 lakh without executing any agreement or MoU.

The Board of Directors (Board) of the Company approved (12 December 2012) 'Reservation and Cancellation Policy' (Policy) and standard format of 'Memorandum of Understanding' (MoU) for appointment of General Sales Agents (GSAs) for bookings in luxury trains. The validity of the Policy and the MoU was extended (June 2013) and made applicable for the tourists season 2013-14 and onwards. Clause 4 of the Policy provides payment of 20 *per cent* of the ticket value by the GSAs at the time of booking and remaining 80 *per cent* prior to the departure of trains. Further, 17 *per cent* commission (inclusive of all statutory taxes and other dues) was admissible to the GSAs on the bookings made by them as per clause 6 of the Policy. However, fresh agreements for both the trains were not executed despite approval of new Policy and format of MoU by the Board.

Our scrutiny disclosed (January 2015) that Luxury Holidays did not adhere to the provisions of agreement as regards remittance of booking amount and defaulted in payment of ₹ 13.17 crore to the Company towards booking made by it in both the trains during 2013-14. It, however, deducted its commission of ₹ 2.69 crore at the rate of 17 *per cent* instead of initial deduction at the rate of 15 *per cent* as per the agreement. The Central Reservation Office (CRO) of the Company at New Delhi which looked after the bookings of luxury trains by the sales agents, accepted payment in cheques even after the departure of trains in violation of the Policy.

It was noticed that GSA submitted 26 cheques totaling ₹ 13.17 crore in the name of Luxury Holidays and Luxury Trains Private Limited during the period from 16 October 2013 to 14 March 2014 which got dishonoured and no amount was received by the Company. The cheques started getting dishonoured from 16 October 2013 but the CRO did not take any action to cancel the bookings of Luxury Holidays. The CRO even did not timely present the cheques in bank and after getting the cheques dishonoured, accepted fresh cheques of the same amount. The CRO neither took action against Luxury Holidays under Section 138 of the Negotiable Instruments Act, 1881 for dishonor of cheques in the first instance nor brought the facts to the knowledge of Corporate Office for timely recovery of the booking amount.

The first three legal notices under section 138 of the Negotiable Instruments Act, 1881 were issued on 24 March 2014 for dishonoured cheques of ₹ 2.14 crore and notices for balance amount were issued in August, October and November 2014 indicating undue delay in taking action against the GSA. Further, the action of CRO, New Delhi to allow GSA to make continuous booking despite dishonor of cheques in violation of the provisions of Policy not only indicated failure of internal control mechanism at multiple levels but also serious lack of monitoring by the management of Company.

The Company suspended (November 2014) the General Manager, Accountant and Cashier of the CRO, New Delhi and directed for special audit and enquiry. Further, the booking agreements (September 2003 and April 2005) with Luxury Holidays were terminated (15 November 2014) and two bank guarantees of ₹ 8.50 lakh were invoked (27 November 2014). The Company also lodged (31 December 2014) 'First Information Report' (FIR) against the

directors of Luxury Holidays. The outcome of the case in the Court of Chief Metropolitan Magistrate, Delhi was pending (August 2015).

The Company stated (August 2015) that the legal and disciplinary action for non-receipt of the payment against the officials had been initiated. It further stated that the matter came to its notice at the time of internal audit and a special team was deputed for in-depth audit. Thereafter immediate actions were taken by way of suspension of the officers/employees posted at CRO, New Delhi. A suit for recovery was also filed which was pending in the Hon'ble High Court, New Delhi. The reply was not convincing as the action against the officials and GSA was taken belatedly and lack of internal control mechanism caused loss of revenue to the Company.

Non-adherence to the provisions of Policy coupled with non-safeguarding the financial interest of the Company and inordinate delay in taking action against the defaulter GSA caused non-recovery of the booking amount of ₹ 13.17 crore besides loss of interest of ₹ 1.85 crore²³.

Rajasthan Rajya Vidyut Utpadan Nigam Limited

3.7 Procurement and utilisation of coal and efficiency of Chhabra Thermal Power Project (CTPP)

Chhabra Thermal Power Project (CTPP), a unit of Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL) operates four coal based power plants (units) of 250 Mega Watt (MW) installed capacity of each as on March 2015. The units commenced commercial operation²⁴ between June 2010 and December 2014. Besides these four units, two coal based units of 660 MW capacities each were under construction as on March 2015.

The performance of CTPP in terms of (i) power generation against the targets of Central Electricity Authority (CEA) and targets approved by the Rajasthan Electricity Regulatory Commission (RERC) in the 'Annual Revenue Requirement' (ARR) and tariff and (ii) utilisation of coal during the period 2011-12 to 2014-15 is as below.

(Power generation in million units and utilisation of coal in metric tonne)

Year	Power generation targets set by CEA	Power generation targets filed with RERC	Actual power generation	Utilisation of coal		
				Indigenous	Imported	Total
2011-12	2708.00	3020.40	2260.96	1590829.15	90834.09	1681663.24
2012-13	3244.00	3504.00	2924.17	1660853.11	211022.25	1871875.36
2013-14	2870.00	5812.60	3158.45	2042094.54	95956.24	2138050.78
2014-15	3495.00	5256.00	4583.56	3011506.60	237762.07	3249268.67

Coal, light diesel oil and high speed diesel are the main components of fuel required for producing steam for operation of turbines and generators for

23 Calculated at the rate of 11.50 per cent per annum on the basis of loan taken by the Company from Rajasthan State Industrial Development and Investment Corporation Limited.

24 Unit 1st (11 June 2010), Unit 2nd (15 October 2011), Unit 3rd (19 December 2013) and Unit 4th (30 December 2014).

generation of electricity. The expenditure on coal by CTPP during 2011-15 was ₹ 2846.59 crore (93.61 *per cent*) of the total fuel cost of ₹ 3040.87 crore.

The present study was conducted (January 2015 to March 2015) to assess the efficiency of CTPP during 2011-12 to 2014-15 with reference to:

- Generation of electricity as per CEA targets and targets approved/filed with RERC in ARR and tariff; and
- Efficient procurement and utilization of coal.

3.7.1 Generation of electricity

The CEA fixes power generation targets for Thermal Power Stations considering their installed capacity, average plant load factor, and past performance. The RERC also approved/accepted power generation targets in the ARR filed by CTPP and tariff for sale of power to electricity distribution companies.

CTPP did not achieve the power generation targets set by the CEA during 2011-12 and 2012-13. The power generation targets filed with RERC were never achieved in any of the year during 2011-12 to 2014-15. The shortfall in power generation targets was due to low Plant Load Factor (PLF) as a result of high incidence of outages and shortage of coal during various months.

The PLF²⁵ was substantially lower and ranged between 63.27 and 70.50 *per cent* as against 80 *per cent* approved by the RERC in ARRs during 2011-15. The PLF of 1st and 2nd Units ranged between 62.04 & 76.30 *per cent* and 57.90 & 71.66 *per cent* respectively during 2011-12 to 2014-15. The PLF of 3rd Unit was 43.86 and 61.52 *per cent* during 2013-14 and 2014-15 respectively. The PLF of 4th Unit was 56.22 *per cent* during 2014-15.

A review of the monthly operating reports of CTPP for the period 2011-12 to 2014-15 disclosed that the units remained inoperative for 19335 hours due to annual maintenance, technical problems, load dispatch directions from State Load Dispatch Centre (SLDC) and shortage of coal causing loss of generation of 3739.69 MUs²⁶. The plant shutdown due to annual maintenance (4953 hours) and SLDC directions (2047 hours) were non-controllable factors. However, the plant shutdown due to technical problems (11284 hours) and shortage of coal (1051 hours) could have been avoided with better management and timely maintenance. Plant shutdown due to technical problems (2182.49 MUs) and shortage of coal (203.44 MUs) caused loss of generation of 2385.93 MUs valuing ₹ 663.29 crore²⁷.

The Government while accepting (September 2015) the fact of low PLF stated that CTPP was at gestation stage and during this period, the plant remained inoperative due to various technical snags *viz.* boiler tube leakage, generator problems and safety maintenance measures. It further stated that generation was also low due to the instructions from SLDC and other technical faults and hence the targeted PLF could not be achieved. Besides these, the coal allocation for CTPP was made from South Eastern Coal Fields Limited

25 PLF indicates output of a power plant as compared to its maximum output.

26 As per Monthly Operating Reports submitted to CEA.

27 Calculated at ₹ 2.78 per unit (lowest rate at which CTPP supplied electricity to electricity distribution companies during 2011-12).

(SECL), Korba which was not sufficient to meet the 60-65 *per cent* PLF. It was further stated that in order to meet out the increasing demand of electricity in the State and to save the generation loss due to shortage of coal, the RRVUNL requested CEA, Ministry of Coal, SECL, Northern Coal Fields Limited (NCL) and Power Ministry to increase the allocation of coal. It also requested Railway authorities and SECL to divert the coal from other thermal plants. The reply was not convincing as the generation loss due to technical faults/shortage of coal could have been avoided/minimised.

3.7.2 Procurement of coal

The conventional source (coal) of power generation is scarce, non-renewable and fast depleting. Coal is concentrated in particular zones of the Country and its transportation therefore is a cost concern for remotely located thermal power stations. Coal procurement and management is crucial as coal constitutes major components of the cost of power generated. Hence, minimisation of transit losses and consumption as per norms are the key drivers for effective procurement and utilisation of coal. The flaws noticed in coal management are discussed below.

3.7.3 Indigenous coal

CTPP receives coal from SECL Korba (Chhattisgarh) and Parsa East & Kante Basan captive coal blocks (Chhattisgarh) allocated (June 2006) to RRVUNL by Government of India. RRVUNL entered into coal supply agreements with SECL (August 2009 and April 2012) and Parsa & Kante Collieries Limited²⁸ (PKCL) (July 2008) for supply of coal to its various power plants including CTPP for a period of 20 and 30 years respectively.

Supply of coal at CTPP from the SECL and PKCL is made through washery circuit²⁹ which supplies it to the premises of CTPP. The RRVUNL signed agreements with PKCL (July 2008) for supply of washed coal from Parsa East & Kante Basan captive coal blocks and with Hind Energy & Coal Beneficiation (India) Limited (Hind Energy), Spectrum Coal & Power Limited (Spectrum Coal) and Swastik Mineral & Power Private Limited (Swastik Mineral) in March 2011 for supply from SECL mines. As per the scope of work, the washeries *i.e.* PKCL, Hind Energy, Spectrum Coal and Swastik Mineral were required to mine/lift raw coal from collieries, load the raw coal into Railway wagons for transportation to washery, wash/beneficiate the raw coal and upload the washed coal into Railway wagons for onward transmission to the premises of CTPP.

3.7.4 Imported Coal

Looking at the wide gap between demand and supply of indigenous coal, the Ministry of Power (MoP), Government of India directed (September 2004) the power utilities to either import the coal or reduce generation to the extent of coal shortages. The Economic Advisor (MoP) while reviewing the coal supply position in thermal power stations again raised (January 2013) concerns over

28 PKCL is joint venture company pursuant to the terms of the Joint Venture Agreement dated 3 August 2007 between Adani Enterprises Limited and Rajasthan Rajya Vidyut Utpadan Nigam limited.

29 Washery circuits are the authorised washeries which lift the raw coal from collieries and after washing/beneficiating supply it to thermal plants.

not importing the coal as per specified targets. It was stated that coal shortage against the requirement was mainly due to inability of the utilities to import coal. Further, it was conveyed that non-commitment of the specified import target would be viewed seriously and the Government would be compelled to limit the indigenous supply on pro-rata basis with imports by the utilities. The CEA in the report of the group for studying range of blending of imported coal with domestic coal had recommended (August 2010) that imported coal being of high calorific value could be blended upto 15 *per cent* by weight with domestic coal.

RRVUNL awarded work orders to PEC Limited (January 2011 and August 2012) and MSTC Limited (March 2014) for supply of imported coal with gross calorific value of 6200-7000 at its various thermal power stations. A comparison of the indigenous and imported coal used at CTPP during 2011-12 to 2014-15 is given below.

Year	Indigenous Coal (MT)	Imported Coal (MT)	Total Consumption (MT)	Percentage of indigenous coal to total coal	Percentage of imported coal to total coal
2011-12	1590829.15	90834.09	1681663.24	94.60	5.40
2012-13	1660853.11	211022.25	1871875.36	88.73	11.27
2013-14	2042094.54	95956.24	2138050.78	95.51	4.49
2014-15	3011506.60	237762.07	3249268.67	92.68	7.32
Total	8305283.40	635574.65	8940858.05	92.89	7.11

The CTPP used 6.36 lakh MT (7.11 *per cent*) imported coal against total consumption of 89.41 lakh MT coal during 2011-12 to 2014-15. The blending of imported coal with indigenous coal ranged between 4.49 and 11.27 *per cent* as against the CEA recommendations of 15 *per cent*. The CTPP did not fix year wise targets of import and blending despite the directions of MoP and low gross calorific value (4500-5000) of indigenous coal. Low import of coal was also a reason for non-generation of targeted power.

The Government stated that procurement of imported coal was to be made in emergent situation to bridge the gap between demand and availability of coal at national level. The imported coal was procured and consumed at CTPP as per instructions of CEA. Short import of coal of high GCF was not attributable to loss of generation. The reply was not convincing as the imported coal was not procured as per recommendations of CEA (15 *per cent*) during all the four years which could have helped to meet out the shortage of indigenous coal.

3.7.5 Excess consumption of coal due to high station heat rate

The Station Heat Rate (SHR) is an important index for assessing the efficiency of a thermal power station. It should be the endeavor of any station to operate the unit at as near its design Heat Rate as possible. Station heat rate improvement also helps in reducing pollution from Thermal Power Stations. The heat rate of a power plant is the amount of chemical energy that must be supplied to produce one unit of electrical energy *i.e.* heat energy input in Kilocalorie (Kcal) required for generating one Kilowatt-hour (kWh) of electrical energy. The RERC prescribed SHR of 2356.57 Kcal/kWh (2011-12 to 2013-14) and 2316.54 Kcal/kWh (2014-15) for CTPP in accordance with the Terms and Conditions for Determination of Tariff Regulations, 2009, amended from time to time.

The month wise SHR of CTPP during 2011-12 to 2014-15 was always higher (except March 2012) than the norms prescribed by the RERC. There was wide disparity in the heat energy used for generation of one unit (kWh) of electric energy on month to month basis. The ideal consumption of coal by CTPP should have ranged between 0.50 kg and 0.69 kg for generation of one kWh electric energy on the basis of SHR norms fixed by RERC and GCV of the coal utilized during 2011-15. The actual consumption, however, varied between 0.59 kg and 0.73 kg. The month wise range of SHR achieved vis-à-vis the RERC norms during 2011-12 to 2014-15 is shown below:

Year	SHR prescribed by RERC	Month wise range of operating SHR	Variation as per RERC norms	Percentage variation as per RERC norms
2011-12	2356.57	2332.87 to 3344.57	(-) 23.70 to 988.00	(-) 1.00 to 41.93
2012-13	2356.57	2532.02 to 3033.11	175.45 to 676.54	7.45 to 28.71
2013-14	2356.57	2505.25 to 2870.07	148.68 to 513.50	6.31 to 21.79
2014-15	2316.54	2559.78 to 2920.45	234.24 to 603.91	10.50 to 26.07

The SHR index exceeded the RERC norms by 988.00, 676.54, 513.50 and 603.91 during 2011-12, 2012-13, 2013-14 and 2014-15 respectively. High variation upto 41.93 *per cent* from RERC standard required analysis of the reasons for taking remedial measures to improve the SHR in the process of generation. The CTPP, however, did not analyse reasons for such wide variation in SHR on month to month basis. The excess consumption of coal (12.29 lakh MT) on monthly basis due to higher SHR than the norms was valued at ₹ 388.93 crore which indicated that there was wide scope for improvement of SHR. CTPP needs to take necessary steps for minimising the heat energy input based on outcome of energy audit.

Thermal efficiency is the aggregate of boiler and turbine efficiency. The CTPP did not work out the thermal efficiency of each unit as well as for CTPP as a whole and thereby could not compare the same with the thermal efficiency guaranteed by the manufacturer or the supplier of the plant.

The Government while accepting (September 2015) the facts of high SHR stated that the units could not be operated at the optimum levels due to technical problems *viz.* boiler tube leakage, break down of unit, maintenance, tripping of protections, *etc.* and load reduction orders by SLDC which resulted into higher SHR than the RERC norms. It further stated that CTPP had to face problem of evacuation of power as the construction of 765 kv Phagi-Batawada line which was to be constructed by Rajasthan Rajya Vidyut Prasaran Nigam Limited (RRVPNL) was delayed. The reply was not convincing as the technical reasons were controllable and the effect of the instructions of SLDC could be considered at the time of filing of ARR. Further, the instructions of load reduction by SLDC are not relevant to this paragraph.

3.7.6 Avoidable payment of freight

Clause 3.2.4 of the agreement (July 2008) with PKCL provided that PKCL would ensure that coal was loaded within the limits allowed by the Railways and there was no overloading or under loading of Coal rakes. In case, the Railways charged for overloading or under loading of rakes or penalty, the same was to be borne by PKCL.

The coal washing agreements (March 2011) with Hind Energy, Swastika Minerals and Spectrum Coal disclosed that penal freight charged by the Railways for overloading of rakes was to be borne by the contractors. In case of idle freight due to under loading, the contractors were liable to bear only 2/3rd portion and remaining 1/3rd was to be borne by RRVUNL. During the period from April 2011 to March 2015, RRVUNL borne idle freight of ₹ 3.29 crore of CTPP towards its share of under loading charges imposed by the Railways.

We observed that RRVUNL had no role in loading of coal into rakes. The contractors were wholly responsible for all the activities starting from lifting of raw coal to the delivery of washed coal at the premises of CTPP. Besides, there was nothing on record to justify alteration in the terms of the conditions of the agreements (March 2011) from the agreement with that of PKCL regarding idle freight.

Thus, RRVUNL's agreement with the contractors to bear 1/3rd idle freight was not justified and resulted into an avoidable expenditure of ₹ 3.29 crore.

3.7.7 Differential treatment in conducting of Fines Test in the Washed coal

Clause 5.4.1 of the agreement (July 2008) with PKCL provided that size of washed/beneficiated coal to be supplied shall not exceed 50 mm with fines (0 to 2mm) not exceeding 25 per cent. The quantum of fines was to be evaluated in every rake delivered at the thermal power station. In case the quantity of fines exceeded 25 per cent, then 25 per cent value of such excess fines was to be deducted for payment purposes. Further, the calculation of variations in quality parameters *i.e.* total moisture, ash content & gross calorific value and size of coal had to be based on the weighted average of the respective parameters for coal supplied during the relevant month measured on rake to rake basis. The Company conducted fines test of the coal supplied by PKCL on rake to rake basis.

In case of agreements with Hind Energy, Swastika Minerals and Spectrum Coal for supply of coal from SECL, there was no provision for fines test and accordingly penalty for the excess fines was also not prescribed. The quality parameters (0 to 50 mm coal size) was mentioned in the agreements but in absence of appropriate clause for fines test, the Company could not ensure supply of coal having fines exceeding 25 per cent. Thus the penalty leviable, if any, on the contractors for supply of coal with fines in excess of 25 per cent could not be ascertained.

3.7.8 Irregular allowance of transit loss to the coal washing contractors

The agreement with PKCL (July 2008) and agreements (March 2011) with Hind Energy, Swastika Minerals and Spectrum Coal disclosed that RRVUNL did not allow the transit loss to PKCL. However, clause 5.14 of the agreements with Hind Energy, Swastika Minerals and Spectrum Coal provided for allowing maximum transit loss of 1.50 per cent as per the weight recorded in Railway receipt while computing the actual weight of beneficiated coal received on rake to rake basis. For this purpose, weight of clean coal received at the thermal power station was to be increased by 1.5 per cent but not exceeding the weight as per Railway receipt of the respective rake. The

Company allowed transit loss of ₹ 5.95 crore in respect of CTPP to Hind Energy, Swastika Minerals and Spectrum Coal during 2011-12 to 2014-15 as shown below:

Year	Actual receipt of coal (MT)	Coal weight allowed (MT)	Transit loss (MT)	Rate of Coal (₹/MT)	Transit loss(₹)
2011-12	625745.82	632011.84	6266.02	820.70	5142523
2012-13	1382755.60	1396626.10	13870.46	924.23	12819495
2013-14	1364087.10	1381809.70	17722.59	1019.39	18066231
2014-15	2136778.10	2159749.53	22971.43	1022.48	23487828
Total	5509366.62	5570197.17	60830.50		59516077

We observed that the washeries were wholly responsible for delivery of washed coal at the premises of CTPP and therefore allowing transit loss of 1.5 per cent caused direct loss of ₹ 5.95 crore to RRVUNL.

The Government while replying to observations relating to payment of freight, fines test and transit losses, stated that the agreements entered with PKCL included the work of identification of coal blocks which were technically and financially viable and supply of coal at thermal plant. All expenditure incurred on land acquisition, lease rent, clearances and licenses were to be borne by the PKCL which was not included in the contracts of other washeries. Thus, the nature of work was different and hence, was not comparable. The reply was not convincing as the washeries were wholly responsible for supply of washed coal at the premises of CTPP and the RRVUNL should have safeguarded its financial interests while finalizing the contracts.

3.7.9 Auxiliary Consumption

The RRVUNL filed ARR indicating nine per cent auxiliary consumption for the years 2011-12 to 2014-15 which were approved by the RERC in tariff for the respective years. It was observed that CTPP never adhered to the approved norms of auxiliary consumption during 2011-12 to 2014-15. The auxiliary consumption always remained above nine per cent ranging between 10.63 and 11.60 per cent causing excess consumption of 237.64 MUs valuing ₹ 73.23 crore. The unit wise auxiliary consumption of the four units during 2011-15 is shown below:

(Auxiliary consumption in percentage)

Year	Unit 1 st	Unit 2 nd	Unit 3 rd	Unit 4 th	Overall auxiliary consumption
2011-12	11.14	12.91	-	-	11.60
2012-13	10.95	10.39	-	-	10.69
2013-14	10.68	10.57	10.76	-	10.63
2014-15	11.23	10.62	10.51	10.14	10.70

We noticed that CTPP had not installed meters at various points (instruments) of consumption of electricity to record the auxiliary consumption of each and every instrument/plant in accordance with the guaranteed consumption claimed by the suppliers of equipment. Further, CTPP also provided free electricity to the contractors for a number of civil works undertaken during 2011-15 but the consumption of electricity in line with the requirement of work was never recorded. Hence, CTPP calculated unit wise auxiliary consumption for the unit as a whole after deducting the electricity sold (transmitted through grid) from the gross generation of that unit. Had the

CTPP adhered to the norms of auxiliary consumption, it could have earned revenue of ₹ 73.23 crore by sale to electricity distribution companies.

The Government stated that auxiliary consumption included electricity consumption for water arrangements, additional consumption on 6.6 Kv and LT voltage level and internal transformer losses. It further stated that the auxiliary consumption in excess of the norms prescribed by the RERC was due to restrictions imposed by the SLDC and resultantly the units could not run on full load whereas the auxiliary consumption remains same when it runs on full load or partial load. The reply was not convincing as the norms prescribed by RERC for auxiliary consumption takes care of all these factors.

3.7.10 Demurrage Charges

The Railway authorities allowed five hours for unloading of railway rakes at CTPP. In case of delay in unloading of rakes beyond permissible limit of five hours, demurrage at the rate of ₹ 100/150³⁰ per wagon per hour or part thereof was payable to Railways. Further, the Railways levied demurrage charges on the basis of following time intervals involved in unloading of rakes.

Delay beyond permissible limit of five hours	Applicable demurrage
0 to 2 hours	Normal rate of demurrage
More than 2 to 4 hours	Two times of Normal Demurrage Charge
More than 4 hours to 6 hours	Three times of Normal Demurrage Charge
More than 6 hours to 8 hours	Four times of Normal Demurrage Charge
More than 8 hours to 10 hours	Five times of Normal Demurrage Charge
More than 10 hours	Six times of Normal Demurrage Charge

Review of the records disclosed that CTPP received 2287 coal rakes during 2011-12 to 2014-15 out of which 1680 (73.46 per cent) rakes were unloaded beyond permissible time limit of five hours and therefore attracted demurrage charges. Year wise analysis disclosed that 92.55 per cent rakes (348 out of 376 rakes) during 2011-12, 85.60 per cent rakes (458 out of 535 rakes) during 2012-13, 53.90 per cent rakes (283 out of 525 rakes) during 2013-14 and 69.45 per cent rakes (591 out of 851 rakes) during 2014-15 attracted demurrage charges of ₹ 18.37 crore. The Railway authorities, however, waived demurrage charges of ₹ 0.67 crore during 2011-12 to 2014-15.

We observed that delay in unloading of rakes was mainly due to bunching of coal rakes at CTPP which caused infructuous expenditure of ₹ 17.70 crore towards demurrage charges during 2011-15.

The Government accepted the facts and stated that the issue had been raised with railway authorities from time to time to avoid bunching of coal rakes.

3.7.11 Laboratory and testing

Laboratory accreditation is a procedure by which an authoritative body gives formal recognition of the technical competence for specific tests/measurements, based on third party assessment and following international standards. Accredited laboratories can objectively state conformance of produce or service to the specified requirements.

30 Rate of ₹ 100 per wagon per hour or part thereof was applicable upto March 2013 and thereafter the Railways revised (22 March 2013) the rate to ₹ 150 per wagon per hour or part thereof.

We noticed that CTPP established (April 2009) a laboratory to analyse the indigenous and imported coal on various parameters *i.e.* inherent moisture, total moisture, ash on air dried basis, ash on receipt basis, fines, volatile matter, fixed carbon, and gross calorific value. Other parameters *viz.* sulphur, hard groove index and ash fusion test are analysed at outside laboratory by the supplier firms. CTPP, however, had not got the laboratory accredited. The process for first accreditation commenced in January 2015 and was in progress (March 2015).

The Government accepted the facts and stated that payment had been made for accreditation of laboratory from NABL.

3.7.12 Energy Audit

Energy Audit is an important step towards identifying the factors contributing to inefficient operation of a power station, thereby improving overall productivity of fuel with cost benefit analysis and an action plan to reduce energy consumption.

CTPP was required to get energy audit conducted in compliance with the provisions of Energy Conservation Act, 2011. However, CTPP did not get conducted energy audit either internally or by a specialised outside agency despite recommendations of the RERC at the time of approval of ARR and tariff. Further, CTPP also could not adhere to the norms of SHR and auxiliary consumption fixed by RERC.

The Government stated that work order had been issued to a firm³¹ for 'Perform, Achieve and Trade' (PAT) Scheme to enhance energy efficiency under 'National Mission on Enhanced Energy Efficiency'.

3.8 Irregular payment of education cess and secondary & higher education cess on clean energy cess

The coal import agreements mentioned incorrect methodology of computation of delivered cost of imported coal which led to irregular payment of education cess and secondary & higher education cess of ₹ 95.84 lakh on clean energy cess.

The Government of India (GoI) notified (22 June 2010) levy of clean energy cess at the rate of ₹ 50 per Metric Tonne (MT) on all categories of indigenous raw coal (coal, lignite and peat) and imported coal with effect from 1 July 2010. The amount of clean energy cess was to be shown separately in the bill or invoice and was exempted from education cess and higher education cess. The rates of clean energy cess were revised to ₹ 100 per MT and ₹ 200 per MT with effect from 11 July 2014 and 1 March 2015 respectively.

Rajasthan Rajya Vidyut Utpadan Nigam Limited (Company) imported 45.89 lakh MT coal for its thermal power plants³² from PEC Limited and MSTC Limited during 2011-12 to 2014-15. The coal import agreements entered with these suppliers disclosed that the delivered cost of the imported coal was to be computed after taking into consideration the education cess and secondary & higher education cess on clean energy cess. The Cost Insurance Freight (CIF)

31 Steag Energy Services India Private Limited, Noida.

32 Chhabra Thermal Power Station, Kota Super Thermal Power Station, Kalisindh Thermal Power Station and Suratgarh Super Thermal Power Station.

determination documents and the invoices of imported coal were accordingly prepared considering education cess (2 per cent) and secondary & higher education cess (one per cent) on the amount of clean energy cess.

We observed that the methodology for computation of delivered cost of imported coal mentioned in the coal import agreements was not correct as clean energy cess was exempted by the GoI from levy of education cess and secondary & higher education cess.

The Company by adopting incorrect methodology for computation of delivered cost of imported coal led to preparation of incorrect CIF determination documents and invoices and consequently irregular payment of education cess and secondary & higher education cess of ₹ 95.84 lakh on clean energy cess.

The Government stated (June 2015) that the respective suppliers had furnished documentary evidence of payment of education cess and secondary & higher education cess on clean energy cess at the time of preparation of CIF determination documents. The suppliers were vigorously pursued not to claim these cess in view of statutory provisions but they insisted for reimbursement as cess was already paid by them. The Government further replied that the Company had withheld an amount of ₹ 98 lakh towards education cess and secondary & higher education cess on clean energy cess, allowed during 2011-15 from the pending claims of PEC and MSTC and the payment would not be released till an amicable solution of the dispute under prevailing statutory provisions is arrived at and henceforth, no further payment towards cess would be made in compliance with the provisions.

The issue stated to have been taken up by the Company at the time of preparation of CIF documents and correspondence with the suppliers for not claiming cess on clean energy cess at the time of payment was neither found on records nor made available. Further, the suppliers had not given (June 2015) their consent for recovery/refund of the amount of cess from the available financial hold. The Government confirmed (September 2015) the facts that correspondence in writing was not done with the suppliers.

Statutory Corporations

Rajasthan State Warehousing Corporation

3.9 Implementation of Private Entrepreneurs Guarantee Scheme 2008

The Department of Food and Public Distribution (DoF&PD), Government of India (GoI) formulated (2008) 'Private Entrepreneurs Guarantee Scheme, 2008' (PEG Scheme) for Food Corporation of India (FCI) to augment the storage capacity by construction of godowns through private entrepreneurs, Central Warehousing Corporation (CWC) and State Warehousing Corporations (SWCs). The FCI was required to analyse the region wise storage needs, based upon the overall procurement/consumption and availability of already existing storage capacities of the godowns of FCI/CWC/SWCs and private godowns hired by the FCI. Further, the State

Level Committee³³ (SLC) was required to examine the region wise storage needs and send its recommendations to the High level Committee³⁴ (HLC) of FCI which would examine and accord approval to the proposals of the State Level committee. The salient features of the PEG Scheme were as below:

- The FCI would take over the godowns through CWC/SWC only. The FCI would decide the partner agency out of CWC and SWC and after finalisation of locations for construction of godowns by the High Level Committee, the CWC/SWC would get the godowns constructed through private investment as per the FCI's specifications for guaranteed hiring by the FCI;
- Tenders for construction of godowns shall be finalised within 62 days from the date of invitation of tender and construction of godown shall be completed within a period of one year from the date of acceptance of work order by the entrepreneur. The completion period of godown could further be extended but not beyond one year. In case of delay in construction of godown beyond two years, the allotted storage capacity was liable to be cancelled;
- The guaranteed storage period for private entrepreneurs and public sector agencies was 10 and nine years respectively. The guaranteed storage period would be reduced by the period of delay in construction of godown. Further, FCI would guarantee assured payment in the form of 'guaranteed storage charges' and 'supervision charges' during the guaranteed storage period;
- The authorised committee of FCI would conduct inspection/verification on receipt of information of completion of godown from CWC/SWC. In case the godown was not found constructed strictly according to the specifications, FCI reserved the right to accept or reject the godown or accept the godown at a lower rate of rent or on short term basis.

The DoF&PD, GoI diverted (July 2010) 2.60 lakh Metric Tonne (MT) storage capacity from Punjab and allocated it to Rajasthan under the PEG Scheme. The SLC appointed (August 2010) 'Rajasthan State Warehousing Corporation' (Corporation) as nodal agency for construction of godowns of 2.60 lakh MT storage capacity in Rajasthan under PEG Scheme.

The Corporation proposed (9 September 2010) FCI for construction of godowns of 0.40 lakh MT capacity on its own land at various locations of the State which was accorded approval (16 November 2010) by the High Level Committee. The balance storage capacity of 2.20 lakh MT was to be augmented by the private investors.

Subsequently, the FCI reduced (29 June 2011) the storage capacity to be

33 Executive Director (Zone) FCI (Chairman), General Manager (Region) FCI & Director/Food Commissioner of the State or an officer nominated by him, Managing Director State Civil Supplies Corporation (SWC), Regional Manager of Central Warehousing Corporation and nominee of General Manager of the Railways under whose jurisdiction the concerned location is situated.

34 Committee constituted by the Board of Directors of FCI with Executive Directors dealing with storage, transportation, procurement, distribution and finance as members.

constructed by the Corporation on its own land by 0.10 lakh MT and transferred the same to private investors. The FCI also cancelled (10 January 2013) the work order of a private entrepreneur for augmentation of 0.15 lakh MT storage capacity at Hindaun City due to legal complications on the acquired land and allocated it to the Corporation. Further, a private investor could not construct godown of 0.15 lakh MT capacity at Jalore due to restriction imposed by the High Court on conversion of land falling under green belt. The FCI did not approve alternate land and cancelled (9 April 2015) construction of this godown.

Thus, the total storage capacity to be augmented in the State under the PEG Scheme was 2.35 lakh MT, out of which the godowns of 0.45 lakh MT storage capacities were to be constructed by the Corporation on its own land and remaining godowns of 1.90 lakh MT storage capacities were to be constructed by the private entrepreneurs.

The present study was conducted (January to February 2015) with a view to assess the performance of the Corporation in augmentation of the storage capacity under PEG Scheme in the State.

3.9.1 Construction of godowns by the Corporation on own land

The Corporation invited (December 2010) tenders for construction of godowns of 0.40 lakh MT on its own land at six locations. The tender process was, however, cancelled (April 2011) for all the six locations due to invitation of tenders with different technical specifications than those prescribed by the FCI for construction of godowns under PEG scheme in Model Test Form (MTF). The Corporation re-invited (May 2011 and September 2011) tenders and awarded (June 2011 and November 2011) work orders for construction of godowns of 0.30 lakh MT at six locations in accordance with the MTF. The tenders for remaining capacity of 0.15 lakh MT were invited in May 2013 and awarded in June 2013. The progress of construction of godowns by the Corporation as on 31 July 2015 on its own land is given in **Annexure-6**. The summarised progress is as below:

Name of centre	Capacity (MT)	Date of award of work order	Delay as per work order (Days)	Delay as per PEG Scheme (Days)	Date of taking over by FCI	Loss of guaranteed storage charges (₹ lakh)
Banswara	5000	9 June 2011	468	296	6 June 2013	32.89
Barmer	5000	9 June 2011	88	-	7 May 2012	-
Jalore	5000	9 June 2011	73	-	5 May 2012	-
Bhawani Mandi	5000	9 June 2011	460	287	7 June 2013	31.89
Hindaun City	5000	9 June 2011	565	392	6 June 2013	43.56
Karauli	5000	21 November 2011	852	679	-	75.45
Hindaun City	15000	19 June 2013	399	408	Not completed	45.34
Total	45000					229.13

As on July 2015, the Corporation had constructed godowns of 30000 MT capacity (66.67 per cent) against the sanctioned capacity of 45000 MT. Further, the FCI had taken over godowns of 25000 MT capacity. Our analysis

of the construction of godowns by the Corporation on its own land disclosed the following shortcomings:

- The tender process was delayed due to adoption of different technical specifications than those prescribed by the FCI for construction of godowns under PEG scheme in Model Test Form (MTF).
- The Corporation allowed a period of six months for completion of godowns instead of one year as prescribed in the PEG Scheme. The godowns were, however, not completed within the scheduled completion period prescribed in the work orders. The delay, despite keeping the completion period on lower side than the PEG Scheme, ranged between 73 and 852 days.
- The Corporation constructed only two godowns (Barmer and Jalore) within the prescribed period of one year in the PEG Scheme. The delay in completion of remaining five godowns ranged between 287 and 679 days as on July 2015.
- The construction of godown at Karauli was completed (30 September 2014) after a delay of 852 and 679 days as per the work order and the PEG scheme respectively. The godown was, however, not taken over (31 July 2015) by the FCI due to non-observance of the specifications provided in MTF. The shortcomings in construction of godown mainly pertained to plinth height, location of weigh bridge, height of compound wall, wire fencing, main gate, etc. The State Level Committee directed the Corporation to remove shortcomings by 31 August 2015.

The Corporation extended the time period of completion of godowns at Banswara, Karauli and Hindaun City beyond one year on the grounds of heavy rain, non-availability of labour, Court stay on excavation of bajri/sand, etc. Extension of the completion period was not justifiable as the arrangement of the raw materials and labour was the responsibility of the contractors and the Corporation had to construct the godowns as per PEG Scheme within stipulated time period.

The Corporation levied maximum penalty of 10 *per cent* (₹ 23.29 lakh) for delay in construction of godowns as per tender conditions. However, the delay in completion of godowns resulted into reduction of guaranteed storage period and loss of guaranteed storage charges of ₹ 2.29 crore upto July 2015 to the Corporation.

The Government stated (August 2015) that the terms and conditions of tenders and agreements entered into with the contractors did not provide for recovery of loss of storage charges. The Corporation took action against the contractors by levying maximum penalty of 10 *per cent* for delay in construction of godowns as per tender conditions. As regards non-completion of godown of 15000 MT capacity at Hindaun City, it was replied that the work was hampered due to problems created by anti-social elements, excessive rainfall, elections, etc. However, the Corporation issued notices to the contractor from time to time and it was stated that the penalty for delay in completion would be deducted at the time of payment of final bill. The fact was that the Corporation did not augment the sanctioned storage capacity within stipulated

time period causing loss of guaranteed storage charges. Only two godowns out of seven were constructed within the stipulated time period indicating lackluster approach. Further, the shortcomings pointed out by the FCI in case of godown at Karauli were not removed despite elapse of 12 months since completion of godown and expiry of the time period allowed by the FCI (September 2015).

3.9.2 Construction of godowns by private entrepreneurs

The Corporation invited (10 September 2010) expression of interest from private entrepreneurs for construction of godowns of 2.20 lakh MT storage capacity at 12 locations of the State on build, own and operate basis. The work orders were awarded to lowest bidders between 24 December 2010 and 3 February 2011 for 11 locations. Of the tenders invited, the tender process for construction of godown at one location (Rajasmand) was cancelled (23 December 2010) by the HLC due to non-receipt of competitive rates. Fresh tenders for Rajasmand were invited (30 March 2011) after splitting the original capacity of 0.40 lakh MT into two godowns of 0.20 lakh MT each. The work orders were awarded to lowest bidders on 10 June 2011. In respect of other location, the entrepreneur faced legal complexities during construction of godown of 0.15 lakh MT capacity at Hindaun City and as a result the FCI cancelled (10 January 2013) the work order and diverted the capacity to the Corporation for construction of godown on its own land. Subsequently, the FCI did not approve alternate land and cancelled (9 April 2015) construction of godown of 0.15 lakh MT capacity at Jalore.

We noticed that the tenders were finalised after a gap of 72 to 146 days as against the prescribed time limit of 62 days in the PEG guidelines due to extension of the date of opening of tender by the Corporation and thereafter delay in finalisation of tenders by the SLC and HLC formed under the PEG Scheme.

The progress in construction of godowns of 1.90 lakh MT capacity by the private entrepreneurs at 10 locations as on 31 July 2015 is given in **Annexure-7**. The summarised progress is shown below:

Location	Capacity (In MT)	Date of work order	Scheduled date of completion as per scheme	Date of/ (capacity) taken over by FCI	Delay in completion (Days)	Loss of supervision charges (₹ lakh)
Banswara	10000	31 December 2010	30 December 2011	18 August 2014 (5000 MT) and 12 February 2015 (5000 MT)	962 and 1140	23.07
Hamirgarh	25000	24 December 2010	23 December 2011	20 June 2012 (25000)	180	9.25
Barmer	15000	31 December 2010	30 December 2011	18 June 2013 (15000)	536	17.65
Sadulpur/ Rajgarh	18000	3 February 2011	2 February 2012	22 June 2013 (18000)	506	19.35
Dungarpur	40000	31 December 2010	30 December 2011	27 June 2013 (40000)	545	47.85
Bhawani Mandi	7500	31 December 2010	30 December 2011	4 July 2014 (7500)	917	14.61
Marwar Junction	5000	31 December 2010	30 December 2011	1 June 2013 (5000)	519	5.98

Pratapgarh	17500	31 December 2010	30 December 2011	30 July 2014 (5000 MT) and 16 February 2015 (7500 MT)	943, 1144 and 1309	42.16
Rajsamand	40000	10 June 2011	9 June 2012	Not completed	1147	86.71
Pindwara	12000	31 December 2010	30 December 2011	Not completed	1309	34.48
Total	190000			133000		301.11

Though the Corporation entered into preliminary agreements with the private entrepreneurs with the condition that the work of construction of godowns shall be completed within 12 months, it did not put any penal condition or clause in the preliminary agreements to safeguard its financial interest against any delay made by private entrepreneurs in completion of godowns. All the private entrepreneurs failed to construct the godowns within a period of one year as prescribed in the PEG Scheme. Delay in construction of godowns as on 31 July 2015 ranged between 180 and 1309 days. The work of construction of godowns at Pratapgarh (5000 MT), Rajsamand (40000 MT) and Pindwara (12000 MT) was not completed (31 July 2015). This caused loss of supervision charges of ₹ 3.01 crore to the Corporation upto July 2015. In addition, the FCI took over all the constructed godowns on 'Actual Utilisation Basis' (AUB) instead of on guaranteed storage basis due to delay in construction coupled with non-construction of godowns by the private investors as per specifications provided in the MTF. This caused loss of supervision charges of ₹ 46.04 lakh to Corporation (July 2015).

We observed that substantial delay in construction of godowns by the private entrepreneurs indicated lack of monitoring and proper action by the Corporation against the defaulter private investors.

The Government stated that the Corporation made all efforts for completion of godowns by the private investors within the stipulated time period. The Corporation neither made any investment on construction of these godowns nor any future liability occurred on the Corporation. The private investors were informed that the responsibility would be theirs, in case the FCI refused to take over the godowns due to non-completion within scheduled time period. The shortcomings pointed out by the FCI in construction of godowns during various inspections were also communicated to the private investors. The reply was not convincing as the FCI was to take over the godowns through CWC/SWC only and the Corporation being the nodal agency for implementation of the PEG Scheme was required to get the godowns constructed as per the FCI's specifications within stipulated period. This led to taking over of godowns by FCI on AUB and consequential loss of supervision charges to the Corporation.

Conclusion

The Corporation failed to augment the desired storage capacity in the State under PEG Scheme due to lack of monitoring and proper action against the defaulter contractors/private entrepreneurs for delay in construction of godowns. The construction of godowns was also not as per the specifications provided by the FCI in MTF. As on July 2015,

- **the Corporation completed the construction of godowns of 30000 MT (66.67 per cent) capacity on its own land against the sanctioned**

capacity of 45000 MT out of which the FCI took over godowns of 25000 MT capacity;

- the private investors completed godowns of 1.33 lakh MT (70 *per cent*) capacity against the sanctioned capacity of 1.90 lakh MT which were taken over by the FCI on actual utilisation basis instead of on guaranteed storage basis. The construction of godowns of 57000 MT capacity was pending for completion by the private investors;
- FCI took over godowns of only 0.25 lakh MT (10.64 *per cent*) capacity against the sanctioned capacity of 2.35 lakh MT on guaranteed storage basis due to delay in completion as well as non-adherence to the specifications prescribed in MTF. All the godowns taken over by the FCI on guaranteed storage basis were constructed by the Corporation on its own land.

JAIPUR

The

(S. ALOK)

Accountant General

(Economic and Revenue Sector Audit), Rajasthan

Countersigned

NEW DELHI

The

(SHASHI KANT SHARMA)

Comptroller and Auditor General of India

Annexures

Annexure-1
(Referred to in paragraph 1.11 at page no. 7)

Statement showing investments made by State Government in PSUs during the years for which accounts are in arrears

(₹ in crore)

S. No.	Name of PSU	Year upto which accounts finalized	Paid up capital as per latest accounts finalised	Investment made by State Government during the year for which accounts are in arrears				Total
				Year	Equity	Loans	Grant/ Subsidy	
1	Ajmer Vidyut Vitran Nigam Limited	2013-14	3338.99	2014-15	988.47	70.88	2682.80	3742.15
2	Jaipur City Transport Services Limited	2013-14	10.00	2014-15	-	50.65	26.00	76.65
3	Rajasthan Avas Vikas and Infrastructure Limited	2013-14	1.00	2014-15	-	215.00	-	215.00
4	Rajasthan State Handloom Development Corporation Limited	2013-14	46.06	2014-15	-	-	0.80	0.80
Total			3396.05		988.47	336.53	2709.60	4034.60

Annexure – 2

(Referred to in paragraph 1.15 at page no. 8)

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised

(₹ in crore)

Sl. No.	Sector & Name of the Company	Period of accounts	Year in which finalised	Net profit(+) / Loss(-)				Turn over	Impact of accounts Comments [¥]	Paid up capital	Accumulated Profit (+)/ Loss (-)	Capital employed [¶]	Return on capital employed	Percentage return on capital employed
				Net profit/ loss before interest & Depreciation	Interest	Depreciation	Net Profit /Loss							
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6	7	8	9	10	11	12
A. Working Government Companies														
AGRICULTURE & ALLIED SECTOR														
1	Rajasthan State Seeds Corporation Limited	2014-15	2015-16	16.14	6.11	2.78	7.25	228.62	-	7.59	99.46	107.05	13.36	12.48
Sector wise total				16.14	6.11	2.78	7.25	228.62		7.59	99.46	107.05	13.36	
FINANCE SECTOR														
2	Rajasthan Small Industries Corporation Limited	2014-15	2015-16	1.11	0.55	0.82	-0.26	109.63	Increase in loss by ₹ 0.16 crore	6.96	-33.03	-6.72	0.29	-
3	Rajasthan State Handloom Development Corporation Limited	2013-14	2014-15	0.72	-	0.01	0.71	22.03	Increase in profit by ₹ 3.22 crore	46.06	-52.81	-0.92	0.71	-
4	Rajasthan State Power Finance Corporation Limited	2014-15	2015-16	6.68	0.00	0.04	6.64	7.40	-	90.00	2.53	92.53	6.64	7.18
Sector wise total				8.51	0.55	0.87	7.09	139.06		143.02	-83.31	84.89	7.64	
INFRASTRUCTURE SECTOR														
5	Rajasthan Avas Vikas and Infrastructure Limited	2013-14	2014-15	7.02	0.26	0.19	6.57	121.17	Increase in profit by ₹ 1.18 crore	1.00	14.23	825.08	6.83	0.83
6	Rajasthan Police Housing & Construction Corporation Limited	2014-15	2015-16	-	-	-	-	-	-	0.50	-0.04	0.46	-	-
7	Rajasthan State Industrial Development and Investment Corporation Limited	2014-15	2015-16	249.38	-	2.11	247.27	675.04	-	210.19	976.44	1543.62	247.27	16.02
8	Rajasthan State Road Development and Construction Corporation Limited	2014-15	2015-16	240.74	132.62	92.25	15.87	291.53	Increase in profit by ₹ 3.10 crore	100.00	72.80	1838.53	148.49	8.08

Sl. No.	Sector & Name of the Company	Period of accounts	Year in which finalised	Net profit(+) / Loss(-)				Turn over	Impact of accounts Comments ^v	Paid up capital	Accumulated Profit (+)/ Loss (-)	Capital employed ⁱⁱ	Return on capital employed	Percentage return on capital employed
				Net profit/ loss before interest & Depreciation	Interest	Depreciation	Net Profit /Loss							
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6	7	8	9	10	11	12
9	Rajasthan Urban Infrastructure Finance and Development Corporation Limited	2014-15	2015-16	0.83	-	0.08	0.75	0.25	-	33.00	2.54	35.54	0.75	2.11
Sector wise total				497.97	132.88	94.63	270.46	1087.99	-	344.69	1065.97	4243.23	403.34	
MANUFACTURE SECTOR														
10	Barmer Lignite Mining Company Limited (Subsidiary Joint Company of Sl. No. A(13))	2014-15	2015-16	83.29	46.05	24.90	12.34	870.10	-	20.00	1.04	1514.68	58.39	3.85
11	Rajasthan State Beverages Corporation Limited	2014-15	2015-16	20.34	-	0.49	19.85	4558.65	-	2.00	20.28	22.30	19.85	89.01
12	Rajasthan State Ganganagar Sugar Mills Limited	2014-15	2015-16	16.11	-	2.41	13.70	794.75	-	122.42	25.91	150.24	13.70	9.12
13	Rajasthan State Mines and Minerals Limited (Government Company since December 1974)	2014-15	2015-16	262.50	7.89	49.17	205.44	899.04	Decrease in Profit by ₹ 22.18 crore	77.55	1773.05	1861.44	213.33	11.46
14	Rajasthan State Petroleum Corporation Ltd. (subsidiary of Sl No. A(13))	2013-14	2014-15	-0.02	-	-	-0.02	-	-	1.10	-0.84	0.26	-0.02	-7.69
15	Rajasthan State Refinery Limited	2012-13	2013-14	-	-	-	-	-	-	5.10	-	5.11	-	-
16	Rajasthan State Gas Limited	2014-15	2015-16	-1.52	-	0.01	-1.53	-	-	20.05	-1.53	18.52	-1.53	-8.26
Sector wise total				380.70	53.94	76.98	249.78	7122.54		248.22	1817.91	3572.55	303.72	
POWER SECTOR														
17	Ajmer Vidyut Vitran Nigam Limited	2013-14	2014-15	-1782.88	2793.57	266.54	-4842.99	6261.08	Increase in loss by ₹ 153.87 crore	3338.99	-23250.87	4082.28	-2049.42	-50.20
18	Banswara Thermal Power Company Limited (Subsidiary of Sl. A (28))	2014-15	2015-16	-0.24	-	0.02	-0.26	-	-	0.05	-8.56	-8.51	-0.26	-
19	Barmer Thermal Power Company Limited (Subsidiary of Sl. No. A(28))	2014-15	2015-16	-0.01	1.81	-	-1.82	-	-	0.05	-9.96	-9.91	-0.01	-
20	Chhabra Power Limited (Subsidiary of Sl. A (29))	2014-15	2015-16	-	-	-	-	-	-	0.05	-0.03	0.02	-	-
21	Dholpur Gas Power Limited (Subsidiary of Sl. A (29))	2014-15	2015-16	-	-	-	-	-	-	0.05	-0.03	0.02	-	-

Audit Report No. 5 (Public Sector Undertakings) for the year ended 31 March 2015

Sl. No.	Sector & Name of the Company	Period of accounts	Year in which finalised	Net profit(+) / Loss(-)				Turn over	Impact of accounts Comments ^v	Paid up capital	Accumulated Profit (+)/ Loss (-)	Capital employed ⁱⁱ	Return on capital employed	Percentage return on capital employed
				Net profit/ loss before interest & Depreciation	Interest	Depreciation	Net Profit /Loss							
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6	7	8	9	10	11	12
22	Giral Lignite Power Limited (Subsidiary of Sl. A (29))	2014-15	2015-16	16.62	21.80	37.72	-42.90	27.62	-	185.05	-328.11	-22.81	-21.10	-
23	Jaipur Vidyut Vitran Nigam Limited	2014-15	2015-16	-1501.52	2616.19	616.86	-4734.57	10070.09	Increase in loss by ₹ 41.48 crore	4627.52	-27831.09	3028.49	-2118.38	-69.95
24	Jodhpur Vidyut Vitran Nigam Limited	2014-15	2015-16	-1195.76	2521.38	428.98	-4146.12	8822.56	Decrease in loss by ₹ 55.37 crore	4262.24	-26736.45	1421.81	-1624.74	-114.27
25	Keshoraipatan Gas Thermal Power Company Limited (Subsidiary of Sl. No. A(28))	2014-15	2015-16	-0.01	-	-	-0.01	-	-	0.05	-2.01	-1.96	-0.01	-
26	Lake City Transmission Service Company Limited (Subsidiary of Sl. No. A(28))	2014-15	2015-16	-0.02	0.02	-	-0.04	-	-	0.05	-0.29	-0.24	-0.02	-
27	Pink City Transmission Service Company Limited (Subsidiary of Sl. No. A(28))	2014-15	2015-16	-0.01	0.02	-	-0.03	-	-	0.05	-0.24	-0.19	-0.01	-
28	Rajasthan Raja Vidyut Prasaran Nigam Limited	2014-15	2015-16	1539.78	700.44	654.85	184.49	2198.13	-	3289.00	-1401.33	10095.91	884.93	8.77
29	Rajasthan Raja Vidyut Utpadan Nigam Limited	2014-15	2015-16	-375.42	1356.73	904.77	-2636.92	9080.65	Increase in loss by ₹ 73.20 crore	7587.09	-4014.17	23708.94	-1280.19	-5.40
30	Rajasthan Renewable Energy Corporation Limited	2014-15	2015-16	47.67	0.51	12.06	35.10	62.64	-	12.94	124.64	138.33	35.61	25.74
31	Rajasthan Solarpark Development Company Limited (Subsidiary of Sl. No. A(30))	2014-15	2015-16	1.13	0.00	0.00	1.13	0.61	-	0.05	1.07	34.31	1.13	3.29
Sector wise total				-3250.67	10012.47	2921.80	-16184.94	36523.38		23303.23	-83457.43	42466.49	-6172.47	
SERVICE SECTOR														
32	Bikaner City Transport Services Limited	2013-14	2014-15	0.02	-	-	0.02	-	-	0.30	0.08	0.38	0.02	5.26
33	Jaipur City Transport Services Limited	2013-14	2014-15	-41.59	-	7.47	-49.06	65.40	Decrease in loss by ₹ 10.00 crore	10.00	-121.97	88.98	-49.06	-55.14
34	Jaipur Metro Rail Corporation Limited	2014-15	2015-16	-11.28	-	0.97	-12.25	-	-	442.16	-19.85	2003.76	-12.25	-0.61
35	Kota City Transport Services Limited	First account not received since inception		-	-	-	-	-	-	-	-	-	-	-

Sl. No.	Sector & Name of the Company	Period of accounts	Year in which finalised	Net profit(+) / Loss(-)				Turn over	Impact of accounts Comments ^v	Paid up capital	Accumulated Profit (+)/ Loss (-)	Capital employed ⁱⁱ	Return on capital employed	Percentage return on capital employed
				Net profit/ loss before interest & Depreciation	Interest	Depreciation	Net Profit /Loss							
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6	7	8	9	10	11	12
36	RajCOMP Info Services Limited	2013-14	2014-15	25.91	0.01	0.29	25.61	25.15	-	5.00	22.68	27.68	25.62	92.56
37	Rajasthan Civil Aviation Corporation Limited	2014-15	2015-16	-0.33	-	-	-0.33	-	-	4.49	-6.19	-1.70	-0.33	-
38	Rajasthan Ex-Servicemen Corporation Limited	2014-15	2015-16	1.47	-	0.06	1.41	72.66	-	5.00	1.74	6.74	1.41	20.92
39	Rajasthan Medical Services Corporation Limited	2014-15	2015-16	8.77	1.92	4.08	2.77	397.20	-	5.00	-3.85	42.20	4.69	11.11
40	Rajasthan Skill and Livelihoods Development Corporation	2014-15	2015-16	1.45	-	0.24	1.21	34.05	Increase in profit by ₹ 7.99 crore	0.05	-11.84	-11.79	1.21	-
41	Rajasthan State Food & Civil Supplies Corporation Limited	2013-14	2014-15	9.45	-	0.41	9.04	262.51	Decrease in profit by ₹ 3.89 crore	50.00	22.07	72.07	9.04	12.54
42	Rajasthan State Hotels Corporation Limited	2013-14	2014-15	-0.56	0.04	0.12	-0.72	1.64	Increase in loss by ₹ 2.49 crore	2.16	-7.30	2.91	-0.68	23.37
43	Rajasthan Tourism Development Corporation Limited	2013-14	2014-15	-20.62	0.42	3.26	-24.30	78.58	Decrease in loss by ₹ 0.17 crore	21.95	-107.91	-67.34	-23.88	-
44	Rajasthan Veterinary Services Corporation Limited	First account not received since inception							-					
45	Udaipur City Transport Services Limited	2010-11	2012-13	0.07	-	-	0.07	0.01	-	0.30	0.15	0.45	0.07	15.56
Sector wise total				-27.24	2.39	16.90	-46.53	937.20		546.41	-232.19	2164.34	-44.14	
Total A (All sector wise working companies)				-2374.59	10208.34	3113.96	-15696.89	46038.79		24593.16	-80789.59	52638.55	-5488.55	
B. Working Statutory corporations														
FINANCE SECTOR														
1	Rajasthan Financial Corporation	2014-15	2015-16	44.75	38.38	0.21	6.16	69.68	Decrease in profit by ₹ 3.61 crore	160.73	-130.48	663.54	44.54	6.71
Sector wise total				44.75	38.38	0.21	6.16	69.68		160.73	-130.48	663.54	44.54	
SERVICE SECTOR														
2	Rajasthan State Road Transport Corporation	2014-15	2015-16	-389.90	95.95	69.02	-554.87	1702.93	-	638.96	-2763.46	-928.90	-458.92	-
3	Rajasthan State Warehousing Corporation	2014-15	2015-16	62.23	2.61	4.83	54.79	102.89	-	7.85	4.38	318.09	57.40	18.05
Sector wise total				-327.67	98.56	73.85	-500.08	1805.82		646.81	-2759.08	-610.81	-401.52	

Audit Report No. 5 (Public Sector Undertakings) for the year ended 31 March 2015

Sl. No.	Sector & Name of the Company	Period of accounts	Year in which finalised	Net profit(+) / Loss(-)				Turn over	Impact of accounts Comments ^v	Paid up capital	Accumulated Profit (+)/ Loss (-)	Capital employed ^μ	Return on capital employed	Percentage return on capital employed
				Net profit/ loss before interest & Depreciation	Interest	Depreciation	Net Profit /Loss							
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6	7	8	9	10	11	12
Total B (All sector wise working Statutory corporations)				-282.92	136.94	74.06	-493.92	1875.50		807.54	-2889.56	52.73	-356.98	
Grand Total (A + B)				-2657.51	10345.28	3188.02	-16190.81	47914.29		25400.70	-83679.15	52691.28	-5845.53	
C. Non working Government companies														
AGRICULTURE & ALLIED SECTOR														
1	Rajasthan State Agro Industries Corporation Limited	2012-13	2014-15	-0.15	1.28	-	-1.43	-	-	6.01	-51.77	-28.81	-0.15	-
2	Rajasthan State Dairy Development Corporation Limited	2013-14	2014-15	-	-	-	-	-	-	2.88	-0.21	2.66	-	-
Sector wise total				-0.15	1.28	0.00	-1.43	0.00		8.89	-51.98	-26.15	-0.15	
MISC SECTOR														
3	Rajasthan Jal Vikas Nigam Limited	2014-15	2015-16	-0.01	-	-	-0.01	-	-	1.27	-1.76	-0.48	-0.01	-
Sector wise total				-0.01	0.00	0.00	-0.01	0.00		1.27	-1.76	-0.48	-0.01	
Total C (All sector wise non-working Government Companies)				-0.16	1.28	0.00	-1.44	0.00		10.16	-53.74	-26.63	-0.16	
Grand Total (A + B + C)				-2657.67	10346.56	3188.02	-16192.25	47914.29		25410.86	-83732.89	52664.65	-5845.69	-11.10

¥ Includes the net impact of comments of Statutory Auditors and C&AG.

μ Capital employed represents the sum of shareholders' funds and long term borrowings.

Annexure-3
(Referred to in paragraph 2.2.15 at page no. 48)

Statement showing sale of old stock without laboratory test

Quantity in cases

Name of Depot	Closing stock as on March			Sale Position		
	40 UP glass	40 UP pet	50 UP	40 UP glass	40 UP pet	50 UP
Ajmer	0	0	624.88	0	0	624.88
Asind	0	0.75	624	0	0.75	624
Balotra	0	0	118	0	0	118
Bandikui	0	40.6	0	0	40.6	0
Baran	0	0	472.38	0	0	472.38
Barmer	0	0	3	0	0	3
Bayana	0	3.4	0.13	0	3.4	0.13
Beawar	0	0	623.48	0	0	623.48
Bharatpur	0	0	0.33	0	0	0.33
Bhawanimandi	0	0	624	0	0	624
Dholpur	0	0	624	0	0	624
Didwana	0	0	0.13	0	0	0.13
Dudu	0	0	144.77	0	0	144.77
Jaipur City	0	0	947.92	0	0	947.92
Jalore	0	0	623	0	0	623
Jhalawar	0	0	624	0	0	624
Kekri	0	0	624	0	0	624
Khairtal	0.65	0.54	624.29	0.65	0.54	624.29
Kishangarh	0	117	0	0	117	0
Malpur	0	0.31	0.65	0	0.31	0.65
Mandalgarh	0	0	623	0	0	623
Merta Road	0	0	622.67	0	0	622.67
Nawalgarh	133.02	12.42	49.75	133.02	12.42	49.75
Pali	0	0	624	0	0	624
Pipad	0	0	133	0	0	133
Pokhran	0	0	220.17	0	0	220.17
Rajgarh	0	0	319	0	0	319
Rajsamand	0	0	159	0	0	159
Sawaimadhopur	0	0	777.75	0	0	777.75
Shahpura	0	0	623.58	0	0	623.58
Sikar	0	0	1870.54	0	0	1870.54
Sojat	0.25	0.27	624.23	0.25	0.27	624.23
Sriganganagar	0	0	110	0	0	110
Tonk	0	0.77	158.31	0	0.77	158.31
Total	133.92	176.06	14217.96	133.92	176.06	14217.96

Annexure-4

(Referred to in paragraph 3.1.2 at page no. 71)

Statement showing time period allowed in Rajasthan Guaranteed Delivery of Public Services Act, 2011 for release of connections to various categories of consumers in different situations

S. No.	Details of service	Time period for allowing service
(I)	New domestic and non-domestic connections (in electrified area)	
(A)	Issue of demand notice	Within 21 days of receipt of application
(B)	Issue of connections (where expansion of distribution mains is not required)	After completion of formalities and deposit of demand raised in the notice: Urban area: 30 days Rural area: 45 days
(II)	Issue of industrial connections in electrified area	
	1. Issue of feasibility report	
(a)	Load: 300 to 3000 Kw	Within 45 days of receipt of application
(b)	Load: 3000 Kw to 33 Kv	Within 45 days of receipt of application
(c)	Load: more than 132 Kv	Within 60 days of receipt of application
	2. Issue of demand notice	
(a)	Load: upto 60 HP	Within 21 days of receipt of application
(b)	Load: 60 HP to 300 Kw	Within 30 days of receipt of application
(c)	Load: 300 Kw to 3000 Kw	Within 60 days of receipt of application
(d)	Load: 3000 Kw to 33 Kv	Within 60 days of receipt of application
(e)	Load: more than 132 Kv	Within 120 days of receipt of application
	3. Issue of connections where expansion of distribution mains not required	
(a)	Load: upto 60 HP	Within 30 Days after completion of formalities and deposit of demand raised in the notice
(b)	Load: 60 HP to 300 Kw	Within 60 Days after completion of formalities and deposit of demand raised in the notice
(c)	Load: 300 Kw to 3000 Kw	Within 75 Days after completion of formalities and deposit of demand raised in the notice
(d)	Load: 3000 Kw to 33 Kv	Within 90 Days after completion of formalities and deposit of demand raised in the notice
(e)	Load: more than 132 Kv	Within 180 Days after completion of formalities and deposit of demand raised in the notice
(III)	New domestic and non-domestic connections	
	1. Where expansion of Distribution Mains required	
(a)	L.T. Line	15 Days extra
(b)	11 KV Line: Up to first 5 Km 11 KV Line: for next every 5 Km	30 days extra 15 days extra
(c)	33 KV Line- Up to first 5 Km 33 KV Line-: for next every 5 Km	60 days extra 30 days extra
(d)	132 KV Line-Upto first 5 Km 132 KV Line- for next every 5 Km	180 days extra 45 days extra
	1. Where new substation is expected	
(a)	11KV/0.4 KV substation	30 days extra
(b)	33/11 KV substation	120 days extra
(c)	Expansion of bay at 33/11 KV 4KV substation	30 days extra

(d)	132/33/11 KV substation	12 months extra
(e)	Expansion of bay at 132/33/11 KV substation	45 days extra
	2. Where Augmentation in capacity of Transformer /substation is required	
(a)	11KV/0.4 KV substation	15 days extra
(b)	33/11 KV substation	60 days extra
(c)	132/33/11 KV substation	6 months extra
(IV)	Issue of industrial connections	
	1. Where expansion of Distribution Mains required	
(a)	LT Line	15 days extra
(b)	11 KV Line: Up to first 5 Km 11 KV Line: for next every 5 Km	30 days extra 15 days extra
(c)	33/11 KV Line- Up to first 1.5 Km 33/11 KV Line-: for next every 5 Km	60 days extra 30 days extra
(d)	132/33/11 KV Line-Up to first 1.5 Km 132 KV Line- for next every 5 Km	180 days extra 45 days extra
	1. Where new substation or augmentation in transformer capacity is expected	
(a)	11KV/0.4 KV substation	30 days extra
(b)	33/11 KV 4 KV substation	120 days extra
(c)	Expansion of bay at 33/11 KV 4KV substation	30 days extra
(d)	132/33/11 KV substation	12 months extra
(e)	Expansion of bay at 132/33/11 KV substation	45 days extra
	2. Where augmentation in capacity of transformer /substation is required	
(a)	11/KV 4 KV substation	15 days extra
(b)	33/11 KV substation	60 days extra
(c)	132/33/11 KV 4 KV substation	6 months extra

Annexure-5

(Referred to in paragraph 3.5.1 at page no. 87)

Statement showing the total sales, profit/loss and employee cost of the emporia during 2010-11 to 2014-15

Jaipur

(₹ in lakh)

Year	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Corporation sale	22.18	27.53	19.02	23.55	63.13	155.41
MSG sale	331.96	300.67	265.42	242.54	189.89	1330.48
GOA sale	230.23	126.06	90.74	76.38	66.98	590.39
J & K Sale	2.71	0	0	14.81	-	17.52
Total	587.08	454.26	375.18	357.28	320.00	2093.80
Profit/Loss	14.46	3.76	38.96	23.03	14.47	94.68
Employees Cost	75.28	87.41	76.87	69.87	59.54	368.97
Percentage of profit to sales	2.46	0.83	10.38	6.45	4.52	
Percentage of employee cost to sales	12.82	19.24	20.49	19.56	18.61	

Delhi

(₹ in lakh)

Year	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Corporation sale	20.53	35.18	21.07	28.19	38.78	143.75
MSG sale	369.25	380.28	468.51	408.46	344.84	1971.34
GOA sale	71.54	56.06	25.17	15.01	14.31	182.09
Total	461.32	471.52	514.75	451.66	397.93	2297.18
Profit/Loss	48.22	39.47	70.84	83.68	135.82	378.03
Employees Cost	50.51	69.35	57.48	41.71	45.26	264.31
Percentage of profit to sales	10.45	8.37	13.76	18.53	34.13	
Percentage of employee cost to sales	10.95	14.71	11.17	9.23	11.37	

Udaipur

(₹ in lakh)

Year	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Corporation sale	1.19	0.89	1.08	5.41	7.54	16.11
MSG sale	54.96	50.04	27.42	23.03	17.64	173.09
GOA sale	0	0	0	3.56	2.38	5.94
Total	56.15	50.93	28.50	32.00	27.56	195.14
Profit/Loss	-2.27	-2.74	-0.43	-7.09	-9.63	-22.16
Employees Cost	11.80	14.32	13.18	14.56	11.56	65.42
Percentage of profit to sales	-4.04	-5.38	-1.51	-22.16	-34.94	
Percentage of employee cost to sales	21.02	28.12	46.25	45.50	41.94	

Kolkata (Garihat)*(₹ in lakh)*

Year	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Corporation sale	5.93	9.58	11.74	15.96	26.58	69.79
MSG sale	11.13	7.03	21.1	40.17	47.07	126.50
GOA sale	1.98	1.82	6.60	6.92	3.33	20.65
Total	19.04	18.43	39.44	63.05	76.98	216.94
Profit/Loss	1.32	-4.88	-8.00	-2.43	7.56	-6.43
Employees Cost	5.86	9.29	16.41	14.04	11.72	57.32
Percentage of profit to sales	6.93	-26.48	-20.29	-3.85	9.82	
Percentage of employee cost to sales	30.78	50.41	41.61	22.27	15.22	

Mount Abu*(₹ in lakh)*

Year	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Corporation sale	0.35	0.11	0.31	0.36	0.20	1.33
MSG sale	19.11	17.62	8.15	19.95	25.78	90.61
GOA sale	0	0	0	0		0
Total	19.46	17.73	8.46	20.31	25.98	91.94
Profit/Loss	-2.27	-4.84	-0.78	0.35	-4.62	-12.16
Employees Cost	6.56	11.42	7.53	4.04	4.02	33.57
Percentage of profit to sales	-11.66	-27.30	-9.22	1.72	-17.78	
Percentage of employee cost to sales	33.71	64.41	89.01	19.89	15.47	

Agra*(₹ in lakh)*

Year	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Corporation sale	0.73	1.00	0.84	1.04	1.41	5.02
MSG sale	14.97	14.84	13.60	9.69	13.64	66.74
GOA sale	0	0	0	0		0
Total	15.70	15.84	14.44	10.73	15.05	71.76
Profit/Loss	-2.69	-1.63	-1.86	-4.25	-1.24	-11.67
Employees Cost	8.12	7.01	7.35	7.30	8.27	38.05
Percentage of profit to sales	-17.13	-10.29	-12.88	-39.61	-8.24	
Percentage of employee cost to sales	51.72	44.26	50.90	68.03	54.95	

Mumbai*(₹ in lakh)*

Year	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Corporation sale	0.18	0.38	0.46	0.06	-	1.08
MSG sale		0	0	0	-	0
GOA sale		0	0	0	-	0
Total	0.18	0.38	0.46	0.06	-	1.08
Profit/Loss	-4.59	-7.22	-6.68	-1.97	-	-20.46
Employees Cost	5.14	6.96	6.80	1.55	-	20.45
Percentage of profit to sales	-	-	-	-	-	
Percentage of employee cost to sales	2550.00	1900.00	1452.17	3581.82	-	
	2855.56	1831.58	1478.26	2818.18	-	

Kolkata chowrangee lane

(₹ in lakh)

Year	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Corporation sale	3.10	1.34	-	-	-	4.44
MSG sale	19.60	9.81	-	-	-	29.41
GOA sale	0.55	0	-	-	-	0.55
Total	23.25	11.15	-	-	-	34.40
Profit/Loss	-5.92	-4.20	-	-	-	-10.12
Employees Cost	10.17	8.30	-	-	-	18.47
Percentage of profit to sales	-25.46	-37.67	-	-	-	
Percentage of employee cost to sales	43.74	74.44	-	-	-	

Overall performance

(₹ in lakh)

Year	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Corporation sale	54.19	76.01	54.52	74.57	137.64	396.93
MSG sale	820.98	780.29	804.20	743.84	638.86	3788.17
GOA sale	304.30	183.94	122.51	101.87	87.00	799.62
J & K Sale	2.71	0	0	14.81	0	17.52
Total Sales	1182.18	1040.24	981.23	935.09	863.50	5002.24
Profit/Loss	46.26	17.72	92.05	91.32	142.36	389.71
Employees Cost	173.44	214.06	185.62	153.07	140.37	
Percentage of profit to sales	3.91	1.70	9.38	9.77	16.49	7.80
Percentage of employee cost to sales	14.67	20.58	18.92	16.37	16.26	

Annexure-6
(Referred to in paragraph 3.9.1 at page no. 107)

Statement showing the progress of construction of godowns by the Corporation on its own land as on 31 July 2015

Name of centre	Sanctioned Capacity (In MT)	Date of award of work order	Scheduled completion date as per work order	Scheduled completion date as per PEG Scheme	Actual date of completion	Delay as per work order (days)	Delay as per PEG Scheme (Days)	Date of taking over by FCI	Loss of guaranteed storage charges* (₹)
Banswara	5000	09 June 2011	18 December 2011	08 June 2012	30 March 2013	468	296	06 June 2013	3289249
Barmer	5000	09 June 2011	18 December 2011	08 June 2012	15 March 2012	88	0	07 May 2012	-
Jalore	5000	09 June 2011	18 December 2011	08 June 2012	29 February 2012	73	0	05 May 2012	-
Bhawanimandi	5000	09 June 2011	18 December 2011	08 June 2012	22 March 2013	460	287	07 June 2013	3189238
Hindaun City	5000	09 June 2011	18 December 2011	08 June 2012	05 July 2013	565	392	06 June 2013	4356033
Karauli	5000	21 November 2011	31 May 2012	20 November 2012	30 September 2014	852	679	-	7545271
Hindaun City	15000	19 June 2013	27 June 2014	18 June 2014	Not completed	399	408	Not completed	4533830
Total									22913621

Note: The loss of guaranteed storage charges has been worked out @ ₹ 3.07 per bag of 50 kilogram per month for the year 2011-12 and @ ₹ 3.38 per bag of 50 kilogram per month for the years 2012-13 and onwards as per the Rate Circulars of FCI.

Annexure-7
(Referred to in paragraph 3.9.2 at page no. 109)

Statement showing the progress of construction of godowns by the private entrepreneurs as on 31 July 2015

Name of Location	Capacity (In MT)	Date of tender	Date of work order	Time taken in finalisation of tenders	Delay in award of work order beyond 62 days	Scheduled date of completion as per scheme	Actual date of completion/capacity taken over by FCI	Delay in completion as on 31 March 2015 (days)	Rate of supervision charges (₹ per Quintal per month)	Loss of supervision charges (₹)
Banswara	10000	10 September 2010	31 December 2010	112	50	30 December 2011	18 August 2014 (5000 MT) and 12 February 2015 (5000 MT)	962 days for first 5000 MT and 1140 days for next 5000 MT	4.39	2306945
Hamirgarh	25000	10 September 2010	24 December 2010	105	43	23 December 2011	20 June 2012 (25000)	180	4.11	924750
Barmer	15000	10 September 2010	31 December 2010	112	50	30 December 2011	18 June 2013 (15000)	536	4.39	1764780
Sadulpur/Rajgarh	18000	10 September 2010	3 February 2011	146	84	2 February 2012	22 June 2013 (18000)	506	4.25	1935450
Dungarpur	40000	10 September 2010	31 December 2010	112	50	30 December 2011	27 June 2013 (40000)	545	4.39	4785100
Bhawani Mandi	7500	10 September 2010	31 December 2010	112	50	30 December 2011	4 July 2014 (7500)	917	4.25	1461469
Marwar Junction	5000	10 September 2010	31 December 2010	112	50	30 December 2011	1 June 2013 (5000)	519	4.61	598148
Pratapgarh	17500	10 September 2010	31 December 2010	112	50	30 December 2011	30 July 2014 (5000 MT) and 16 February 2015 (7500 MT)	943 days for first 5000 MT, 1144 days for next 7500 MT and 1309 days for remaining 5000 MT	4.25	4216000
Rajsamand	40000	30 March 2011	10 June 2011	72	10	9 June 2012	Not completed	1147	3.78	8671320
Pindwara	12000	10 September 2010	31 December 2010	112	50	30 December 2011	Not completed	1309	4.39	3447906
Total	190000						133000			30111868

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