



**Report of the  
Comptroller and Auditor General of India  
on  
Public Sector Undertakings  
for the year ended 31 March 2017**



**Government of Rajasthan**  
*Report No. 4 of the year 2017*

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

**ON  
PUBLIC SECTOR UNDERTAKINGS**

**FOR THE YEAR ENDED 31 MARCH 2017**

**GOVERNMENT OF RAJASTHAN  
REPORT NO. 4 OF THE YEAR 2017**



## TABLE OF CONTENTS

SUBJECT	Reference to	
	Paragraph(s)	Page(s)
<b>Preface</b>		v
<b>Overview</b>		vii - xi
<b>CHAPTER I</b>		
<b>FUNCTIONING OF PUBLIC SECTOR UNDERTAKINGS</b>		
Introduction	1.1	1
Accountability framework	1.2 – 1.4	2 - 3
Stake of Government of Rajasthan	1.5	3
Investment in State PSUs	1.6 – 1.7	3 - 5
Special support and returns during the year	1.8	5 - 7
Reconciliation with Finance Accounts	1.9	7
Arrears in finalisation of accounts	1.10 – 1.12	8 - 9
Placement of Separate Audit Reports	1.13	9
Impact of non-finalisation of accounts	1.14	9
Performance of PSUs as per their latest finalised accounts	1.15 – 1.19	9 - 12
Winding up of non-working PSUs	1.20	12 - 13
Comments on Accounts	1.21 – 1.22	13 - 14
Performance Audits and Paragraphs	1.23	14
Follow up action on Audit Reports	1.24 – 1.26	14 - 15
Disinvestment, Restructuring and Privatisation of PSUs	1.27	16
Coverage of this Report	1.28	16
<b>CHAPTER II</b>		
<b>PERFORMANCE AUDIT RELATING TO GOVERNMENT COMPANIES</b>		
<b>Jaipur Vidyut Vitran Nigam Limited</b>		
Performance Audit on ‘Procurement and Inventory Management’	2.1 – 2.25	17 - 63

SUBJECT	Reference to	
	Paragraph(s)	Page(s)
<b>CHAPTER III</b>		
<b>COMPLIANCE AUDIT OBSERVATIONS</b>		
<b>Jodhpur Vidyut Vitran Nigam Limited</b>		
Rectification of electricity bills of the consumers- Implementation of Rajasthan Guaranteed Delivery of Public Service Act 2011	3.1	65 - 73
<b>Rajasthan Rajya Vidyut Prasaran Nigam Limited</b>		
Loss due to inordinate delay in construction of Grid Sub-station	3.2	73 - 75
<b>Rajasthan Rajya Vidyut Utpadan Nigam Limited</b>		
Non-recovery of liquidated damages	3.3	75 - 77
Excess payment due to defective clause in the work order	3.4	77 - 78
<b>Rajasthan State Mines and Minerals Limited</b>		
Non-recovery of contribution from customers for District Mineral Foundation and National Mineral Exploration Trust	3.5	78 - 80
Obligatory payment of compensation and increased cost of production of Rajphos due to unrealistic clauses in the work order	3.6	80 - 82
<b>Rajasthan State Road Development and Construction Corporation Limited</b>		
Processing tenders for collection of toll	3.7	82 - 91
<b>Rajasthan Renewable Energy Corporation Limited</b>		
Avoidable payment of interest penalty due to under assessment of tax liability	3.8	91 - 93
<b>Rajasthan State Road Transport Corporation</b>		
Operation of buses in rural areas on Public Private Partnership mode under Viability Gap Funding	3.9	93 - 105
<b>Rajasthan Tourism Development Corporation Limited</b>		
Default in deposit of provident fund dues	3.10	106 - 107

## Annexures

Annexure No.	Subject	Pages(s)
1.	Statement showing investments made by State Government in working PSUs during the years for which accounts are in arrears	109
2.	Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised	110 - 114
2A	Statement showing public sector undertakings (Power sector) whose net worth has eroded	115
2B	Statement showing public sector undertakings (other than power sector) whose net worth has eroded	116
3.	Statement showing tenders awarded at higher rates than the estimated rates	117 - 118
4.	Statement showing surplus material accepted from the turnkey contractors	119 - 120
5.	Statement showing idle inventory due to excess procurement	121 - 122
6.	Statement showing delay in initiating tender process	123
7.	Statement showing delay in finalization of first tender of newly constructed roads due to improper fixation of reserve price	124
8.	Statement showing improper fixation of reserve price on ongoing toll contracts	125
9.	Statement showing delay in execution of agreements on newly constructed roads	126
10.	Statement showing excess claim of viability gap from the State Government in respect of selected depots	127



## 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. Audit of the accounts of Government Companies is conducted by the Comptroller and Auditor General of India under the provisions of Section 139 and 143 of the Companies Act, 2013.

3. The Comptroller and Auditor General of India is sole auditor in respect of Rajasthan State Road Transport Corporation which is a Statutory Corporation. 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 2016-2017 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 2017 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



## Overview

### 1. Functioning of Public Sector Undertakings

Audit of Government Companies is governed by Sections 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 by the CAG. The Audit of Statutory Corporations is governed by their respective legislations.

As on 31 March 2017, Rajasthan had 48 Public Sector Undertakings (PSUs) consisting of 42 working Companies, three working Statutory Corporations and three non-working PSUs (all Companies), which employed around one lakh employees. The working PSUs registered a turnover of ₹ 62,186.43 crore during 2016-17 as per their latest finalised accounts. This turnover was equal to 8.29 *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 2017, the investment (Capital and long term loans) in 48 PSUs was ₹ 1,37,679.06 crore. It grew by over 91.17 *per cent* from ₹ 72,018.13 crore in 2012-13. The power sector received 92.79 *per cent* of total investment made during 2012-13 to 2016-17. The State Government contributed ₹ 31,115.76 crore towards equity, loans and grants/subsidies during 2016-17.

#### *Performance of PSUs*

During the year 2016-17, out of 45 working PSUs, 23 PSUs earned profit of ₹ 1,193.49 crore and 16 PSUs incurred loss of ₹ 2,808.01 crore. Six PSUs had no profit or loss for the year 2016-17. Further, out of 45 PSUs, 12 PSUs incorporated during 2006-07 to 2016-17 did not commence their business activities till 2016-17. The purpose of incorporation of these PSUs was, therefore, defeated. The Government should take appropriate action with regard to these PSUs.

The top profit making companies were Rajasthan Rajya Vidyut Utpadan Nigam Limited (₹ 351.80 crore), Rajasthan State Industrial Development and Investment Corporation Limited (₹ 349.58 crore), Rajasthan State Mines and Minerals Limited (₹ 200.33 crore), Rajasthan State Ganganagar Sugar Mills Limited (₹ 56.69 crore) and Rajasthan State Warehousing Corporation (₹ 34.83 crore). Heavy losses were incurred by Jodhpur Vidyut Vitran Nigam Limited (₹ 1,028.68 crore), Jaipur Vidyut Vitran Nigam Limited (₹ 615.75 crore), Ajmer Vidyut Vitran Nigam Limited (₹ 336.69 crore), Rajasthan State Road Transport Corporation (₹ 492.41 crore) and Giral Lignite Power Limited (₹ 235.97 crore).

The capital investment and accumulated losses of the State PSUs as per their latest finalised accounts were ₹ 41,465.19 crore and ₹ 1,01,241.75 crore respectively. Analysis of investment and accumulated losses disclosed that net worth was eroded in 19 out of 48 PSUs. The capital investment and

losses of these 19 PSUs were ₹ 25,219.56 crore and ₹ 99,077.80 crore respectively. Of these 19 PSUs, the net worth was primarily eroded in power sector companies like Jaipur Vidyut Vitran Nigam Limited (₹ 24,446.69 crore), Jodhpur Vidyut Vitran Nigam Limited (₹ 23,213.83 crore), Ajmer Vidyut Vitran Nigam Limited (₹ 22,829.59 crore), Giral Lignite Power Limited (₹ 329.14 crore) and Barmer Thermal Power Company Limited (₹ 13.49 crore). The accumulated losses of the power sector PSUs were ₹ 1,01,239.35 crore as against the capital investment of ₹ 38,026.84 crore. Among non-power sector PSUs, the net worth was primarily eroded in Rajasthan State Road Transport Corporation (₹ 2,830.55 crore), Rajasthan Tourism Development Corporation Limited (₹ 103.11 crore), Rajasthan State Agro Industries Corporation Limited (₹ 47.20 crore), Rajasthan Small Industries Corporation Limited (₹ 10.33 crore) and Rajasthan Skill and Livelihoods Development Corporation (₹ 7.95 crore).

### ***Quality of accounts***

The quality of accounts of PSUs needs improvement. Out of 43 accounts finalised during 1 October 2016 to 30 September 2017, the Statutory Auditors gave qualified certificates on 18 accounts. There were 30 instances of non-compliance with Accounting Standards by the PSUs.

### ***Arrears in accounts and winding up***

Seven working PSUs had arrears of nine accounts as on 30 September 2017. Among non-working PSUs, one PSU had three accounts in arrears. The Government may take appropriate decision regarding the non-working PSUs.

### ***Coverage of this Report***

This Report contains one performance audit *i.e.* on 'Performance Audit on Procurement and Inventory Management by Jaipur Vidyut Vitran Nigam Limited' and 10 compliance audit paragraphs involving financial effect of ₹ 384.52 crore.

## **2. Performance Audit relating to Government Companies**

### **Jaipur Vidyut Vitran Nigam Limited**

#### **Performance Audit on 'Procurement and Inventory Management'**

The Performance Audit covers procurement and inventory management functions of Jaipur Vidyut Vitran Nigam Limited (Company) during the period from 2012-13 to 2016-17. Some of the highlights are given below:

#### ***Rajasthan Transparency in Public Procurement Act 2012 (RTPP Act)***

The Government of Rajasthan (State Government) enacted (May 2012) RTPP Act and notified (January 2013) Rules there under. The Act repealed all the prevailing rules and regulations relating to procurement of goods, services and works. The Company, however, failed to revise the Purchase Manual and Standard Bid Document as per the Act/Rules.

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### ***Assessment of requirement of material***

The selected Assistant Controller of Stores (ACOS) and selected sub-divisional stores did not follow the prescribed procedure of assessment of requirement of material. The Circle offices and the sub-divisions did not have any documents regarding work wise/sub-division wise requirement of material submitted to the Zonal Chief Engineer (ZCE). The assessment for the current year was made on the basis of previous year without considering the actual requirement. Further, the Procurement Planning and Management Committee (PPM Committee) never finalised the requirement of material before commencement of the financial year during 2012-13 to 2016-17.

### ***Finalisation of tenders***

The Company finalised 29 (72.50 per cent) out of 40 selected tenders beyond the stipulated time period of 120 days. The delay ranged between 4 and 589 days. Further, the concerned authority finalised these tenders without approval of the next higher authority in violation of the Purchase Manual.

### ***Efficiency and effectiveness in procurement of material***

The Company procured sub-standard material not conforming to the prescribed specifications valuing ₹ 83.80 crore. The Company incurred extra expenditure of ₹ 6.31 crore by purchasing material at higher rates due to acceptance of supplies even after opening of new tender with lower rates, procurement of material at unreasonably higher rates and imprudent cancellation of tenders. The Company also blocked funds of ₹ 38.84 crore by accepting supplies ahead of delivery schedule without any requirement. Further, the Company procured material without proper inspection and testing which resulted in procurement of sub-standard or inferior quality of material.

### ***Inventory control***

The Company did not fix the critical levels of inventory and also did not carry out either the value analysis or the movement analysis. The storage rate was also not fixed on the basis of actual expenditure incurred on the storage. The ACOS and sub-divisional stores did not maintain the record of inventory in the prescribed format. The indents submitted by the sub-divisions to all selected ACOS did not have reference of the work identification memos and the material was issued without presentation of the estimate cards. None of the selected sub-divisional stores maintained job card as per the work identification memo for each work order, transformer movement register and material estimate card for each job. The Assistant Engineers violated the directions and approved the hand written indents in place of printed indents. The Storekeepers also issued material against these hand written indents.

The Company did not annually conduct physical verification of inventory at the ACOS and sub-divisional stores. The time period covered under physical verification of ACOS ranged between 12 and 51 months while in case of sub-divisional stores it ranged between 16 and 57 months.

### ***Idle inventory, storage, excesses and shortages and theft, fire and embezzlement***

The Company accepted surplus material of ₹ 8.18 crore from the turnkey contractors which remained unutilised in the stores due to lack of directions,

delay in closure of contracts by the Corporate Level Purchase Committee and change in technology. The Company procured material in excess of requirement and material valuing ₹ 10.49 crore was lying unutilised at the ACOS and sub-divisional stores due to lack of demand from the field offices.

The ACOS and sub-divisional stores neither maintained records nor stacked the inventory as per directions. The stock verifiers pointed out unadjusted shortages of ₹ 2.28 crore and excesses of ₹ 2.61 crore as on March 2017 in physical verification reports of all the ACOS. Non-maintenance of prescribed records and lack of inspections, lack of control and monitoring by the competent authorities provided opportunities for embezzlement and occurrence of fire. Further, the Company did not insure the material at sub-divisional stores.

### **Recommendations**

The Performance Audit contains six recommendations which includes (i) revision of Purchase Manual as per RTPP Act and Rules, (ii) streamlining the process of assessment of requirement of material (iii) finalisation of tenders within prescribed time frame, following procedures prescribed for tendering and award of contracts scrupulously (iv) strengthening inspection and testing procedures and ensure strict adherence to the technical specifications at the time of the supply of material by the suppliers, (v) adopting inventory control techniques and maintaining prescribed inventory records and (vi) conducting physical verification at specified intervals and taking corrective action on discrepancies reported in physical verification reports.

## **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/extra expenditure/non-recovery/opportunity to earn revenue of ₹ 100.79 crore due to non-compliance with rules, directives, procedures, terms and conditions of contract in six cases.

*(Paragraphs 3.1, 3.5, 3.7, 3.8, 3.9, and 3.10)*

Loss/extra expenditure/non-recovery of ₹ 45.54 crore due to non-safeguarding of financial interests of the organisation in four cases.

*(Paragraphs 3.2, 3.3, 3.4 and 3.6)*

Gist of some important Audit observations is given below:

**Jodhpur Vidyut Vitran Nigam Limited** failed to adhere to the provisions of 'The Rajasthan Guaranteed Delivery of Public Services Act, 2011' and it could not resolve the bill related complaints of the consumers within the time period prescribed in the Act. The State Government also failed to monitor the delivery of services by the Company as per Act as no directions/instructions were issued by the Administrative Reforms and Co-ordination Department for non-submission of information by the Company in the prescribed format.

*(Paragraph 3.1)*

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**Rajasthan Rajya Vidyut Utpadan Nigam Limited** allowed a particular Contractor to lift dry fly ash from Suratgarh Thermal Power Station without executing any agreement and depositing the security amount. This led to non-recovery of liquidated damages of ₹ 4.80 crore from the Contractor. Further, the Company did not take action against three other Contractors as per the terms and conditions of tender and Letter of Award despite all of them failing to lift the allocated quantity of fly ash and to deposit the liquidated damages of ₹ 0.83 crore.

*(Paragraph 3.3)*

**Rajasthan Rajya Vidyut Utpadan Nigam Limited** incorporated defective clause in the work order which resulted in excess payment of ₹ 2.08 crore to the Contractor at Suratgarh and Kota Super Thermal Power Stations for excess transit losses allowed over Railway Receipt weight.

*(Paragraph 3.4)*

**Rajasthan State Mines and Minerals Limited** incorporated unrealistic clauses in the work order regarding payment/recovery of compensation for shortfall in production which made it obligatory for the Company to pay compensation to the Contractor without any possibility of recovery. This led to payment of compensation of ₹ 78.86 lakh to the contractor.

*(Paragraph 3.6)*

The toll collection activity undertaken by **Rajasthan State Road Development and Construction Corporation Limited** suffered extensively due to delay in processing tenders and improper fixation of reserve price. The Company failed to commence toll collection activity on newly constructed roads due to delay in construction of toll plazas; and fixing higher reserve price based on Detailed Project Reports instead of traffic census in violation of the Toll Policy 2012. The Company also violated the Toll Policy 2012 in fixing reserve price for ongoing toll projects by adopting different criteria.

*(Paragraph 3.7)*

**Rajasthan Tourism Development Corporation Limited** defaulted in depositing provident fund dues of ₹ 12.35 crore during the period from July 2015 to August 2017 and therefore runs the risk of penalty damages of ₹ 4.05 crore as per Clause 32 A of the Employees' Provident Fund Scheme, 1952 besides payment of interest under Section 7(Q) of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952.

*(Paragraph 3.10)*



# **CHAPTER I**

## **Functioning of Public Sector Undertakings**



## Chapter I

### Functioning of Public Sector Undertakings

#### Introduction

**1.1** The State 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 2017, there were 48 PSUs including three Statutory Corporations and 45 Government Companies. None of these Government Companies was listed on the stock exchange. During the year 2016-17, three<sup>1</sup> new PSUs were incorporated while one non-working PSU *i.e.* Rajasthan State Dairy Development Corporation Limited was wound up. Rajasthan Civil Aviation Corporation Limited ceased to carry out its business activities and became a non-working PSU. Consequent upon clarification issued (December 2016) by the Ministry of Corporate Affairs, eight<sup>2</sup> PSUs under the administrative control of Local Self Government Department ceased to be qualified as Government Company as per section 2(45) of the Companies Act 2013. The details of the PSUs in Rajasthan as on 31 March 2017 are given below:

**Table 1.1: Total number of PSUs as on 31 March 2017**

Type of PSUs	Working PSUs	Non-working PSUs <sup>3</sup>	Total
Government Companies <sup>4</sup>	42	3	45
Statutory Corporations	3	-	3
<b>Total</b>	<b>45</b>	<b>3</b>	<b>48</b>

The working PSUs registered a turnover of ₹ 62,186.43 crore as per their latest finalised accounts as of 30 September 2017. This turnover was equal to 8.29 *per cent* of State Gross Domestic Product (GDP) for the year 2016-17. The working PSUs incurred losses of ₹ 1,614.52 crore as per their latest finalised accounts. As on March 2017, the State PSUs had employed around one lakh employees.

There are three non-working PSUs which were non-functional for last one to 17 years having an investment of ₹ 27.94 crore. This is a critical area as the investments in non-working PSUs do not contribute to the economic growth of the State.

- 1 Barmer Power Transmission Service Limited (6 June 2016), Hadoti Power Transmission Service Limited (10 May 2016) and Thar Power Transmission Service Limited (10 June 2016).
- 2 Jaipur Smart City Limited, Udaipur Smart City Limited, Bikaner City Transport Services Limited, Jaipur City Transport Services Limited, Kota City Transport Services Limited, Udaipur City Transport Services Limited, Jodhpur Bus Services Limited and Kota Bus Services Limited.
- 3 Non-working PSUs are those which have ceased to carry out their operations.
- 4 Government PSUs include other Companies referred to in Section 139(5) and 139(7) of the Act 2013.

## **Accountability framework**

**1.2** The process of audit of Government companies is governed by respective provisions of Sections 139 and 143 of the Companies Act, 2013 (Act 2013). According to Section 2 (45) of the Act 2013, a 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 considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. 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 the 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 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 is conducted 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 a huge financial stake in the 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 2017, the total investment (capital and long term loans) in 48 PSUs was ₹ 1,37,679.06 crore as per details given below:

**Table 1.2: Total investment in PSUs**

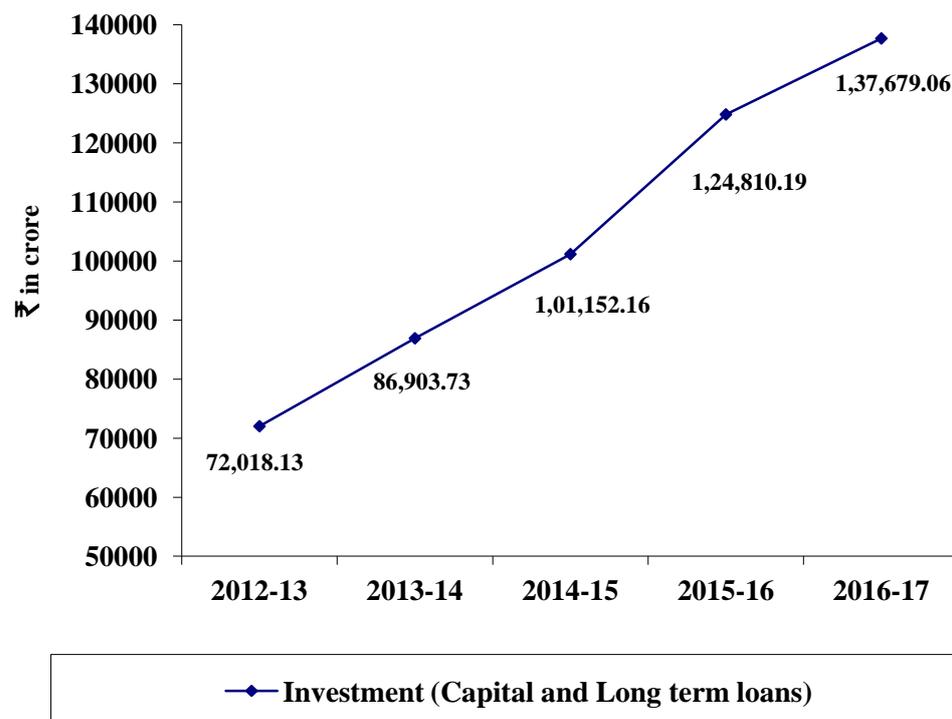
(₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working	40651.95	94412.49	135064.44	807.54	1779.14	2586.68	137651.12
Non-working	11.77	16.17	27.94	-	-	-	27.94
<b>Total</b>	<b>40663.72</b>	<b>94428.66</b>	<b>135092.38</b>	<b>807.54</b>	<b>1779.14</b>	<b>2586.68</b>	<b>137679.06</b>

As on 31 March 2017, of the total investment in State PSUs, 99.98 per cent was in working PSUs and the remaining 0.02 per cent was in non-working PSUs. This total investment consisted of 30.12 per cent towards capital and 69.88 per cent in long-term loans. The investment has grown by 91.17 per cent from ₹ 72,018.13 crore in 2012-13 to ₹ 1,37,679.06 crore in 2016-17

as shown in the graph below:

**Chart 1.1: Total investment in PSUs**



**1.7** The sector-wise summary of investment in the PSUs as on 31 March 2017 is given below:

**Table 1.3: Sector-wise investment in PSUs**

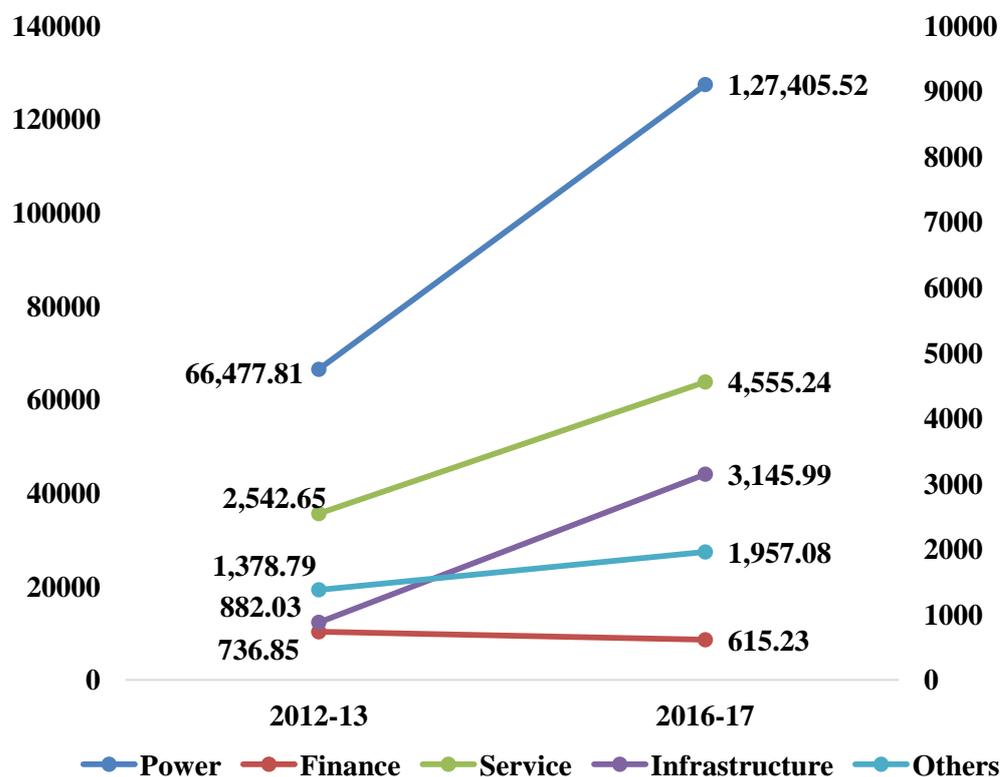
Name of sector	Government Companies		Statutory Corporations		Total	Investment <sup>5</sup> (₹ in crore)
	Working	Non-working	Working	Non-working		
Power	19	-	-	-	19	127405.52
Finance	4	-	1	-	5	615.23
Service	8	1	2	-	11	4555.24
Infrastructure	4	-	-	-	4	3145.99
Others	7	2	-	-	9	1957.08
<b>Total</b>	<b>42</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>48</b>	<b>137679.06</b>

<sup>5</sup> Investments include capital and long term loans.

The investment in various important sectors at the end of 31 March 2013 and 31 March 2017 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 investments of ₹ 60,927.71 crore (92.79 per cent) out of total investment of ₹ 65,660.93 crore made during the period from 2012-13 to 2016-17. The investment in the infrastructure sector had also recorded impressive growth by 256.68 per cent during this period.

### Special support and returns during the year

**1.8** The GoR provides financial support to PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and loans converted into equity in

respect of PSUs for the last three years ending March 2017 are as follows:

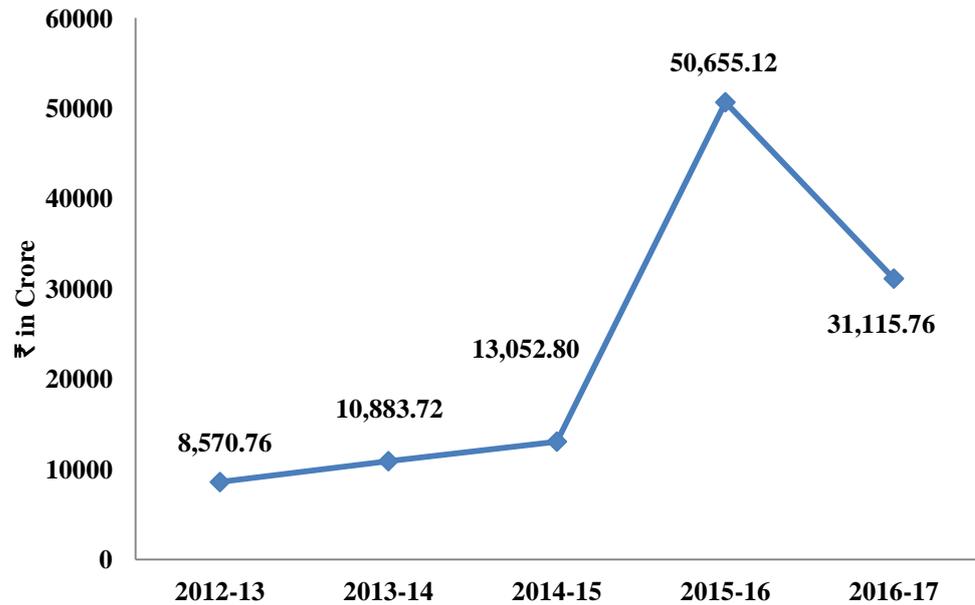
**Table 1.4: Details regarding budgetary support to PSUs**

(₹ in crore)

Particulars <sup>6</sup>	2014-15		2015-16		2016-17	
	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
Equity Capital outgo (i)	7	4371.79	6	8497.69	6	4115.71
Loans given (ii)	11	776.25	9	36568.64	7	12083.93
Grants/Subsidy provided (iii)	14	7904.76	16	5588.79	11	14916.12
Total Outgo (i+ii+iii)	18 <sup>7</sup>	13052.80	19 <sup>7</sup>	50655.12	16 <sup>7</sup>	31115.76
Loan repayment written off	-	-	-	-	2	925.14
Loans converted into equity	-	-	3	995.00	-	-
Guarantees issued	6	12066.92	7	16134.66	5	23313.85
Guarantee Commitment	9	90054.11	9	48678.03	8	46384.27

The details regarding budgetary outgo towards equity, loans and grants/subsidies for the last five years ending March 2017 are given in a graph below:

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



— Budgetary outgo towards Equity, Loans and Grants/Subsidies

The budgetary assistance by the GoR in the form of equity, loan and grant/subsidy to the PSUs had increased from ₹ 8,570.76 crore to ₹ 31,115.76 crore during the period from 2012-13 to 2016-17. The power sector was major

<sup>6</sup> Amount represents outgo from State Budget only.

<sup>7</sup> The figure represents number of companies which have received outgo from budget under one or more heads *i.e.* equity, loans, grants/subsidies.

recipient as it received 98.24 *per cent* (₹ 49,762.43 crore) and 98.33 *per cent* (₹ 30,595.90 crore) of the total budgetary outgo during the year 2015-16 and 2016-17 respectively. The budgetary assistance to the power sector during last two years was significant because the State Government provided assistance to power distribution companies in form of loan under Ujwal Discom Assurance Yojna (UDAY Scheme). Under UDAY Scheme, the three distribution Companies received loans amounting to ₹ 34,349.77<sup>8</sup> crore and ₹ 10,372.09<sup>9</sup> crore from the State Government during 2015-16 and 2016-17 respectively.

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. Outstanding guarantee commitments decreased by 34.08 *per cent* from ₹ 70,365.08 crore in 2012-13 to ₹ 46,384.27 crore in 2016-17. During the year 2016-17 guarantee commission of ₹ 380.51 crore was paid by the PSUs.

### 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 on 31 March 2017 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	40730.66	40763.74	33.08
Loans	49672.49	49321.63	350.86
Guarantees	46784.04	46384.27	399.77

Audit observed that the difference occurred in respect of 12<sup>10</sup> PSUs. The differences between the figures are persisting since last many years. The issue was also taken up with the PSUs/Departments from time to time to reconcile the differences. We, therefore, recommend that the State Government and the PSUs should reconcile the differences in a time-bound manner.

8 Ajmer Vidyut Vitran Nigam Limited (₹ 11785.86 crore), Jodhpur Vidyut Vitran Nigam Limited (₹ 10779.31 crore) and Jaipur Vidyut Vitran Nigam Limited (₹ 11784.60 crore).

9 Ajmer Vidyut Vitran Nigam Limited (₹ 3070.39 crore), Jodhpur Vidyut Vitran Nigam Limited (₹ 3569.13 crore) and Jaipur Vidyut Vitran Nigam Limited (₹ 3732.57 crore).

10 At Sl. No.-A-1, 6, 7, 9, 12, 14, 16, 25, 29, 35, B-1, and C-1 of Annexure-2.

### 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 the 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 the Legislature as per the provisions of their respective Acts.

The table below provides the details of progress made by working PSUs in finalisation of accounts as on 30 September 2017:

**Table 1.6: Position relating to finalisation of accounts of working PSUs**

Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1.	Number of Working PSUs	46	48	48	51	45
2.	Number of accounts finalised during current year	59	41	51	55	43
3.	Number of working PSUs which finalised accounts for the current year	33	27	34	37	38
4.	Number of previous year accounts finalised during current year	25	14	17	18	5
5.	Number of Working PSUs with arrears in accounts	13	21	14	12	7
6.	Number of accounts in arrears	21	29	26	20	9
7.	Extent of arrears	One to six years	One to seven years	One to eight years	One to five years	One to two years

Of the total 45 working PSUs, 40 working PSUs had finalised 43 annual accounts, of which 38 PSUs' annual account pertained to 2016-17 and remaining five annual accounts pertained to previous years. Seven working PSUs had nine accounts in arrears which had arrears in accounts since 2015-16. 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 regarding arrear in accounts.

**1.11** The GoR had invested ₹ 210.00 crore in one PSU (Loan: ₹ 150.00 crore, Subsidy: ₹ 60.00 crore) during the year 2016-17 for which accounts had not been finalised as shown 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 the PSU, therefore, remained outside the control of State Legislature.

**1.12** In addition to above, there were arrears in finalisation of accounts by Rajasthan State Agro Industries Corporation Limited as given below:

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

S. No.	Name of non-working companies	Period for which accounts were in arrears
1	Rajasthan State Agro Industries Corporation Limited	2014-15 to 2016-17

The other two non-working PSUs have forwarded their annual accounts for the year 2016-17.

### Placement of Separate Audit Reports

**1.13** Out of three working Statutory Corporations, two had forwarded their accounts of 2016-17 by 30 September 2017. The audit of accounts of one Statutory Corporation was in progress (30 September 2017).

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 on accounts of 2015-16 in respect of Rajasthan Financial Corporation had been placed (February 2017) in State Legislature and remaining two SARs are yet to be placed (30 September 2017).

### 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 2016-17 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 GDP shows the extent of activities of PSUs in the State economy. The table below provides the details of turnover of working PSUs and State GDP for a period of five years ending March 2017.

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

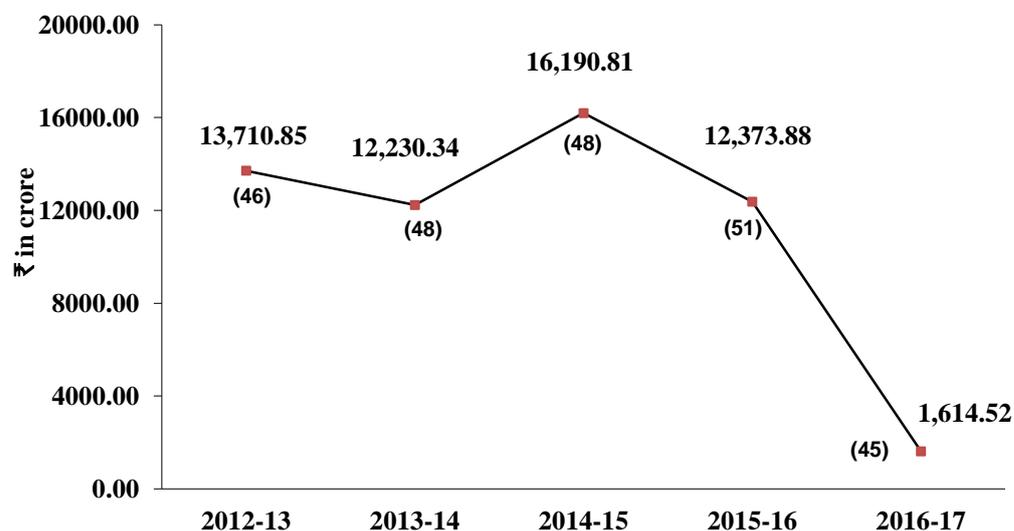
(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Turnover <sup>11</sup>	33486.33	38953.84	47914.29	54834.65	62186.43
State GDP <sup>12</sup>	493007.00	548391.00	606465.00	672707.00	749692.00
Percentage of Turnover to State GDP	6.79	7.10	7.90	8.15	8.29

The turnover of PSUs has recorded continuous increase over previous years. The increase in turnover ranged between 13.41 and 23.00 per cent during the period 2012-17, whereas increase in GDP ranged between 10.59 and 11.44 per cent during the same period. The turnover of PSUs recorded compounded annual growth of 16.74 per cent during last five years which was higher than the compounded annual growth of 11.05 per cent of State GDP. This resulted in increase of PSUs share of turnover to State GDP from 6.79 per cent in 2012-13 to 8.29 per cent in 2016-17.

**1.16** The overall position of losses<sup>13</sup> incurred by State working PSUs during 2012-13 to 2016-17 is depicted below in a chart.

**Chart 1.4: Losses incurred by working PSUs**



— Overall Losses incurred during the year by working PSUs. Figures in brackets show the number of working PSUs in respective years.

The losses incurred by working PSUs decreased from ₹ 13,710.85 crore in 2012-13 to ₹ 1,614.52 crore in 2016-17 due to decrease in losses incurred by Power Sector PSUs. According to latest finalised accounts of 45 PSUs,

11 Turnover as per the latest finalised accounts.

12 State GDP as per Economic Review 2016-17 of Government of Rajasthan.

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

23<sup>14</sup> PSUs earned profit of ₹ 1,193.49 crore, 16<sup>14</sup> PSUs incurred loss of ₹ 2,808.01 crore, six PSUs had no profit or loss. Further, out of 45 PSUs, 12<sup>15</sup> PSUs incorporated during 2006-07 to 2016-17 did not commence their commercial activities till 2016-17 (**Annexure -2**).

The top profit making companies were Rajasthan Rajya Vidyut Utpadan Nigam Limited (₹ 351.80 crore), Rajasthan State Industrial Development and Investment Corporation Limited (₹ 349.58 crore), Rajasthan State Mines and Minerals Limited (₹ 200.33 crore), Rajasthan State Ganganagar Sugar Mills Limited (₹ 56.69 crore) and Rajasthan State Warehousing Corporation (₹ 34.83 crore). While Jodhpur Vidyut Vitran Nigam Limited (₹ 1,028.68 crore), Jaipur Vidyut Vitran Nigam Limited (₹ 615.75 crore), Ajmer Vidyut Vitran Nigam Limited (₹ 336.69 crore), Rajasthan State Road Transport Corporation (₹ 492.41 crore) and Giral Lignite Power Limited (₹ 235.97 crore) incurred heavy losses. The Discoms incurred losses due to heavy transmission and distribution losses, sale of electricity to agricultural consumers at subsidised rates, etc.

**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	2012-13	2013-14	2014-15	2015-16	2016-17
Capital Employed <sup>16</sup>	35832.20	47508.98	52664.65	49508.24	63718.61
Return on Capital Employed	-5847.55	-3733.44	-5845.69	307.48	6813.04
Percentage of return on Capital Employed	-16.32	-7.86	-11.10	0.62	10.69
Debt	53503.45	63829.17	74747.68	88721.51	96207.80
Turnover <sup>17</sup>	33486.33	38953.84	47914.29	54834.65	62186.43
Debt/Turnover Ratio	1.60:1	1.64:1	1.56:1	1.62:1	1.55:1
Interest Payments <sup>17</sup>	7864.69	8498.38	10346.56	12682.80	8428.91
Accumulated Profits (losses) <sup>17</sup>	(50951.85)	(56133.11)	(83732.89)	(99343.29)	(101241.75)
Paid up Capital <sup>17</sup>	15827.72	19607.70	25410.86	36088.31	41465.19

During the last five years, the turnover of PSUs recorded compounded annual growth of 16.74 *per cent* and compounded annual growth of debt was 15.80 *per cent*. The negative return of 16.32 *per cent* on capital employed during 2012-13 transformed to positive return of 10.69 *per cent* during 2016-17 due to decrease in losses.

**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

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

15 PSUs at Sl. No.-A-2, 15, 17, 18, 19, 20, 21, 23, 26, 27, 28 and 34 of Annexure-2.

16 Capital employed is aggregate of Shareholder's fund and Long-term borrowings.

17 As per latest finalised accounts.

earned an aggregate profit of ₹ 1,193.49 crore and seven<sup>18</sup> PSUs declared a dividend of ₹ 62.79 crore which worked out to 0.15 per cent of equity capital of all the PSUs. Of 23 profit earning PSUs, 16 PSUs did not declare dividend due to accumulated losses or marginal profits, three<sup>19</sup> PSUs declared dividend higher than the prescribed limit, while two<sup>20</sup> PSUs declared dividend lower than the prescribed limit and remaining two<sup>21</sup> PSUs declared dividend as per policy.

### ***Erosion of capital due to losses***

**1.19** The capital investment and accumulated losses of the State PSUs as per their latest finalised accounts were ₹ 41,465.19 crore and ₹ 1,01,241.75 crore respectively as detailed in **Annexure-2**. Analysis of investment and accumulated losses disclosed that net worth eroded in 19 out of 48 PSUs. The capital investment and accumulated losses of these 19 PSUs were ₹ 25,219.56 crore and ₹ 99,077.80 crore respectively. Of these 19 PSUs, the net worth was primarily eroded in power sector companies like Jaipur Vidyut Vitran Nigam Limited (₹ 24,446.69 crore), Jodhpur Vidyut Vitran Nigam Limited (₹ 23,213.83 crore), Ajmer Vidyut Vitran Nigam Limited (₹ 22,829.59 crore), Giral Lignite Power Limited (₹ 329.14 crore) and Barmer Thermal Power Company Limited (₹ 13.49 crore) as detailed in **Annexure 2A**. The accumulated losses of the power sector PSUs were ₹ 1,01,239.35 crore as against the capital investment of ₹ 38,026.84 crore (**Annexure 2**). Among non-power sector PSUs, the net worth was primarily eroded in Rajasthan State Road Transport Corporation (₹ 2,830.55 crore), Rajasthan Tourism Development Corporation Limited (₹ 103.11 crore), Rajasthan State Agro Industries Corporation Limited (₹ 47.20 crore), Rajasthan Small Industries Corporation Limited (₹ 10.33 crore) and Rajasthan Skill and Livelihoods Development Corporation (₹ 7.95 crore) as detailed in **Annexure 2B**.

### **Winding up of non-working PSUs**

**1.20** There were three non-working PSUs (all companies) as on 31 March 2017 having a total investment of ₹ 27.94 crore (₹ 22.18 crore in Rajasthan State Agro Industries Corporation Limited, ₹ 4.49 crore in Rajasthan Civil Aviation Corporation Limited and ₹ 1.27 crore in Rajasthan Jal Vikas Nigam Limited.) towards capital (₹ 11.77 crore) and long term loans (₹ 16.17 crore). During the year 2016-17, one non-working PSUs *i.e.* Rajasthan State Dairy Development Corporation Limited was wound up while Rajasthan Civil Aviation Corporation Limited ceased to carry out its business activities and became a non-working PSU. 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	2012-13	2013-14	2014-15	2015-16	2016-17
No. of non-working companies	2	3	3	3	3

18 PSUs at Sl. No.-A-1, 7, 11, 12, 14, 31 and B-3 of Annexure-2.

19 PSUs at Sl. No.- A-14, 31 and B-3 of Annexure-2.

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

21 PSUs at Sl. No.-A- 1 and 11 of Annexure-2.

None of these non-working companies was under liquidation. As the non-working PSUs are not functional from last one to 17 years, the Government may take appropriate decision regarding these PSUs.

### Comments on Accounts

**1.21** Thirty six working Companies forwarded their 41 audited accounts to the Accountant General during the period from October 2016 to 30 September 2017. Of these, 32 accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG are as follows:

**Table 1.11: Impact of audit comments on working Companies**

(₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	5	85.90	5	28.74	2	0.29
2.	Increase in profit	8	121.79	6	14.24	3	3.91
3.	Increase in loss	8	3059.24	6	712.94	2	15.32
4.	Decrease in loss	2	55.54	3	203.06	2	16.82
5.	Non-disclosure of material facts	3	68.25	1	2.98	3	6.23
6.	Errors of classification	10	2738.30	6	398.16	6	266.47

During the year 2016-17, the Statutory Auditors had given qualified certificates on 17 accounts. Compliance to the Accounting Standards by the PSUs remained poor. The Statutory Auditors pointed out 29 instances of non-compliance to the Accounting Standards in 10 accounts.

**1.22** The State has three Statutory Corporations *i.e.* (i) Rajasthan State Road Transport Corporation (RSRTC), (ii) Rajasthan Financial Corporation (RFC) and (iii) Rajasthan State Warehousing Corporation (RSWC). The CAG is sole auditor in respect of RSRTC.

In case of the accounts of both RSRTC and RFC the CAG has given a not 'true and fair' certificate on the accounts of the year 2015-16. There was one instance of non-compliance with the Accounting Standards as commented by the Statutory Auditors in case of RFC for the year 2016-17.

The details of aggregate money value of the 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	2014-15		2015-16		2016-17	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	2	22.41	1	31.59	1	49.81
2.	Increase in profit	-	-	-	-	-	-
3.	Increase in loss	1	2162.57	1	2364.69	1	1658.39
4.	Non-disclosure of material facts	1	604.45	1	1819.89	1	7404.63
5.	Errors of classification	-	-	2	81.00	2	83.00

### Performance Audits and Paragraphs

**1.23** For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2017, one performance audit and 10 compliance audit paragraphs were issued to the Principal Secretaries/Secretaries of the respective Administrative Departments with request to furnish replies within four weeks. The replies on four<sup>22</sup> compliance audit paragraphs were awaited (30 September 2017) from the State Government. However, replies on 'Factual Statements' from the concerned PSUs were received and taken into account while finalising paragraphs.

### Follow up action on Audit Reports

#### *Replies outstanding*

**1.24** The Report of the Comptroller and Auditor General of India represents 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 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 from the Committee on Public Undertakings (COPU).

22 On one compliance audit paragraph each relating to Rajasthan State Road Development and Construction Corporation Limited, Rajasthan Tourism Development Corporation Limited, Rajasthan State Mines and Minerals Limited and Rajasthan State Road Transport Corporation.

**Table 1.13: Position of explanatory notes on Audit Reports  
(as on 30 September 2017)**

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
2015-16	28.03.2017	2	10	1	4

Explanatory notes on one<sup>23</sup> performance audit and four<sup>24</sup> compliance audit paragraphs are pending with four departments.

#### *Discussion of Audit Reports by COPU*

**1.25** The status of discussion of Performance Audits and paragraphs that appeared in Audit Reports (PSUs) by the COPU as on 30 September 2017 was as under:

**Table 1.14: Performance Audits/Paragraphs appeared in Audit Reports vis-a-vis discussed as on 30 September 2017**

Period of Audit Report	Number of Performance Audits/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2014-15	2	9	2	4
2015-16	2	10	-	-

The discussion on Audit Reports (PSUs) up to 2013-14 has been completed.

#### *Compliance to Reports of COPU*

**1.26** Action Taken Notes (ATNs) on one Report of the COPU presented to the State Legislature in March 2017 had not been received (30 September 2017) as indicated in the following table:

**Table 1.15: Compliance to COPU Reports**

Year of the COPU Report	Total number of COPU Reports	Total number of recommendation in COPU Reports	Number of recommendations where ATNs not received
2016-17	1	12	12

The above mentioned Report of COPU contained recommendations in respect of paragraphs pertaining to Rajasthan Tourism Development Corporation which appeared in the Reports of the CAG of India for the year 2012-13.

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

<sup>23</sup> On performance audit relating to Rajasthan State Road Transport Corporation.

<sup>24</sup> On two compliance audit paragraphs relating to Rajasthan State Mines and Minerals Limited and one compliance audit paragraph each relating to Rajasthan State Road Transport Corporation and Rajasthan State Hotels Corporation Limited.

### **Disinvestment, Restructuring and privatisation of PSUs**

**1.27** No disinvestment, restructuring and privatisation of the State PSUs took place during the year ended 31 March 2017.

### **Coverage of this Report**

**1.28** This Report contains one performance audit *i.e.* on 'Performance Audit on Procurement and Inventory Management by Jaipur Vidyut Vitran Nigam Limited' and 10 compliance audit paragraphs involving financial effect of ₹ 384.52 crore.

# **CHAPTER II**

## **Performance Audit relating to Government Companies**



## Chapter II

### Performance Audit relating to Government Companies

#### Jaipur Vidyut Vitran Nigam Limited

#### Performance Audit on 'Procurement and Inventory Management'

##### Executive Summary

*The Performance Audit covers procurement and inventory management functions of Jaipur Vidyut Vitran Nigam Limited (Company) during the period from 2012-13 to 2016-17.*

##### *Rajasthan Transparency in Public Procurement Act 2012 (RTPP Act)*

*The Government of Rajasthan (State Government) enacted (May 2012) RTPP Act and notified (January 2013) Rules there under. The Act repealed all the prevailing rules and regulations relating to procurement of goods, services and works. The Company, however, failed to revise the Purchase Manual and Standard Bid Document as per the Act/Rules.*

##### *Assessment of requirement of material*

*The selected Assistant Controller of Stores (ACOS) and selected sub-divisional stores did not follow the prescribed procedure of assessment of requirement of material. The Circle offices and the sub-divisions did not have any documents regarding work wise/sub-division wise requirement of material submitted to the Zonal Chief Engineer (ZCE). The assessment for the current year was made on the basis of previous year without considering the actual requirement. Further, the Procurement Planning and Management Committee (PPM Committee) never finalised the requirement of material before commencement of the financial year during 2012-13 to 2016-17.*

##### *Finalisation of tenders*

*The Company finalised 29 (72.50 per cent) out of 40 selected tenders beyond the stipulated time period of 120 days. The delay ranged between 4 and 589 days. Further, the concerned authority finalised these tenders without approval of the next higher authority in violation of the Purchase Manual.*

##### *Efficiency and effectiveness in procurement of material*

*The Company procured sub-standard material not conforming to the prescribed specifications valuing ₹ 83.80 crore. The Company incurred extra expenditure of ₹ 6.31 crore by purchasing material at higher rates due to acceptance of supplies even after opening of new tender with lower rates, procurement of material at unreasonably higher rates and imprudent cancellation of tenders. The Company also blocked funds of ₹ 38.84 crore by accepting supplies ahead of delivery schedule without any requirement. Further, the Company procured material without proper inspection and testing which resulted in procurement of sub-standard or inferior quality of material.*

##### *Inventory control*

*The Company did not fix the critical levels of inventory and also did not carry out either the value analysis or the movement analysis. The storage rate was also not fixed on the basis of actual expenditure incurred on the storage. The ACOS and sub-divisional stores did not maintain the record of inventory in the prescribed format. The indents submitted by the sub-divisions to all selected ACOS did not have reference of the work identification memos and the material was issued without presentation of the estimate cards. None of the selected sub-divisional stores maintained job card as per the work identification memo for each work order, transformer movement register and material estimate card for each job.*

*The Assistant Engineers violated the directions and approved the hand written indents in place of printed indents. The Storekeepers also issued material against these hand written indents.*

*The Company did not annually conduct physical verification of inventory at the ACOS and sub-divisional stores. The time period covered under physical verification of ACOS ranged between 12 and 51 months while in case of sub-divisional stores it ranged between 16 and 57 months.*

***Idle inventory, storage, excesses and shortages and theft, fire and embezzlement***

*The Company accepted surplus material of ₹8.18 crore from the turnkey contractors which remained unutilised in the stores due to lack of directions, delay in closure of contracts by the Corporate Level Purchase Committee and change in technology. The Company procured material in excess of requirement and material valuing ₹10.49 crore was lying unutilised at the ACOS and sub-divisional stores due to lack of demand from the field offices.*

*The ACOS and sub-divisional stores neither maintained records nor stacked the inventory as per directions. The stock verifiers pointed out unadjusted shortages of ₹2.28 crore and excesses of ₹2.61 crore as on March 2017 in physical verification reports of all the ACOS. Non-maintenance of prescribed records and lack of inspections, lack of control and monitoring by the competent authorities provided opportunities for embezzlement and occurrence of fire. Further, the Company did not insure the material at sub-divisional stores.*

***Recommendations***

*The Performance Audit contains six recommendations which includes (i) revision of Purchase Manual as per RTPP Act and Rules, (ii) streamlining the process of assessment of requirement of material (iii) finalisation of tenders within prescribed time frame, following procedures prescribed for tendering and award of contracts scrupulously (iv) strengthening inspection and testing procedures and ensure strict adherence to the technical specifications at the time of the supply of material by the suppliers, (v) adopting inventory control techniques and maintaining prescribed inventory records and (vi) conducting physical verification at specified intervals and taking corrective action on discrepancies reported in physical verification reports.*

## Introduction

**2.1** The electricity distribution network in Rajasthan (State) is managed by three state owned companies *i.e.* Jaipur Vidyut Vitran Nigam Limited (JVVNL), Ajmer Vidyut Vitran Nigam Limited (AVVNL) and Jodhpur Vidyut Vitran Nigam Limited (JdVVNL).

The distribution network needs continuous augmentation with growing demand of electricity and addition of new consumers. Further, the existing system needs regular operation and maintenance (O&M) and replacement of old equipment. The distribution companies (DISCOMs) are also required to maintain a robust distribution network to ensure regular supply of electricity to the people of the State. Maintaining a large and an efficient electricity distribution network requires huge outlay of funds. Economy, efficiency and effectiveness in procurement and management of inventory minimise unwarranted procurement of material, blockage of funds in idle inventory and inventory carrying cost.

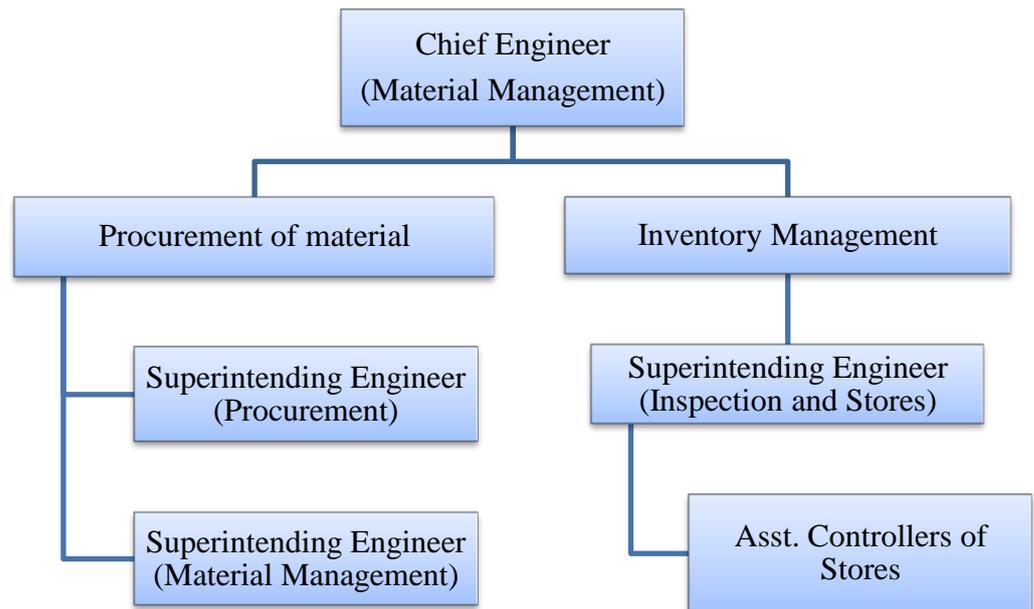
**The Committee on Public Undertakings (COPU) of Rajasthan Vidhan Sabha in a meeting (14 July 2016) observed that the DISCOMs were incurring huge losses due to pilferage, theft and non-utilisation of material. The COPU suggested (25 July 2016) audit of the inventory management system of DISCOMs with emphasis on storage of material/equipment at the stores and sites, utilisation of material and disposal of scrap/obsolete material.**

The present Performance Audit was conducted (November 2016 to May 2017) in respect of the JVVNL (Company) considering the views and suggestions of COPU, huge investment in procurement of material and high risk involved in management of inventory. The Company was selected because it had the largest consumer base (36.26 *per cent*) in the State and maximum expenditure (₹ 4,619.49 crore) on procurement of material among the three DISCOMs during the last five years ending March 2017. Further, the Company acted as nodal agency for purchase of material for the three DISCOMs during the period 2012-17.

### ***Procurement and Inventory management functions***

**2.2** The procurement and the management of inventory in the Company are carried out by the Material Management Wing (MM Wing) headed by the Chief Engineer. The MM Wing has three Circles: Material Management Circle, Procurement Circle and Inspection and Stores Circle. The Material Management and the Procurement circles are entrusted with the task of finalisation of requirement and purchase of material. Inspection and Stores (I&S) circle is engaged in the task of management of stores, testing of material, inspection of stores and disposal of scrap by way of auction.

The Assistant Controllers of Stores (ACOS) under the control of Superintending Engineer (I&S) are entrusted with the task of receipt of material, issue of material to field offices and collection and disposal of scrap material. The sub-division offices also maintain their own stores and obtain material from the ACOS. The sub-divisional stores are maintained by the Storekeepers who report to the Assistant Engineer of the sub-division.



The technical standards and commercial specifications of all the items to be procured are common among the three DISCOMs and are finalised by a Technical and Commercial Specifications Committee<sup>1</sup>. Purchase cases upto ₹ 50 lakh are decided by the Superintending Engineer (SE) Level Purchase Committee. Tenders having financial implication of more than ₹ 50 lakh and upto ₹ 1.50 crore are decided by the Chief Engineer (CE) Level Purchase Committee. The purchase cases valuing more than ₹ 1.50 crore are decided by the Corporate Level Purchase Committee<sup>2</sup> (CLPC) which is headed by the Managing Director of the Company.

### Scope of Audit

**2.3** The Performance Audit covered the procurement and inventory management functions of the Company during the period from 2012-13 to 2016-17. Audit scrutiny involved detailed review of 40 high value<sup>3</sup> tenders out of a total of 353 tenders in the CE (MM) office. These high value tenders (₹ 1,814.75 crore) comprised 39.28 *per cent* of the total purchases (₹ 4,619.49 crore) made by the Company during 2012-17. The inventory management function was reviewed in four (Jaipur City Circle, Jaipur District Circle, Alwar and Kota) out of 13 offices of ACOS. The four ACOS offices were selected on the basis of highest consumption of inventory during 2012-17.

1 CEs/Dy. CEs (Purchase Cell) of JVVNL, AVVNL and JdVVNL; CE (O&M)/ Zonal CE, JVVNL; Chief Accounts Officer (Internal Audit), JVVNL; and SE (MM/Procurement), JVVNL.

2 The other members of the committee were Director (Finance), Director (Technical), CE (MM) and Zonal CE (Jaipur Zone). The concerned SE (MM)/SE (Procurement) and CAO (Financial Management, Ways and Means) were also associated during discussion.

3 The value of tenders ranged between ₹ 1.55 crore and ₹ 245 crore.

### **Audit Objectives**

- 2.4** The Performance Audit was conducted to assess whether:
- there was an adequate system for assessing the requirement of material
  - the procurement of inventory was economical, efficient and effective
  - the inventory management system of the Company was scientific and effective and
  - the system for physical verification of inventory was adequate and disposal of obsolete/scrap items was done in time.

### **Audit Criteria**

- 2.5** The audit criteria for achieving the audit objectives were derived from the following sources:
- Purchase Manual, Stores Manual and office orders/circulars relating to procurement and management of inventory
  - general conditions of contracts, terms and conditions of tender agreement and work order/purchase orders
  - budget and agenda and minutes of various committees involved in procurement of material
  - Rajasthan Transparency in Public Procurement Act, 2012 (RTPP Act, 2012) and RTPP Rules, 2013 and
  - management information system and other relevant records of the Company.

### **Audit Methodology**

- 2.6** The methodology adopted for attaining audit objectives with reference to audit criteria consisted of:
- explaining audit objectives, scope of audit and audit criteria to the Government/Company during entry conference (February 2017)
  - scrutiny of records at the Head Office of the Company, Material Management Wing and selected ACOS
  - raising audit queries and interaction with the management
  - issue (July 2017) of draft Performance Audit Report to the Government/Company for comments and replies thereon and
  - discussion with the Government/Company on the audit findings during exit conference held on 6 September 2017.

## **Acknowledgement**

2.7 We acknowledge the co-operation extended by the Company and its field offices in providing the necessary records for the conduct of this audit. We discussed the audit objectives and scope of the Performance Audit in an entry conference with the Government and Company on 8 February 2017 and an exit conference was held on 6 September 2017. The views of the Government and Management during exit conference have been incorporated in the Report along with reply (23 August 2017) on the draft Performance Audit Report.

## **Audit findings**

2.8 The audit findings broadly cover issues relating to implementation of RTPP Act/Rules, procurement of material and management of inventory at the level of ACOS and sub-divisional stores.

## **Implementation of RTPP Act 2012**

2.9 To regulate procurement and stores related functions, the Company continued to follow the Purchase and Stores Manual of *erstwhile* Rajasthan State Electricity Board (RSEB) which was unbundled into five companies in July 2000. The Company amended the Purchase Manual from time to time.

The State Government enacted (22 May 2012) RTPP Act, 2012 and notified (January 2013) RTPP Rules, 2013 to regulate public procurement. The RTPP Act, 2012 is applicable to all the State Public Sector Enterprises owned or controlled by the State Government (Section 3 of the Act). Rule 86 of the RTPP Rules, 2013 repealed all the rules and regulations relating to procurement of goods, services or works from the date of commencement of Rules to the extent they were covered by these Rules. Section 56 of the Act allowed the Company to issue guidelines, procedures, general forms, standard specifications and manuals conforming to the provisions of the Act/Rules. Further, all the guidelines issued by a procuring entity under Section 56 were required to be laid before the State Legislature.

The DISCOMs Co-ordination Forum directed (January 2014) the DISCOMs to review the Purchase Manual and ensure that procedures stipulated therein were in consonance with the provisions/clauses of the RTPP Act/Rules. The Purchase Manual was, however, not revised and therefore, the DISCOMs requested (April 2016) the State Government to allow relaxation in certain conditions. The approval of State Government was, however, awaited (May 2017).

Subsequently, the Chairman DISCOMs constituted (8 August 2016) a committee to prepare/revise the Purchase and Stores Manual along with Standard Bid Document. The Purchase Manual, Standard Bid Document and Store Manual were, however, not revised (August 2017) as per the RTPP Act/Rules.

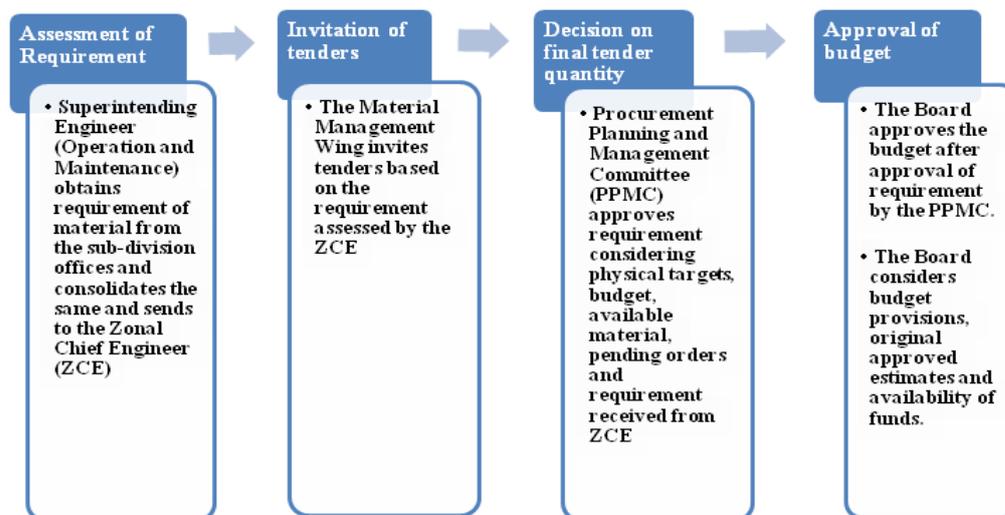
The Government in reply and during exit conference stated that the revision of Purchase Manual was in the final stage and revised manual would be implemented during 2017-18.

### Procurement of material

**2.10** There were shortcomings in assessment of requirement of material and non-adherence to the prescribed procedures of Purchase Manual, cases of purchase of material not conforming to the specification, uneconomical purchase of material, accepting material ahead of delivery schedule and procurement of material without proper testing and inspection. Audit scrutiny disclosed these shortcomings in 31 (77.50 per cent) out of 40 selected tenders involving money value of ₹ 164.54 crore as discussed below:

### Assessment of requirement of material

**2.11** The assessment of requirement of material is guided by the Stores and Purchase Manual. The Stores Manual requires the Company to prepare firm annual estimates in respect of centrally procured items. The Purchase Manual provides that item-wise annual requirement shall be finalised by the 'Procurement Planning and Management (PPM)' Committee<sup>4</sup> on commencement of the financial year. The PPM Committee for assessing the requirement of material should keep in view the physical targets, budget provisions, stock position, physical balance available in the stores and at site, quantity awaited against pending orders and part quantity for subsequent year based on normal procurement and lead time. The actual process of assessment of requirement of material and its approval is shown below:



The Chairman DISCOMs issued (February 2014) detailed guidelines for assessment of requirement of material. The directions inter alia provided for work wise and month wise assessment of requirement of material at sub-divisional level. The sub-divisional requirement is to be compiled and

<sup>4</sup> The members of the committee were SE (MM), SE (Procurement), CAO (WM & FM), CE (MM), SE (Plan) and CE (Jaipur Zone).

reviewed at circle level. The circle wise requirement was to be further compiled by Zonal CE (Jaipur Zone) and informed to PPM Committee. The whole assessment was to be need based and driven by the available budget.

Review of records at selected ACOS and test check at 21<sup>5</sup> sub-divisional stores under the selected ACOS disclosed that the prescribed procedure for assessment of requirement of material was not followed. The Circle offices and the sub-divisions did not have any documents regarding work wise/sub-division wise requirement of material sent to the Zonal CE. In absence of work wise/sub-division wise assessment sheets/documents, we could not ensure:

- the adequacy of requirement of material assessed by the Zonal CE for sub-division wise operation and maintenance works and
- whether the operation and maintenance works/augmentation of distribution network were hampered due to shortage of material.

We noticed that quantities intimated by the Zonal CE (Jaipur Zone) for the year 2013-14 in respect of 229 out of total 261 items for deposit works, new works and augmentation works for 11 kV and low tension, repair and maintenance, cable network and other miscellaneous works for urban focus programme were the same as that of previous year. Similarly, the quantities intimated for the year 2015-16 for these works were same as that of 2014-15 in respect of 211 out of 253 items.

This shows that requirement of material was not received from the field offices and assessment for the current year was made on the basis of previous year without considering the actual requirement of material for ongoing works.

Thus, the material tendered by the CE (MM) based on the requirements of Zonal CE was on *ad hoc* basis, and therefore, not indicative of the actual requirement of field offices. Further, it could be seen that the Company invited tenders prior to the firming up of requirement by the PPM Committee.

The Government accepted the facts and stated that the PPM Committee approved the requirement as per past consumption pattern to avoid delay in floating the tenders. It was further stated that the detailed requirement as per the guidelines of Chairman DISCOMs was being obtained and processed for finalisation of requirement in time for the year 2017-18 and 2018-19.

### ***Improper approval of requirement of material***

**2.11.1** The PPM Committee approved the tendered quantities during 2015-16 and 2016-17 instead of approving the actual requirements as per the procedure prescribed in Purchase Manual and directions issued (February 2014) by the Chairman DISCOMs. This led to approval for purchase of

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5 (i) Bhankrota, (ii) Jaipur D-III, (iii) Shahpura, (iv) Chomu A1, (v) Sambhar, (vi) Dudu, (vii) Thanagaji, (viii) Kotputli, (ix) Chaksu, (x) Bassi, (xi) Bhiwari, (xii) Rajgarh, (xiii) Neemrana, (xiv) Bansur, (xv) Malakhera, (xvi) Laxmangarh, (xvii) Kotkasim, (xviii) Alwar-A II, (xix) Kota Rural, (xx) Itawa, and (xxi) Chechat.

6.20 lakh units of eight<sup>6</sup> items valuing ₹ 70.13 crore in excess of requirement during 2015-16. The Zonal CE had indicated excess availability (2.40 lakh units) of these items in the stores. Further, during 2016-17, the PPM Committee approved requirement of 0.52 lakh quantity of nine<sup>7</sup> items valuing ₹ 138.17 crore despite the fact that actual requirement for these items was nil. This led to purchase of excess material as discussed in case 3 of Annexure 5.

The Government accepted the facts that the PPM Committee approved the quantities in excess of the requirement but subsequently some items were not purchased or the NIT was dropped.

**2.11.2** The Stores Manual provide for maintenance of buffer stock to cater to emergent requirements and guard against late deliveries of material. Further, the Purchase Manual provided that part quantity for subsequent year based on normal procurement and lead time of supply should be added while approving the requirement. The Company normally added *15 per cent* quantity for spillover works and *25 per cent* quantity for the first quarter of the next financial year. We noticed that:

- The PPM Committee while assessing requirement for the year 2013-14 did not add *15* and *25 per cent* quantities for spillover works and first quarter of the next financial year respectively in respect of 39 items
- During 2014-15, the PPM Committee did not add *25 per cent* quantity for first quarter of the next financial year in respect of 166 items. Further, no quantity was added for spillover works and first quarter of the next financial year in respect of four items.

Thus, there was no uniformity in approval of requirement of material by the PPM Committee. Further, there were no recorded reasons for not adding the quantities for spillover works and first quarter of the next financial year in respect of these items.

The Government stated that during 2014-15, the Company finalised the requirement in the month of May 2014 and hence it was based on actual/realistic basis. The reply was not convincing because the assessment made by the Company did not show adequate availability of these items in the stores. The Government/Company did not respond about assessment during 2013-14.

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6 GI Pins of 11 kV (3,26,437 units); GI pin LT (2,79,261 units); 11 kV CT/PT 200/5 (1,824 units); 11 kV CT/PT 50/5 (500 units); 11 kV CT/PT 15/5 (1,000 units); 12 kV O/D VCB kiosks (2,000 units); LT distribution box U/G cable 100 ampere (3,000 units); Surge Arrestors 11 kV ST type (6,000 units).

7 Four core LT cable 185 sq. mm (200 KM); Four core LT cable 120 sq. mm (100 KM); Four core LT cable 95 sq. mm (100 KM); Control cable 4C X 4 sqm. (25 KM); Control cable 6C X 4 sqm. (25 KM); Special meters HT TVM (3,780 units); LT TVM meters (4,270 units); 11/0.4 kV DTs (29,385 units); Safety shoes (14,535 units).

**Finalisation of requirement of material**

**2.11.3** The requirement finalised by the PPM Committee and actual purchases made by the CE (MM) during the period from 2012-13 to 2016-17 were as follows:

(₹ in crore)

Year	Requirement approved by PPM Committee		Actual purchase	(Shortage)/excess purchases than the requirement approved
2012-13	1132.53	1 June 2012	980.85	(151.68)
2013-14	1366.20	13 July 2013	1077.12	(289.08)
2014-15	972.72	6 August 2014	852.50	(120.22)
2015-16	1060.32	9 June 2015	884.57	(175.75)
2016-17	878.02	1 June 2016	824.45	(53.57)

It could be seen that the PPM Committee never finalised the requirement of material before commencement of the financial year during 2012-13 to 2016-17 as prescribed by the Purchase Manual. The requirement of material was finalised 62 to 128 days after the commencement of the financial year. The actual purchases were less than the approved requirements.

The Government stated that delay in finalising the requirement by PPM Committee was due to continuous process of procuring and issuing material. The requirement, therefore, could not be finalised at a point of time as the supplies were continually made. It was further stated that being a public utility, the requirements were finalised keeping in view the sponsored schemes of the government and other exigencies of local self government. The fact remained that the Company could not develop a system of finalising the requirement of material as prescribed in the Purchase Manual.

Our scrutiny of records disclosed deficiencies in assessment of requirement of material. Illustrative cases are discussed below:

**Procurement of cable without assessment of realistic requirement**

**2.11.4** The Company assessed requirement and procured armoured power cable<sup>8</sup> as detailed below.

Particulars	Assessment/finalisation/orders placed	Supplies received
Chief Engineer (MM) assessed the requirement of cable for the year 2014-15 based on the requirement intimated (December 2013) by Chief Engineer (O&M), Jaipur Zone and R-APDRP <sup>9</sup> works	750 KM	
Requirement finalised (August 2014) by the PPM Committee	187 KM	
Company placed (July 2015) purchase orders under TN 4493 and received supplies	395 KM	355.98 KM
Company also opened (August 2015) a new tender (TN 4522) and placed (November 2015) purchase orders and received supplies (May 2016)	350 KM	88.05 KM

8 11 kV, 3C X 120 XLPE armoured power cable.

9 Re-structured Accelerated Power Development and Reforms Programme.

We noticed that the Company deferred (May 2016) the pending supplies under TN 4493 and TN 4522 considering adequate availability of stock (248.32 KM as on 20 April 2016) to meet requirements for the year 2016-17.

We observed that:

- the assessment of requirement was not realistic as PPM Committee assessed requirement of only 187 KM while the CE (MM) assessed the requirement of 750 KM for the year 2014-15. Further, there was no relation between assessment and procurement as tenders were invited for 395 KM without any basis. The Company also advanced the delivery schedule of TN 4493 and placed purchase orders under a new tender (TN 4522) without any requirement
- the Company had stock of 170.62 KM as on 31 March 2017 which was sufficient to meet requirements for next 14 months (11.86 KM per month based on the consumption pattern of 2015-16)
- the Company stockpiled cable without any requirement as out of 444.03 KM cable procured during 2015-16 and 2016-17, only 273.40 KM could be utilised by March 2017.

The procurement of cable without requirement resulted in blocking of funds of ₹ 9.15 crore against 170.62 KM cable besides deterioration in quality and lapse of guarantee period which was 18 months from the date of supply.

The Government stated that the balance quantity was deferred considering the consumption pattern, available stock and quantity under inspection. Further, no subsequent NIT was floated for this item. The fact remained that the Company stockpiled cable due to unrealistic assessment of requirement. Further, the stock was lying unutilised despite cancellation of subsequent tendered quantities.

#### ***Incorrect assessment due to non-consideration of ground balances***

**2.11.5** The Company procured 33 kV HT XLPE 3C X 300 sqm power cable as follows:

TN 4267 (February 2011 to June 2011)	345 KM
TN 4375 (February 2013 to March 2014)	276 KM
TN 4400 (December 2013)	67.11 KM

The Company considering adequate stock position of cable deferred (March 2014) the supply of 223.89 KM under TN 4400. The SE (Procurement) apprised (September 2015) the CLPC that consumption of cable was only 19.13 KM during 2014-15 and there was closing balance of 105 KM in various stores which was sufficient for more than two years. Accordingly, the CLPC cancelled (September 2015) the deferred supplies.

We observed that:

- the Company overestimated the requirement of cable due to non-consideration of ground balances (material supplied to field offices) which resulted in excess purchase of material under TN 4375 and 4400. The ACOS had closing balances of 12.15 KM, 109.95 KM,

105.94 KM, 70.17 KM, and 2.34 KM cable in the last five years ending March 2017.

- the sub-divisional stores also did not utilise the cable issued to them. Even nine sub-divisions of only two Circles (Kota and Jaipur City Circle) were holding balances ranging between 73.46 KM and 99.26 KM during 2012-13 and 2015-16.

Thus, improper assessment of cable led to excessive purchase in 2012-14 causing blockage of funds of ₹ 6.83 crore and likely deterioration in quality of unutilised cable. The material would meet the requirement for the next four years. The guarantee period of the cable also expired as it was 18 months from the date of supply.

The Government/Company during exit conference stated that such instances were inevitable in absence of computerisation. The Government emphasised upon the need to implement Enterprise Resource Planning (ERP) to deal with such shortcomings and informed that ERP will be in place by the end of 2017-18.

## **Finalisation of tenders**

**2.12** Out of 40 selected tenders, there were delays in finalisation of 29 tenders and in nine tenders the Company did not adhere to the prescribed procedure of counter offer as detailed below:

### ***Delay in finalisation of tenders***

**2.12.1** Clause 22.8 of the Purchase Manual provided a maximum time period of 120 days for finalisation of purchase cases from the date of opening of tenders till placement of letter of intent/purchase order. An additional time period of 20 days could be allowed in cases requiring site inspection for assessing firm's capability and sample testing by Meter and Protection Wing. If any tender is not finalised by the concerned authority within the prescribed time period then the same would have to be approved by the next higher authority. The concerned authority has to mention reasons for non-finalisation of tender within the stipulated time period while recommending tender to the next higher authority.

Rule 40 of the RTPP Rules 2013, notified by the State Government, provides a maximum time period of 70 days for finalisation of a tender. The Rule further provides that the bids would be submitted to the next higher authority for decision in case the authority responsible failed to finalise the tenders within the stipulated time period.

Review of 40 selected tender cases disclosed that the Company finalised 29 tenders beyond the stipulated time period of 120 days. The delay in finalisation of tenders ranged between 4 and 589 days. Further, the concerned authority violated the Purchase Manual and RTPP Rules by finalising these tenders without approval of the next higher authority. In two cases delay in finalisation of tenders for purchase of meters led to additional financial burden of ₹ 2.14 crore on the Company due to repeat orders or due to not invoking the

price fall clauses as discussed below.

Particulars	Case 1: TN 2149	Case 2: TN 2158
Tenders opened in	November 2011	June 2012
Samples of meters of the qualified bidders sent for testing at Laboratory	December 2011 <sup>10</sup>	August 2012 <sup>11</sup>
Testing reports received	July and October 2012	April 2013
Time gap between sending and receipt of reports	7 and 10 months	8 months
Price bid opened	February 2013	December 2013
Issue of purchase orders	February 2013	May 2014
Time gap between opening of tender and issue of purchase orders	14 months	22 months

We noticed that the rates under the new tenders were lower than the ongoing tenders (TN 2097 and TN 2151 respectively). As a result of delay in finalisation of tenders:

- Case 1: The Company had to place (May 2012) an additional purchase order for 15,714 meters under previous tender (TN 2097) which caused an extra expenditure of ₹ 1.21 crore.

The Government stated that regular pursuance was made by the Company to expedite the testing of meters and there was no delay on the part of the Company.

- Case 2: The Company could not impose price fall clause and had to accept supplies at higher rate under the ongoing tender (TN 2151) which caused an extra expenditure of ₹ 93.44 lakh. It is pertinent to mention that the suppliers under the ongoing tender and the new tender were same.

The Government stated that in view of availability of stock, the process was on hold as per directions of higher authorities. The reply was not convincing as the Company could have deferred the supplies after opening of price bids.

#### ***Non-adherence to the prescribed procedure of counter offer***

**2.12.2** The Company amended (April 2012) the procedure of negotiation and counter offer to the bidders prescribed in the Purchase Manual. The amended procedure provided that the competent authority may negotiate with the L1 firm and seek reduction in prices to the extent possible. The offer of L1 firm should be approved unless the competent authority felt that the price tendered by the L1 firm was higher than the estimated rates which were worked out on the basis of updated prices of ongoing works/recent past tenders, ongoing works/contracts awarded by other DISCOMs of the State in recent past, etc. In case of un-satisfactory reduction in rates by the lowest bidder even after negotiation, the competent authority could counter offer the rates to other eligible bidders.

10 Electrical Research and Development Association, Vadodara.

11 Central Power Research Institute, Bengaluru.

We noticed that in nine<sup>12</sup> out of 40 selected tenders, the Company did not counter offer the estimated rates to other eligible bidders after rejection of counter offer by the lowest bidder. The Company offered higher prices to the lowest bidder instead of exploring possibilities for awarding purchase orders at the estimated rates to other eligible bidders. The higher prices accepted by the lowest bidders were then offered to other bidders.

The Company by adhering to the prescribed procedure of negotiation and counter offer, could have saved an amount upto ₹ 9.61 crore (**Annexure-3**) at the time of awarding tenders.

The Management during exit conference stated that the Company had to give counter offer at a reasonable rate otherwise it ran the risk of cancellation of tendering process as the Company could only give counter offer just once. The Government, however, opined that the Company should propose its counter offer of the estimated prices to all the bidders.

### **Efficiency and effectiveness in procurement of material**

#### ***Procurement of material not conforming to the specifications***

**2.13** The technical committee finalises technical parameters/specifications of the material suitable for the existing distribution network. The technical specifications of various type of material are included in the tender documents and purchase orders. The suppliers were required to ensure that the material conformed to the prescribed specifications. Further, the Company was also required to ensure that supplied material conformed to the prescribed specifications through inspection and testing of material.

Procurement of sub-standard material or material not conforming to the prescribed specifications were noticed in six out of 40 tenders selected for detailed scrutiny of records. These cases disclosed purchase of sub-standard material valuing ₹ 83.80 crore as discussed below:

#### ***Supply of defective three phase meters***

**2.13.1** The Company issued (March 2013) purchase orders (TN 2156) on Genus Power Infrastructure Limited for supply of 19,660 three phase<sup>13</sup> energy meters along with meter box having optical port communication facility at the rate of ₹ 2,565 per meter. Another purchase order under TN 2157 was also issued (March 2013) to Genus Innovation Limited for supply of 80,000 three phase<sup>14</sup> meter with optical port and low power radio communication facility at the rate of ₹ 2,990 per meter. Clause 19 of the purchase orders provided that the meters declared defective by the Company or the meter testing laboratory would be replaced by the supplier to the fullest satisfaction of the Company within 45 days of intimation.

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12 TN Number 2181, 4364, 2169, 4377, 2163, 2218, 2180, 2176 and 4407.

13 AC static three phase four wire 10-60 ampere rating whole current class 1.0 accuracy KWH energy meters with backlit LCD display along with meter box having optical port communication facility.

14 Three phase four wire 10-60 ampere rating with backlit LCD display with poly carbonate meter case without meter box with optical port and low power radio communication facility.

The terms and conditions of both the tenders required the suppliers to submit type test certificates for all tests as per IS:13779-1999/relevant IEC standard (latest amendments). The type tests/additional type test certificates had to be issued by any one of the standard laboratories such as National Physical Laboratory/Electronic Regional Test Laboratory/CPRI (NABL accredited for particular equipment/ test).

The meters offered by the suppliers were also required to pass the specified tests at the bidding stage and before commencement of the supplies. The bulk supplies were to be accepted only after approval of pre-commencement sample. Further, samples from each lot/sub-lot were subject to different type of tests at the Central Testing Laboratory of the Company.

We noticed that meters supplied by both the firms passed the prescribed tests at different stages of tender and accordingly the Company accepted the tendered supplies of meters. The field offices also installed the meters at the consumer's premises. However, the field offices observed (February 2016) some peculiar deficiencies in the meters supplied by both the firms with regard to recording of consumption of energy. It was noticed that the meters became defective at a certain point of reading and whenever there was any interruption in supply, the meters automatically reversed to that point of reading at which it became defective. The memory register of the meter, therefore, failed to record the consumption of energy after a certain point of reading due to supply failure. However, the behavior of meters was normal and accuracy was found within the prescribed limits in case of continuous supply of electricity.

The Company investigated (May 2016) the issue and confirmed the peculiar behavior of meters. The SE (Meter and Protection), therefore, recommended that all the meters supplied by the firms should be replaced as the peculiar behavior of meters might cause financial loss to the Company. The Managing Director also directed (July 2016) to replace all the meters if the defect was established and accepted by the firm. The legal wing of the Company also opined (July 2016) that meters tested by the Meter and Protection (M&P) Wing had shown peculiar behaviour. As testing of each and every meter at site was a time consuming exercise it would, therefore, be appropriate that all meters supplied by the firms under TN 2156 and 2157 should be taken out from the circuit on priority to avoid any revenue loss and the firms should be directed to replace all meters.

The matter was intimated (March 2016) to the firms but the Company never issued any direction for replacement of the meters procured under the tenders as advised by SE (M&P) and legal wing. The firms during a meeting held (July 2016) at the level of Managing Director, however, assured to replace only the defective meters lying in the stores.

As of March 2017, Genus Innovation Limited and Genus Power Infrastructure had replaced (September 2016) only 5,000 meters against the 99,660 meters supplied.

This indicates that the testing procedures failed to ensure accuracy of meters as per prescribed specifications as the defective meters were stated to have passed all types of tests at different intervals. Further, the Company failed to ensure replacement of all the meters despite establishing peculiar type of

defect in the meters. The Company did not remove the defective meters procured at a cost of ₹ 28.96 crore and was incurring losses due to non-recording of energy consumed by the consumers.

The Government accepted the facts and stated that as per decision taken (30 May 2017) in the Senior Officers meeting of the Company, all the SEs (O&M) had been directed to ensure replacement of all three phase meters supplied under TN 2156 and 2157.

### ***Purchase of meters of obsolete technology***

**2.13.2** The Financial Restructuring Programme, 2012 (FRP) of the State Government required the Company to install prepaid meters for all defaulter consumers (Government and large consumers like PHED<sup>15</sup>) by March 2013.

The Company invited (April 2012) tenders wherein HPL was the L1 bidder and it offered common meters for both (10-60 and 20-80 Ampere) type of ratings. It clarified that offered meters fulfilled the criteria of both types of rating as per the requirement of the Company. The CLPC decided (28 August 2014) to place purchase orders on HPL (lowest bidder) for 42,000 meters at a negotiated price of ₹ 6,765 per meter. A member of the Common Purchase Committee, however, felt that HPL lacked experience and hence the case should be placed before the Board of Directors. The CLPC, however, cancelled (12 September 2014) the tender on the ground of non-competitive prices. As such the case was not placed before the Board for decision.

The Company opened (February 2015) a new tender<sup>16</sup> with relaxed criteria (minimum supplied quantity in past) to secure competitive prices and broader participation of bidders. HPL was again the L1 bidder for both (10-60 and 20-80 Ampere) types of rating at unit rate of ₹ 10,440. The meters offered by the HPL were same as that of previous tender. The Company carried out (August 2015) negotiations with the bidders and placed purchase orders on all the three qualified firms for supply of 43,883<sup>17</sup> meters at negotiated rate of ₹ 9,500 per meter. HPL completed supplies of 12,849 meters to the Company by February 2016.

The Company, thus, purchased the meters at an extra expenditure of ₹ 3.51 crore as the meters were same in both the tenders.

Review of records further disclosed that the meters could not be commissioned because (i) the PHED connections were installed in super transformers, (ii) the box of the transformer was welded, (iii) there was lack of directions for installing customer interface units and (iv) there were space constraints in PHED meter boxes. The problems could not be resolved and as of May 2017 only 2,366 out of 12,849 prepaid meters could be installed. The remaining meters were lying (May 2017) in various stores of the Company.

Audit scrutiny disclosed that prepaid meters were installed at PHED and 30 days' grace period was allowed to recharge the meters. However, the meters

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15 Public Health and Engineering Department (PHED) is responsible for water supply in the State and is one of the largest defaulter consumers.

16 TN 2297.

17 HPL supplied 12,849 meters to the Company, Secure Meters supplied 14,334 meters to AVVNL and Genus Power supplied 16,700 meters to JdVVNL.

did not have online communication feature for re-charging. This resulted in automatic disconnection of electricity supply after the originally charged amount was exhausted. This created unrest among the public due to non-supply of water.

The issue was discussed in the State Government and it was decided (February 2016) that prepaid meters should not be installed at PHED. The SE (IT) was directed to ensure suitable modifications in the software of the meters. The Company requested (March 2016) HPL for necessary modification in the software, installation of external modem with the meter, installation of server to provide online meter reading, SMS facility, etc. HPL replied (March 2016) that necessary modifications would be at an additional cost and submitted (June 2016) financial proposal to the Company.

The CLPC discussed (August 2016) the issue and observed that reasonability of the price demanded by HPL could not be ascertained in absence of any past example from any other utility. The committee formed (July 2016) to examine the justification and methodology for installing prepaid meters also observed (August 2016) that prepaid meters had not yielded the desired results and the meters were of obsolete technology. This committee also opined that there was no need for further investment on these meters on the basis of cost benefit analysis.

The Government stated that the scope of works for supply in new tender also included installation and commissioning of meters which increased the cost of meters in new tender. Further, the matter of installation of prepaid meters at temporary connections was under consideration. The Company was also trying to install the prepaid meters for the consumers of other categories and the purpose of procurement of these meters as per FRP scheme 2012 would be achieved. The reply was factually incorrect as the Company awarded the work of installation and commissioning of meters through a separate work order which had not been added to the cost of TN 2297. Thus, an amount of ₹ 12.21 crore was spent on procurement of meters of obsolete technology. Further, the Company could not install these meters (August 2017) to achieve the objectives of FRP 2012.

#### ***Purchase of Ring Main Units in deviation from the approved specifications***

**2.13.3** The Company placed (July 2015) purchase orders<sup>18</sup> for procurement of SCADA<sup>19</sup> compatible Ring Main Units (RMUs) as below:

Schneider Electric Infrastructure Limited Jaipur	371 RMUs of two pound	₹ 3.39 lakh per unit
Crompton Greaves Limited, Nashik	742 RMUs of two pound	₹ 3.39 lakh per unit

**The procurement of RMUs was subject to the condition that signals required for SCADA compatibility should be as per specifications intimated by the Information Technology (IT) Wing of the Company to the SCADA implementing agency (Dongfang Electronics Company Limited).**

18 TN 2292.

19 Supervisory Control and Data Acquisition.

### **Schneider Electric Infrastructure Limited**

We noticed that RMUs were not transmitting 10 types of signals covered in the approved list of signals. The SCADA implementing agency was unable to connect and configure these signals with the SCADA system due to non transmission of digital input/output signals by the RMUs. The issue was apprised (June 2016) to the firm but the firm neither took any action to rectify the defects nor replied to the queries of the Company. After several reminders (July 2016 to September 2016) the firm merely replied (October 2016) that the RMUs were as per the approved drawing and specifications.

The Company simply relied on the reply of the firm without any verification/testing and opinion from the SCADA implementing agency. As of March 2017, the RMUs procured from the firm could not be integrated with the SCADA system.

### **Crompton Greaves Limited**

The inspecting officer in his report (January 2016 for Lot IV) pointed out deviation from the Guaranteed Technical Parameters (GTP). The deviation was that the protection current transformer (CT) was installed on a separate mounting plate instead of direct mount on bushing. The firm replied (February 2016) that protection CTs were mounted on the back plate inside the cable box for better accessibility and ease of maintenance. The firm further intimated that all RMUs under the tender till now had been supplied with the same CT arrangement. The SE, Jaipur City Circle (JCC) reported (February 2016) that it was not possible to conclude whether RMUs supplied by the firm with such a CT arrangement fully met the requirement of SCADA because the RMUs were not still functional at SCADA. He also mentioned that technical viability of the RMUs should be verified by the Technical Specification Approval Committee.

The Company, however, decided (February 2016) to accept the supplies on the grounds that no difficulty was observed in the installed RMUs with such a CT arrangement. Further, the drawings of the RMUs were revised at the level of CE (MM) as per the CT arrangement of RMUs supplied by the firm. The field officers, however, observed that the possibility of damage of CT could not be ruled out during operation. The Company accepted supplies of RMUs with the condition of supply of 15 extra sets of protection CTs for emergency. The technical viability of the RMUs was, however, not verified by the Technical Specification Approval Committee.

The Company, thus, purchased 371 RMUs valuing ₹ 12.58 crore from Schneider Electrical Infrastructure without ensuring technical viability as these could not be integrated with the SCADA. Further, the purchase of 742 RMUs valuing ₹ 25.16 crore from Crompton Greaves was made in deviation from the approved drawings/specifications without approval of the Technical Specification Approval Committee. We observed that the decision to accept supplies on the condition of supply of 15 extra CT protection sets was not logical in view of wide gap between cost (around ₹ 501.59 per unit) of CT protection set and cost (₹ 3.39 lakh per unit) of RMU.

The Government stated that Schneider Electrical Infrastructure has furnished (June 2017) clarification to the SE (IT) which was under examination. Further,

the Company was taking necessary steps to ensure that RMUs supplied by the firm could be well integrated/compatible with SCADA system. As regards Crompton Greaves it stated that change in location of protection CTs did not deviate from the technical specifications and hence no requirement for approval from the Technical Specification Approval Committee was envisaged. The reply was not convincing because the inspecting officer of the Company itself pointed out deviation from the Guaranteed Technical Parameters. Further, the SE (JCC) also required that technical viability of the RMUs should be verified by the Technical Specification Approval Committee. We observed that any deviation from the approved Guaranteed Technical Parameters had to be approved by the Technical Specification Approval Committee to ensure that the material supplied by the firms conform to the specifications.

#### ***Utilisation of inferior/failed EHV Grade Transformer Oil***

**2.13.4** The Company placed (September 2012) purchase order (TN 2172) in favour of Savita Oil Technologies Limited, Navi Mumbai (Supplier) for supply of 1,500 Kilolitre (KL) EHV Grade Transformer Oil at the rate of ₹ 80,441.65 per KL. Clause 11 of the purchase order provided that composite samples from each inspected lot would be drawn and sent to CPRI<sup>20</sup>, Bengaluru for complete testing of the guaranteed technical particulars prescribed in the purchase order. The terms of payment (Clause 5) provided that 85 *per cent* payment of each consignment would be made against the challans and remaining 15 *per cent* payment would be released after receipt of successful type test reports from the CPRI, Bengaluru. In case of failure of composite sample, the balance 15 *per cent* payment was to be forfeited by the Company.

The Company received supplies in six lots during December 2012 to July 2013. The composite samples were drawn from each lot and sent to CPRI, Bengaluru for testing of the guaranteed technical particulars. The Company also tested the samples at its Central Testing Laboratory (CTL), Jaipur. Pending lot wise reports from CPRI, Bengaluru but after getting clearance from CTL, the Company allowed the field offices to use the transformer oil.

We noticed that four out of six composite samples failed in CPRI testing and the Company received the testing reports between July 2013 and November 2013. However, the SE (MM) belatedly issued (August 2014) instructions to the field offices for not using the transformer oil. The Supplier was also directed (August 2014) to lift the unused oil from the field offices. The failed lots involved supply of around<sup>21</sup> 1,000 KL transformer oil out of which 750 KL (75 *per cent*) oil had already been utilised by the field offices by the time instructions were received. The remaining 250 KL oil was lifted by the Supplier.

This indicates that CTL, Jaipur failed to ensure proper testing of the guaranteed technical particulars prescribed in the purchase order. Further,

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20 Central Power Research Institute.

21 The exact supply under failed lots was 999.85 KL out of which 749.89 KL transformer oil was utilised by the field offices.

delay in issue of instructions by the SE (MM) led to utilisation of 750 KL failed transformer oil valuing ₹ 4.89 crore.

The Government stated that only testing of density and volume of oil was being carried out at CTL for ensuring adequate quality and specified quantity of supplied EHV grade transformer oil. Further, the quality of oil does not degrade on account of failure in one or two type tests. There were no adverse reports of the oil supplied and used under TN 2172. The reply was not convincing because the Company would not have directed the supplier for lifting the unused oil if its quality was within the specified parameters. As regards delay in issue of directions by the SE (MM), the Management during exit conference stated that there was some communication gap between the ACOS and MM Wing regarding receipt of reports.

### ***Uneconomical procurement of material***

**2.14** The authorities associated with the procurement process or directly responsible for facilitating acquisition of goods and services with the public funds should take effective measures to ensure that material is procured as per specifications, prices are reasonable and collusion of bidders is minimised. The instances indicating uneconomical purchase of material of ₹ 6.31 crore were noticed in three cases consisting of four out of 40 selected tenders as detailed below.

#### ***Extra expenditure due to accepting supply of transformers at higher prices***

**2.14.1** Clause 1.60 of the General Conditions of Contract (GCC) provided that the price fall clause would be effective from the date of opening of price bid of subsequent tender. In case the delivery schedule was not over and the supplier did not agree to supply the remaining quantity at lower rate received in the new tender, the remaining quantity had to be accepted upto three months from the date of opening of new bid to the extent of ordered quantity as per delivery schedule. Further, no supply in excess of the quantity specified in the delivery schedule shall be accepted in any circumstances during three months after opening of price bid. The original delivery schedule should not be preponed and the old purchase orders in respect of un-supplied quantity would be cancelled.

The Company placed (April 2012) purchase orders (TN 2137) on various firms for supply of 25 kVA (aluminium wound) three phase distribution transformers with meter box. The Company extended (August 2012) the original schedule of commencement of supplies by four months.

The price bids of a subsequent tender (TN 2176) were opened (30 October 2012) wherein the lowest rate was decided at ₹ 44,100 per transformer. The rate in new tender was lower than the updated rate (₹ 47,003.61 per transformer) of ongoing TN 2137.

We noticed that 32 suppliers did not accept the reduced rate. The Company accepted supplies from these firms as per delivery schedule mentioned in the orders without considering the fact that the original delivery schedule was extended by four months. The Company by doing so accepted supplies of 5,593 transformers at higher rates which resulted in extra payment of ₹ 1.62 crore.

The Government stated that the price fall clause was made applicable as per original delivery schedule as the extended schedule was allowed only to give relief to the suppliers in wake of delay in payments by the Company. The reply was not convincing because extension of supply schedule was with the condition that there should not be any financial loss to the Company.

***Avoidable expenditure due to procurement of poles at higher prices***

**2.14.2** The Company opened (June 2014) price bids of the qualified bidders for purchase of eight meter (1,52,160 poles under TN 4468) and nine meter (2,77,691 poles under TN 4467) plain cement concrete (PCC) poles.

The lowest rate (₹ 1,599 per unit) of the eight meter pole was higher than the updated price (₹ 1,524.09 per unit) of previous tender. The lowest rate in respect of nine meter poles was ₹ 2,147.25 per unit. The Company counter offered the L1 rates to other bidders but they did not accept Company's offer. The Company also enhanced its offer several times and finally placed purchase orders for eight and nine meter poles as below:

No. of poles	Rate per pole	Remarks
<b>Eight meter poles</b>		
19,500	₹ 1,599	Placed (July 2014) purchase orders on three bidders at L1 rate.
36,000	₹ 1,599	Additional quantity accepted by one of the three bidders which accepted L1 rate.
16,200	₹ 1,609	Placed (July 2014) purchase orders on five bidders.
1,06,000	₹ 1,685	Placed (September 2014) purchase orders on 56 bidders after increasing the tendered quantity.
<b>Nine meter poles</b>		
5,600	₹ 2,147.25	Placed (July 2014) purchase order on L1 bidder
31,500	₹ 2,161	Placed (July 2014) purchase orders on six bidders
12,000	₹ 2,225	Placed (July 2014) purchase orders on two bidders
3,500	₹ 2,240	Placed (August 2014) purchase order on one bidder
2,17,109	₹ 2,340	Placed (September 2014) purchase orders on 55 bidders

We noticed that the CLPC decided (July 2014) to invite a short term tender to fulfill the requirement of eight meter poles but no action was taken and the CLPC went for negotiations with the bidders by offering higher prices each time.

We observed that the Company awarded purchase orders at unreasonably higher rates than those worked out on the basis of previous tender/tender awarded by other DISCOMs/subsequent tender. This was established from the fact that the Company awarded purchase orders for eight meter poles under subsequent tender (TN 4505<sup>22</sup>) at the rate of ₹ 1,440 per unit and other DISCOMs also finalised the tenders at lower rates during this period. In case of eight meter poles AVVNL placed purchase orders at ₹ 1,599.98 per unit under TN 834 and JdVVNL placed purchase orders at ₹ 1,611 per unit under TN 1046. In case of nine meter poles, AVVNL finalised a tender (TN 889) at price of ₹ 2,255.09 per unit during this period.

22 Finalised in August 2015.

The Company by procuring poles at unreasonably higher rates incurred avoidable extra expenditure of ₹ 2.66 crore<sup>23</sup>.

The Government stated that all possible efforts were made to give reasonable offers to the bidders as per purchase manual and in the interests of the Company. Further, during exit conference, the Management stated that various incremental offers given by the Company were repeatedly turned down by the bidders. The reply was not convincing as the Company did not make efforts to break the cartel of bidders despite reducing trend of the prices of poles as indicative from the purchase orders placed by other DISCOMs at lower rates. Further, there were no recorded reasons for not inviting a short term tender as decided by the CLPC.

***Purchase of meters at higher rates due to cancellation of tender***

**2.14.3** The Company opened (6 August 2014) technical bids of 17 bidders under TN 2248 for purchase of 17.75 lakh single phase static energy meters for three DISCOMs. The price bids of 12 bidders were opened (26 November 2014) after technical evaluation by the techno-commercial bid evaluation committee and approval by the CLPC. The lowest all inclusive unit price was ₹ 689.27 per meter as against the ordered price of ₹ 858.01 per meter under previous tender (TN-2158). However, the CLPC decided (12 December 2014) to cancel the tender and invite a short term tender in view of complaint from a bidder (HPL Electric and Power Limited-HPL) regarding opening of price bid of bidders which had not passed additional type tests/tamper tests, rate of taxes/duties quoted by some bidders not matching with the prevailing rates, the lowest bidder being debarred by a utility in State of Bihar and incomplete submission of information by the bidders.

We observed that the decision of the CLPC to cancel the tender was not justified in view of the following facts:

- the techno-commercial bid evaluation committee recommended to open the price bids of four bidders which could not pass additional type tests/tamper tests on the basis of past practice adopted in TN-2151 and 2246. The techno-commercial committee was of the view that these firms could adhere to the specifications at the time of submission of pre-commencement sample
- the Company while preparing comparative statement considered the prevailing rates of taxes and duties in respect of two bidders which quoted different rate of taxes/duties than the prevalent rates and
- there were no documents on record to ensure that the L-1 firm was debarred by a utility in the State of Bihar. Further, a bidder could only be disqualified as per tender conditions when it had been debarred by any of the three DISCOMs of the State.

We noticed that the Company invited a short term tender (TN 2298) to fulfill the requirement of 17.75 lakh meters. The price bids of eligible bidders were opened (5 May 2015) wherein the lowest rate was ₹ 749.73 per meter.

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23 ₹ 0.81 crore [1,06,402 X (₹ 1,685 - ₹ 1,609) for eight meter poles and ₹ 1.85 crore [2,17,109 X (₹ 2,340 - ₹ 2,255) for nine meter poles.

The orders were finally placed (June 2015) on HPL at a negotiated unit price of ₹ 740 for four lakh meters for the Company and the supplies were accepted at this price.

Imprudent cancellation of TN 2248, therefore, resulted in procurement of meters at higher prices causing loss of ₹ 2.03 crore to the Company.

The Government stated that the tender was cancelled on justified grounds. The reply was not convincing as the price bids were opened after technical evaluation by the techno-commercial bid evaluation committee and approval of CLPC which had taken into consideration all the issues raised by the complainant.

### ***Accepting supplies ahead of delivery schedule***

**2.15** Clause 1.23 of the General Conditions of Contract stipulates that delivery is the essence of the contract and, therefore, the delivery schedule needs to be strictly adhered to by the suppliers. Normally, the Company should not accept supplies ahead of delivery schedule except in case of urgency. Two instances highlighting receipt of material ahead of delivery schedule without requirement are discussed below:

#### ***Purchase of earthing sets***

**2.15.1** The Company placed (September 2015) purchase orders (TN 4534) on various firms for supply of 1,52,597 galvanized mild steel rod type earthing sets at the rate of ₹ 422.68 (ex-works) per set. The firms were required to supply material between October 2015 and May 2016.

We noticed that the Company requested (September 2015) the firms to supply the material ahead of the stipulated delivery schedule in view of ostensibly poor stock position (11,565 sets as on 15 August 2015). Accordingly, dispatch instructions for supply of 1,46,391 out of 1,52,597 sets were issued in September and October 2015. The suppliers delivered the requested quantity by October 2015.

The decision of the Company to advance the supplies was not prudent because the average consumption of material was around 11,676 sets per month during September 2015 to May 2016. As of May 2016, the Company had stock balance of 55,703 sets which was sufficient to cater to the requirement for next four months. We observed that the Company by accepting the material ahead of the delivery schedule not only blocked the funds but also could not avail the benefit of negative price variation of ₹ 44.90 lakh. The price of the material was steadily declining as the applicable price variation was on negative side. It varied from (-) 3.16 *per cent* in September 2015 to (-) 13.14 *per cent* in April 2016.

The Government stated that the supply was preponed in view of urgent requirement of the material but the same could not be consumed due to shortage of matching material. Further, it could not be anticipated in advance whether the indices will go downward or upwards. The fact remained that the decision of accepting the supply of material ahead of delivery schedule without ensuring supply of matching material caused blockage of funds.

***Purchase of vacuum circuit breaker kiosks***

**2.15.2** The Company placed (August 2012) purchase orders (TN 2169) for 1,822 units of 12 kV outdoor vacuum circuit breaker kiosks (VCB kiosks) to fulfill the requirement of the year 2012-13. Out of 1822 units, 1,252 units were to be supplied by Stelmec Limited, Ahmedabad with delivery schedule upto February 2014. The Company requested (September and December 2012) the firm to advance the deliveries considering emergent requirement of the material. The Company also issued (September 2013) an additional purchase order on the firm for 313 units considering stock position of only 174 units (as on 31 August 2013). The supplier (Stelmec Limited), however, brought (November 2013) to the notice of the Company that 863 VCB kiosks supplied under TN 2169 were already lying at stores for want of installation.

The Company also finalised (December 2013) a new tender (TN 2207) to fulfill the requirements of the year 2013-14 and placed purchase orders on Stelmec Limited (678 units) and Toshiba Limited (828 units). The firms were also requested (February 2014) to advance their deliveries in view of urgent requirement of the material. Thus, the Company placed purchase orders for 3,641 VCB kiosks to fulfill the requirements for the year 2012-13 and 2013-14.

Review of supply of VCB Kiosks under TN 2169 and TN 2207 and their installation disclosed that the 863 units of Stelmec Limited and 672 units of Toshiba Limited remained in the store upto 533 and 724 days respectively from the date of supply at stores. The instructions issued to advance the supplies of VCB kiosks citing emergent field requirement were, therefore, not justified. The Company by making unwarranted purchase of 1,535 VCB Kiosks blocked funds amounting to ₹ 38.39 crore for a substantial period besides lapse of the guarantee period of the VCB kiosks.

The Government accepted the facts and stated that VCB kiosks were purchased on the urgent demand of Tonk, Alwar and Sawaimadhopur Circles for implementing the State Government's 60 days programme. Besides, the Managing Director also issued (June 2014) directions to provide 203 VCB kiosks to these Circles in addition to the available material. The Management during exit conference also stated that the time gap between delivery and installation of VCB kiosks was due to hiring of separate agency for installation work. Further, all VCB kiosks were installed by the Company. The fact remained that there was substantial delay in installation of VCB kiosks and further some kiosks were installed after expiry of their guarantee period.

***Improper inspection/testing of material***

**2.16** The inspecting authorities of the Company were required to ensure that material offered by the suppliers conforms to the required quality and specifications. Further, different types of material were to be accepted after required testing in the designated laboratories. We noticed in four instances where the Company procured material without proper inspection and testing, sub-standard material was utilised because of failure to take prompt action and where the action against responsible suppliers and officials was not adequate.

The instances are briefly discussed below.

***Procurement of non-star rated transformers***

**2.16.1** The Company placed (April 2014) a purchase order (TN 2217) on Century Infra Power Private Limited, Jaipur (Firm) for supply of 368 three phase (Aluminium Wound) four star rated distribution transformers of 16 KVA valuing ₹ 1.47 crore. The transformers were required to have star label of Bureau of Energy Efficiency (BEE) having unique label series code BE/CIP/03/0300/10. The Firm completed the supply of transformers by July 2015.

We noticed that the BEE granted (August 2011) permission to the Firm for affixing star rated labels with validity upto 9 August 2014. The BEE renewed (1 June 2015) the permission from 19 May 2015 after submission of necessary test reports and other documents by the Firm. The Firm was, therefore, not eligible to affix star rating labels during the period from 10 August 2014 to 18 May 2015 as per BEE (Particulars and Manner of their display on labels of distribution transformers) Regulation, 2009.

The inspecting authorities of the Company, however, did not give cognizance to these facts and accepted supplies of 220 non-star rated transformers worth ₹ 0.86 crore in violation of the terms and conditions of tender/purchase order against four dispatch instructions issued to the Firm between 1 October 2014 and 26 November 2014.

The Government accepted the facts but stated that there was no deficiency in the material accepted by the Company. The supplier could not provide star labeling due to procedural delay with BEE.

***Improper inspection of material***

**2.16.2** The Company placed (April 2013) purchase order (TN 4397) on Rajasthan Transformers and Switchgears, Jaipur (Firm) for supply of 2,521 KM ACSR Dog conductor at FORD<sup>24</sup> price of ₹ 61,970.80 per KM. The inspecting authority of the Company conducted on site (Firm's premises) inspection of the offered material and cleared four lots (1,129.31 KM) of conductor for the dispatch instructions issued till 7 October 2013. Further, another dispatch instruction was issued (18 October 2013) for supply of 140 drums (312.17 KM) of conductor.

The Company received (October 2013) an anonymous complaint regarding poor quality of material supplied by the Firm with specific reference to Jhalawar ACOS. The complainant alleged collusion between Company officers and Firm's liaison official. The complaint mentioned that the Company officials were selecting only specified samples for testing at CTL on the directions of the Firm.

The Chief Engineer (MM) constituted (29 October 2013) a committee to verify the complaint. The committee selected three<sup>25</sup> drums for CTL testing against supplies received at ACOS Jhalawar under dispatch instructions issued on 23 September 2013 (20 drums having 44.59 KM

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24 Free on Rail Destination.

25 Drum number 825 (under dispatch instruction issued on 23 September 2013) and drum number 965 & 1000 (under dispatch instruction issued on 7 October 2013).

conductor) and 7 October 2013 (40 drums having 89.19 KM conductor). The Company found the following major deficiencies in the quality of material of three drums during testing at CTL, Jaipur.

Particulars	Drum number		
	825	965	1000
Diameter of aluminum strands against minimum requirement of 4.67 mm	4.38 mm to 4.40 mm	4.51 mm to 4.52 mm	4.26 mm to 4.41 mm
Breaking load of all steel strands as per guaranteed technical parameter of 2.57 kN	1.38 kN to 1.56 kN	1.34 kN to 1.42 kN	0.98 kN to 1.20 kN
Tensile strength of all aluminum strands against minimum requirement of 2.64 kN	2.46 kN to 2.63 kN	2.43 kN to 2.56 kN	2.13 kN to 2.40 kN
Resistance of Aluminum Strands against maximum of 1.65 ohm/KM	1.79 to 1.81 ohm/KM	1.69 to 1.72 ohm/KM	1.81 to 1.89 ohm/KM

*Millimeter (mm), Kilonewton (kN), ohm (Standard international unit of electrical resistance)*

In addition to above, all the seven steel strands were found broken during checking of manufacturing defect at the distance of 535 meter in drum number 825. The CLPC decided (23 January 2014) to cancel the balance supply (1,258.48 KM) and supplies made at ACOS Jhalawar against dispatch instruction issued on 23 September 2013 and 7 October 2013 and to levy maximum penalty (₹ 32.85 lakh) of five *per cent* of the cancelled quantity (1,258.48 KM). However, the Alwar ACOS and Behror sub-store accepted (March 2014) 133.79 KM conductor from the Firm on the directions of Superintending Engineer (Procurement) against dispatch instruction issued on 18 October 2013 despite decision of the CLPC.

An anonymous complainant, therefore, proved to be a whistle blower in highlighting purchase of inferior quality of material by the officials of the Company.

We observed that the drums selected from ACOS Jhalawar for CTL testing belonged to the lot of 120 drums (267.574 KM) and 140 drums (312.170 KM) received at various ACOS vide dispatch instructions issued on 23 September 2013 and 7 October 2013 respectively. The Company received supplies of around 1,130 KM (excluding the supply made to Jhalawar ACOS which was cancelled) conductor valuing ₹ seven crore from the firm. The abnormal deficiencies observed during testing give rise to a strong suspicion about the quality of material but the Company did not carry out testing of the total material received from the Firm. The Company also did not take any action against the officials responsible for procurement of inferior quality of material. Further, the Company instead of blacklisting, debarred the Firm from participating in further tenders only for a period of one year.

The Government accepted the facts and stated that now samples are being selected through computer generated random programme after receipt of material in the stores.

***Undue benefit to the supplier by accepting underweight material***

**2.16.3** The Company placed (20 May 2013) purchase order (TN 4413) on Nakoda Products, Vadodara (Firm) for supply of 50,000 units of 11 kV cross arm angle with Clamp and Top Hamper. The tolerance limit in weight was (+) 2 per cent to (-) 4 per cent as per clause C of the technical specifications contained in purchase order.

We noticed that Jhalawar and Karauli ACOS complained about lower weight of the angles in the supplies received against dispatch instructions (2076 and 2902) issued on 26 June 2013 and 6 August 2013. The weight of consignments (1250 units under each dispatch instruction) at Jhalawar ACOS was 15.240 MT and 15.155 MT against the specified weight of 15.986 MT. The actual weight was 4.67 and 5.20 per cent respectively less than the specified weight. In respect of Karauli ACOS, the weight of consigned quantity of 1,250 units received against dispatch instruction (2076) was 15.055 MT which was 5.82 per cent less than the specified weight. Besides, one more complaint of lesser weight was received (July 2013) from Alwar ACOS where the consigned weight of 1,250 units (dispatch instruction number 2076) was 14.660 MT instead of 15.986 MT (8.29 per cent less than the specified weight).

The CLPC directed (11 December 2013) the Company to issue instructions to the supplier for taking back the material lying in the stores of Jhalawar, Karauli and Alwar ACOS. The Company, however, did not do so.

Subsequently, on an enquiry from JPDC, Dausa, Swaimadhopur, Tonk and Alwar ACOS regarding the status of material, it was found that the material was either lying in the stores or issued to the field offices. The issue was again discussed (July 2014) in the meeting of CLPC wherein it was reiterated that the firm should take back the inferior quality material lying in various stores. The CLPC also directed to levy penalty of an amount equal to double the value of the material supplied with lesser weight of cross arm angles.

We observed that material (25,000 units) under dispatch instructions 2076 and 2902 was issued to 10 ACOS of the Company (1,250 units to each ACOS under each dispatch instruction). However, action was taken for consignments sent to six<sup>26</sup> (dispatch instruction number 2076) and two<sup>27</sup> (dispatch instruction number 2902) ACOS involving a quantity of 10,000 units only. The Company did not take any action to verify the weight of the material (15,000 units) supplied to the remaining ACOS under the dispatch instructions number 2076 and 2902. Further, the failure of the Company to take prompt action on the direction of the CLPC led to utilisation of the material by the field offices.

The Government stated that the weight of the material received at some stores was found within the prescribed limit. In other stores, the material was accepted with the penalty as the material was already issued to the field. The fact remained that the Company utilised sub-standard material in the field.

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26 Jhalawar, Karauli, Jaipur District Circle, Dausa, Swaimadhopur and Alwar.

27 Jhalawar and Tonk.

***Lack of action against the inspecting authority***

**2.16.4** The Company placed (October 2012) purchase order (TN 4374) on Ankit Industries (Supplier) for supply of 300 nine meter PCC poles at a cost of ₹ 8.18 lakh. Clause 15 (Inspection, testing and checking) of the purchase order provided that the supplier shall furnish test results from the manufacturer to substantiate that high tensile steel wire of required quantity was used in the manufacture of poles. The Supplier was also required to certify that cement, pre-stressed steel wires, mild steel bars, aggregates and other material had been used in manufacturing poles as per the required specifications.

The inspecting authority (Assistant Engineer-AI, Gangapur City) conducted (November 2012) inspection of 100 poles and reported that the poles conformed to the required specification. The Supplier also certified that all the poles offered for inspection were as per the design, strength and workmanship specified in the purchase order and cement, mild steel rods, aggregate and other material had been used in manufacturing of poles as per the prescribed specifications.

The Superintending Engineer (O&M), Sawaimadhopur, however, complained (March 2013) that the quality of poles supplied by supplier was very poor. He reported that all the 43 poles allotted for a deposit work broke down at the time of erection and only 16 steel wires were found inside the poles against the requirement of 20 wires. Further, the poles did not have galvanized iron wire. The Supplier accepted (14 March 2013) that poles were of poor quality and stated that negligence occurred due to engaging a new contractor for manufacturing of poles. The Supplier also accepted that the poles broke down due to use of less quantity of wires in manufacturing of poles. The Company also constituted (March 2013) a committee to investigate the case.

The committee reported (March 2013) that damaged poles could not be located at site or in the stores. The report further stated that no steel parts of the poles were available at any site and someone had intentionally dismantled the poles and taken away the steel parts. The other poles were placed with tampered serial numbers to mislead the facts. The team found only one pole in damaged condition which had only 16 high tensile steel wires and no galvanized iron wire. The concrete mix used in manufacturing of poles, however, appeared to be of inferior quality.

The CLPC debarred (April 2013) the firm from participating in next tender for a period of one year. The CLPC also directed to withhold the payment for first lot (99 poles) and to cancel order for balance quantity. The decision to cancel the balance quantity was, however, not logical as the Supplier had completed the supplies upto March 2013. The dispatch instruction for last lot of 102 poles was issued (5 March 2013) despite the knowledge of poor quality of material supplied under previous lots.

The Company, however, did not take any action against the inspecting authority which certified the quality of material based on which material was accepted from the Supplier.

The Government stated that inspection was done on random basis which might not represent quality of entire lot and the Company was making efforts to

improve the system. The reply was not convincing as all the poles were of inferior quality.

### Inventory management

**2.17** An efficient inventory management system aims to minimise capital investment by eliminating excessive stocks, ensuring availability of required inventory in time for tiding over demand fluctuations and minimising the risk of loss due to obsolescence and deterioration in quality. The SE (I&S) is responsible for overall inventory management. Audit findings disclosed shortcomings in inventory management like idle inventory, excess procurements, theft, fire, embezzlement and shortages of material totally involving ₹ 73.64 crore.

### Inventory control

**2.18** The Purchase Manual provides that quantity of items to be purchased needs to be guided as far as possible through inventory control techniques like minimum level, re-order level, maximum level, value analysis (ABC) and movement analysis. The Stores Manual also required the Company to maintain buffer stock to meet the unforeseen demands and to guard against late deliveries of material by the suppliers. The required levels of inventory and buffer stock are to be decided by the CE (MM) on the basis of recommendations of store offices and availability of funds.

The Company, however, did not fix the prescribed critical levels for efficient management of inventory. The Company also did not carry out value analysis to minimise investment, inventory carrying cost and risk of obsolescence and deterioration in quality of material. The inventory position during the period from 2012-13 to 2016-17 was as follows:

(₹ in crore)

Particulars		2012-13	2013-14	2014-15	2015-16	2016-17
Opening stock	ACOS	235.50	323.75	388.83	334.11	377.03
	Sub-divisional stores	171.93	140.18	164.97	152.62	162.91
	<b>Total</b>	<b>407.43</b>	<b>463.93</b>	<b>553.80</b>	<b>486.73</b>	<b>539.94</b>
Purchases during the year		980.85	1077.12	852.50	884.57	824.45
Closing Stock	ACOS	323.75	388.83	334.11	377.03	362.39
	Sub-divisional stores	140.18	164.97	152.62	162.91	142.46
	<b>Total</b>	<b>463.93</b>	<b>553.80</b>	<b>486.73</b>	<b>539.94</b>	<b>504.85</b>
Consumption during the year		924.35	987.25	919.57	831.36	859.54
Average monthly consumption		77.03	82.27	76.63	69.28	71.63
Inventory in terms of months consumption <sup>28</sup>		5.66	6.19	6.79	7.41	7.29

It would be seen that inventory holding in terms of month's consumption increased from 5.66 to 7.41 months during 2012-13 to 2015-16 and thereafter

28 Stock in terms of monthly consumption = Average stock / (Material consumed/12 months).

marginally decreased to 7.29 months during 2016-17 despite the fact that average monthly consumption decreased from 2014-15 onwards. This indicated higher level of inventory at ACOS and sub-divisional stores.

During exit conference the Government and Management of the Company stated that efforts would be made to improve the system of fixation of critical levels, value analysis, movement analysis, inventory accounting and issue of inventory. The Government in reply stated that the Company is implementing ERP system which would include material management as one of the modules.

#### ***Movement analysis of inventory***

**2.18.1** The SE (I&S) issued (30 March 2015) directions regarding slow moving, non-moving and obsolete items available in ACOS. As per the directions, the store items issued upto 10 *per cent* of their quantity during last two years had to be considered as slow moving items. The items which had not been issued for a period of more than two years were to be considered as non-moving items. The items which had not been issued for more than two years and were not likely to be used in future had to be declared obsolete. The SE (I&S) was required to submit the survey reports to the Board on quarterly basis.

We noticed that the ACOS and sub-divisional stores did not conduct movement analysis of the inventory on regular basis to identify slow moving, non-moving and obsolete items. As such, the reports were also not submitted to the Board on quarterly basis. The stock verifier (Internal Audit) conducted movement analysis of the inventory at the time of physical verification of ACOS and sub-divisional stores. However, physical verification of each and every ACOS and sub-divisional stores was not done on regular basis.

The Government stated that physical verification of some of the stores could not be done due to shortage of staff. The reply was silent as regards non-submission of reports to the Board on regular basis.

#### ***Improper fixation of storage issue rate***

**2.18.2** Clause 9.17 of the Stores Manual provides that all charges incurred after delivery of material like carriage, handling and stacking of material, watch and ward, establishment and handling, *etc.* are to be booked under the 'storage' head. The SE (I&S) was required to fix an annual uniform storage rate for all the ACOS on the basis of recommendations of respective ACOS and in consultation with the Circle Accounts Officer. The annual uniform storage rate was to be worked out in such a way that the total estimated annual expenditure could be charged on the material likely to be issued during the year. The storage rate had to be levied on the value of the material issued through Store Issue Notes in the form of storage charges.

We noticed that the SE (I&S) did not fix a uniform storage rate based on the total estimated annual storage expenditure and instead a 'Store Issue Rate' (SIR) was worked out after increasing the cost of material by 15 *per cent*. The SIR so worked out was charged on the cost of material issued to the field offices/works for the purpose of capitalising the cost of works. In absence of actual storage rate as per the procedure prescribed in the Stores Manual, audit could not ascertain whether the Company overcharged/undercharged the cost of storage on the works.

The Government stated that storage at the rate of three *per cent* was included in the chargeable cost of works. The fact remained that the Company charged a standard rate irrespective of the actual expenditure incurred on the storage.

#### ***Inventory accounting***

**2.18.3** The Stores Manual prescribed the system of storekeeping, accounting, and inventory control through various types of COS (Control Over Store) Forms for different functions and type of material. It is mandatory for the ACOS and sub-divisional stores to maintain the record of inventory in these COS Forms for efficient accounting, monitoring, control and effective information system.

We noticed that the selected ACOS did not maintain all the ledgers in prescribed COS Forms. Further, review of records at 21 test checked sub-divisional stores disclosed that none of the stores prepared record in prescribed COS Forms. The ACOS and sub-divisional stores purchased ledgers from the market which had a different format and did not provide the requisite information to the management.

The Government accepted the facts and stated that as per prevailing practice COS 12 and COS 14 are maintained at each store. The ACOS have been advised to maintain these statements strictly. The reply was silent as regards non-maintenance of all the ledgers by the ACOS and sub-divisional stores in prescribed format.

#### ***Inspection and testing of inventory***

**2.18.4** Clause 7.7 of the Stores Manual provides that the inspecting authority shall inspect the material with reference to purchase order and approved samples, if any, and verify that it conforms to the specifications. In case the details/test reports/material are not found in conformity with the approved sample or specification, the same shall not be taken into account and the entries thereof shall be made in register in the Form COS 9. The supplier shall also be intimated through Form COS 10. Further as per Clause 9.6, the samples requisitioned from the firms by various purchase officers shall be properly labelled and entered in the register of sample in the Form COS 25.

We noticed that three<sup>29</sup> out of four selected ACOS did not maintain the register in the Form COS 25 (samples requisitioned from firms for testing) and COS 10 (intimation of failure of sample/rejection memo to the firms). In absence of Form 25 and 10, it could not be ascertained whether the ACOS carried out mandatory testing of the material and the failed samples were sent to the suppliers instead of taking them into stock.

The Government stated that directions were being issued to all the stores to maintain COS-9, 10 and 25 registers in accordance with Store Manual.

#### ***Issue of inventory***

**2.18.5** Clause 8.2 of the Stores Manual provides that the estimated quantity of each class/type of material required for a work order issued against a sanctioned estimate/sub-estimate for operation and maintenance/capital works shall be drawn in an estimate card in Form COS 16. As per Clause 8.3, issue

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29 Jaipur City Circle, Jaipur District Circle and Alwar.

of all the materials from the stores shall be made on an indent called stores requisition (COS 17) duly signed by the authorised officer received along with the estimate card. It shall be the personal responsibility of the indenting officer to ensure that the requisitions are placed correctly with proper classification and the material is utilised on bona fide works, job, *etc.* mentioned in the requisition and the estimate card. Further, the concerned SE/Executive Engineer shall intimate to the ACOS the names of the officers authorised to indent material along with their specimen signatures. The storekeeper shall maintain a register in respect of such specimen signatures and tally them with the requisitions before issue of material.

We noticed that indents (COS 17) submitted by the sub-divisions in all selected ACOS did not have reference of the work identification memos and the material was issued without presentation of the estimate cards. Further, the concerned SEs/Executive Engineers did not intimate the name and specimen signature of the officers authorised to indent material from the ACOS. The ACOS also issued material to the sub-divisions/works without ensuring that the indents were issued by the authorised officers. Test check of 234 stores issue notes at Kota, JPDC and JCC ACOS disclosed that signature of the receiver of material was not obtained on 108 store issue notes, receiver's signatures were not attested on 47 notes and signature of persons receiving material did not match in 57 notes.

#### ***Improper inventory records***

**2.18.6** The Managing Director issued directions (November 2016) to the sub-divisions to adhere to the instructions issued from time to time for maintaining records relating to management of inventory. Test check of records at 21 sub-divisions which requisitioned material from the selected ACOS disclosed the following shortcomings:

- the selected sub-divisional stores did not maintain job card as per the work identification memo for each work order, transformer movement register as per instructions (26 February 2010) and material estimate card in Form COS 16 for each job. Further, the Junior Engineers and the contractors engaged on works did not maintain the 'Material at Site Account' in all the selected sub-divisions
- the Assistant Engineers approved the hand written indents raised by the Junior Engineers of 15 sub-divisions. This was in violation of the directions (June 2014) to raise and issue material against the printed indents only. The storekeepers also violated the directions and issued material against these hand written indents
- the Junior Engineers at 19 sub-divisions (except Chomu A1 and JCC D-III) did not maintain the stock register of the material received from sub-divisional stores. Further, the work contractors also did not maintain stock register at all the 21 sub-divisions
- Storekeepers at five<sup>30</sup> sub divisions did not maintain the record of failed and replaced transformers in the prescribed format. Further,

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30 Kota rural, Itawa, Chechat, Dudu and Bassi.

none of the selected 21 sub-divisional stores maintained record of the recovery of transformer oil from the burnt transformers and

- The stock verifier reported (November 2016) that the Assistant Engineer of Itawa sub-divisional store either did not maintain the stock register or misplaced the same for the year 2013-14.

The Government accepted the facts and stated that sometimes materials were issued without work identification memo (WIM) in absence of WIM numbers. However, the issued material was ultimately booked in the accounts under various heads. It was further stated that orders were being issued to all the ACOS to maintain the record of specimen signature of O&M officers and to deliver material to the authorised signatory or to the person authorised by O&M officer. Also, the field officers have been instructed to maintain the relevant records. Further, corrective action was being taken for maintaining material accounts, printed indent, stock register, transformer and transformer oil record.

#### ***Inadequate documentation***

**2.18.7** The gate pass is an authorisation for taking delivery from stores. It ensures bona fide utilisation of material for the works for which it was indented as the Junior Engineer takes the custody of the material based on the indent and gate pass issued by the storekeeper. Further, the gate pass acts as a tool of inventory control as it provides assurance that the intended material was received by the authorised person only.

The Company issued directions (June 2014) which required the storekeepers to issue gate pass in three copies. The storekeeper had to retain one copy in record as an office copy and one copy each had to be given to the receiver of material and Junior Engineer of the sub-division who had indented the material. We noticed that storekeepers in 12 out of 21 test checked sub-divisional stores issued only two copies of the gate passes. The storekeeper at Laxmangarh and D-III, Malviyanagar sub-divisional stores retained both the copies of gate passes.

In absence of copies of gate passes, the Junior Engineer at sub-divisions could not ensure whether indented material in required quantities was lifted by the authorised persons as they had also not maintained stock registers.

At Malakhera sub-divisional store, in an illustrative case, we found that the storekeeper had shown receipt and issue of 2,677 drop out fuse cum isolators to the Junior Engineers during 2012-17. The stock position therefore, indicated nil stock of drop out fuse cum isolators. The storekeeper also maintained office copies of the gate passes showing issue of 2,677 drop out fuses. The Assistant Engineer, however, confirmed that 852 drop out fuses were lying in the store. Physical verification of the sub-divisional store also confirmed that the 852 units were lying in the store. This shows issue of fake gate passes.

The Government accepted the facts and stated that appropriate directions have been issued by the Zonal CE (O&M Jaipur Zone) for strict compliance. The reply was, however, was silent on shortcomings noticed in Malakhera and Laxmangarh sub-divisional stores.

***Implementation of web enabled stores and inventory management system***

**2.18.8** The Company awarded (October 2007) the work of development of web enabled stores and inventory management system to Spanco Telesystems and Solutions Limited (Contractor) in all the Circle offices and ACOS at a cost of ₹ 45.14 lakh. The prime objective of the work was to reduce processing time in providing information and approval procedures through a comprehensive system of planning, designing, monitoring, operation and control of various procurement and inventory functions. The factory acceptance test was conducted (16 October 2008) wherein the software was found in order.

The Company directed (October 2009) all the field offices to generate challans and gate passes through the system from 1 November 2009 otherwise payment of bills was not to be entertained by the designated authorities. Further, all the indents for requisition of material had to be generated through the system.

The Rajasthan Electricity Regulatory Commission also while approving tariff orders (6 June 2013) directed (25 September 2013) the Company to expedite implementation of inventory management software to ensure efficient management of inventory and to avoid unwarranted procurements.

We noticed that all the modules of the software were not fully functional due to problems in the software. The software was capable of generating only challans and indents. The Company awarded (April 2014) operation and maintenance (O&M) contract to Vallium Technologies Private Limited, Jaipur (Firm) but the Firm could not resolve the problems and operationalise (August 2016) the software. Further, the field offices were not able to use the software due to lack of infrastructure, lack of knowledge about software, shortage of manpower and slow internet connectivity. The O&M contract of the Firm was not extended beyond August 2016.

The Government stated that various bugs/discrepancies have been pointed out by I&S wing and intimated to SE (IT) from time to time.

***Physical verification of ACOS and sub-divisional stores***

**2.18.9** Clause 11.2 of the Stores Manual prescribes annual verification of inventory at ACOS and sub-divisional stores by the stock verifiers working under control of the Chief Accounts Officer (Internal Audit).

The Company has 13 ACOS, one sub-store at Behror, and 195 sub-divisional stores as on March 2017. We noticed that the Company did not annually conduct physical verification of inventory at the ACOS and sub-divisional stores during 2012-13 to 2016-17. Review of 37 physical verifications reports of the ACOS disclosed that the time period covered under physical verification ranged between 12 and 51 months. Similarly, 34 physical verification reports of 21 test checked sub-divisional stores during the period from 2012-13 to 2016-17 disclosed that time period covered under physical verification ranged between 16 and 57 months.

The Company did not carry out annual physical verification of the ACOS and sub-divisional stores as required under the Stores Manual. The Company was, therefore, not in a position to detect shortages/excesses of the material in time at the stores.

The Government accepted the facts and stated that physical verification of all the stores could not be done due to shortage of staff. However, corrective steps were being taken to improve the position.

***Incomplete coverage of inventory during physical verification***

**2.18.10** The stock verifier before commencing physical verification, requests the concerned ACOS/sub-divisional store to arrange required manpower to ensure coverage of all items of the store. Clause 11.1 of the Stores Manual provided that random physical verification of the inventory shall be done by the storekeeper/ACOS periodically in such a manner that all the bin articles are checked at least thrice a year and tallied with the balance in stores quantity ledgers. The Chairman (DISCOMs) also directed (1 September 2016) the ACOS/Stores Superintendents (SS) to carry out internal physical verification of stores in respect of high value items like conductor drums, cable drums, distribution transformers, transformer oil drums, CTPT set, etc. The directions also required the ACOS/SS to physically verify at least five other randomly selected store items every month.

We noticed that the competent authorities (SE (I&S) and SE (O&M)) did not provide adequate manpower to the stock verifiers for conducting physical verification of the ACOS and sub-divisional stores. Consequently, the stock verifiers could not report on all the items of the stores. The stock verifiers could not cover items ranging between 6.17 and 53.06 *per cent* during 31 out of 37 physical verifications (ACOS) conducted during 2012-17. The remaining six physical verification reports either did not mention the number of total items or items were excluded from physical verification.

Further, none of the four selected ACOS carried out internal physical verification of stores within prescribed periodicity during 2012-17 as per Stores Manual. However, one ACOS (Jaipur District Circle) carried out five inspections during the last five years ending March 2017. Further, none of the storekeepers/Assistant Engineers in 21 test checked sub-divisional stores carried out random physical verification of inventory. The ACOS also did not adhere to the directions of Chairman (DISCOMs) and carried out verification in respect of limited items only. The Kota ACOS restricted verification upto single item during a month by considering various ratings of the item as different items.

The Government accepted the facts and stated that it was not possible for the stock verifiers to cover all the items for physical verification due to large number of stores. However, corrective measures were being taken. Further, sample periodic checking of stock would be invariably verified by the SE (I&S) during inspection of stores.

***Lack of monitoring at sub-divisional stores***

**2.18.11** The Managing Director issued (May 2006) circular/guidelines which provided that the SE (O&M) was specifically required to mention reasons for non-utilisation of material by the sub-divisions within 30 days and the action taken for non-utilisation of material. The Zonal CE was also required to issue directions to the CE (MM) for requirement/deferment of the delivery of material.

We noticed that the committee of Assistant Engineer, Assistant Revenue Officer and storekeeper of the sub-divisional store did not submit regular reports of ground balances to the Executive Engineer (O&M) and Accounts Officer after 2012-13. The committee occasionally submitted reports during the period from 2013-14 to 2016-17 but the reports did not mention the periodicity of the material lying with the stores. The SE (O&M) failed to ensure compliance of the guidelines and no action was taken against the defaulting Assistant Engineers. This led to incorrect assessment of requirement of material by the Zonal CE. Consequently, the CE (MM) assessed the requirement of material without considering the ground balances of material lying with the sub-divisional stores which led to excess purchases.

We further noticed that the Executive Engineer (O&M) was required to conduct monthly inspection of at least one sub-divisional store under its jurisdiction and submit report to the SE (O&M) and Chief Accounts Officer (Internal Audit). However, the concerned Executive Engineers did not carry out the required inspections. Lack of inspections by the authorities also led to non-follow up of the directions by the sub-divisional stores.

The authorities at various levels, therefore, failed to monitor and control the inventory maintained by the sub-divisional stores. Improper monitoring and control of inventory at sub-divisional stores increased the risk of obsolescence of material. The 34 physical verification reports of the sub-divisional stores under selected ACOS estimated the value of scrap/unserviceable items as ₹ 1.22 crore during 2012-17.

The Government accepted the facts and stated that appropriate directions have been issued to all SEs by the Zonal CE (O&M, Jaipur Zone) for strict compliance of the directions.

### **Idle inventory**

#### ***Idle inventory due to acceptance of surplus material from turnkey contractors***

**2.19** The Company awarded various turnkey works wherein the contractors supplied the material as per bills of quantity and commissioned the project as per work orders. The Chairman DISCOMs directed (February 2009) to accept surplus/ unutilised material from the contractors under various turnkey works provided that the material was in good condition and underwent successful testing at CTL. The DISCOMs coordination forum (DCF) decided (31 August 2010) rates for recoveries for short deposit and payment for surplus material deposited by the turnkey contractors.

Review of 27 turnkey work orders, the closure of which took place during 2012-17, disclosed that most of the material accepted by the Company from various turnkey contractors remained unutilised. Some of the cases where the company accepted material from the turnkey contractors like cables, meter protection boxes, galvanized iron wires, switch fuse units, *etc.* which were not required are discussed in **Annexure-4**. These cases highlight that the Company accepted surplus material of ₹ 8.18 crore from the turnkey

contractors which remained unutilised in the stores due to lack of directions, delay in closure of contracts by the CLPC, change in technology, etc.

During exit conference, the Management of the Company stated that material was utilised only after settlement of payment of contractors to avoid any situation of dispute. The Management was in agreement that the material should be utilised at the earliest. The Government was of the opinion that either the Company should not accept the surplus material from the turnkey contractor or utilise the accepted material as early as possible.

***Idle inventory due to unwarranted purchase of material***

**2.20** Two instances highlighting unwarranted purchase of material valuing ₹ 49.90 crore are briefly discussed below:

***Non-utilisation of drop out fuse cum isolators due to injudicious purchase***

**2.20.1** The Company issued (August 2008 to March 2009) purchase orders/additional purchase orders for purchase of 3,86,700 drop out fuse cum isolator sets at a rate of ₹ 1,067.64 per unit (2,20,700) and ₹ 1,443 per unit (1,66,000).

The Chairman DISCOMs directed (21 September 2009) to defer the remaining supplies of drop out fuse cum isolator sets on the basis of reports from field offices that miscreants were using this item to isolate the distribution transformers and they attempted theft of oil and copper windings. The Chairman also directed for not using the isolators on rural feeders as the isolators installed at distribution transformers were being used for converting single phase supply into three phase supply for using power beyond the block hours.

The firms had supplied 1,95,200 isolators and 27,100 isolators were under inspection as on the date of deferment. The Superintending Engineer (Procurement) issued (25 September 2009) orders for deferment of supplies of 1,64,400 isolators. However, the CLPC decided (6 January 2011) to cancel orders for 1,42,900 isolators. In the meantime, the Company procured 21,500 isolators despite deferment due to delay in issuing cancellation orders by the CLPC. The Company, thus, procured 2,43,800 isolators from the firms.

As of March 2017, 28,852 drop out fuse cum isolators valuing ₹ 3.08 crore were lying with ACOS. The remaining quantities were issued to the sub-divisional stores. **The issued quantities also included 42,660 sets valuing ₹ 4.55 crore which were issued (after 31 January 2015) by the ACOS but the material was not found received at the sub-divisional stores. The Superintending Engineer (Procurement) asked (10 May 2016) the Superintending Engineer (I&S) to lodge FIR for missing isolators but no action was taken (May 2017).** The Company did not have any information about the number of drop out fuse cum isolators installed by the sub-divisions and lying with the sub-divisional stores. The CLPC decided (24 February 2016) to take all steps for utilization of 11 kV drop out fuse cum isolators available in stock to reduce the inventory.

We observed that purchase of drop out fuse cum isolators was a first time purchase made on the recommendations (August 2007) of the technical committee. The drop out fuse cum isolators replaced the existing system of

using 11 kV single phase switch fuse. The technical committee while recommending purchase of drop out fuse cum isolators did not assess their suitability with the existing distribution system which resulted in theft of electricity, transformer oil and copper windings of the distribution transformers.

Further, the Company did not wait for the performance of the new material and issued purchase orders for increased quantity at a higher rate (₹ 1,443 per unit) than the previous L1 rate (₹ 1,067.64 per unit) without assessing the actual field requirements. The ACOS issued the material to field offices for installation at rural feeders in violation of the directions of Chairman DISCOMs which provided opportunity to the miscreants for theft of electricity. The decision (24 February 2016) of CLPC to take all steps for utilisation of the drop out fuse cum isolators was not logical in view of implementation of the loss reduction programme from October 2016 which included dismantling of the installed drop out fuse cum isolators. Furthermore, the Company even did not investigate and lodge complaint for missing isolators.

The Company, therefore, made an injudicious purchase of drop out fuse cum isolators valuing ₹ 31.95 crore.

The Government accepted the facts and stated that isolators were not purchased after TN 4185. During exit conference the Management also stated that after purchase of isolators, it was observed that the isolators were being misused for theft of electricity. Hence, the Company decided not to make further purchase of isolators and the inventory was being used in urban areas where they are not likely to be misused. The Government/Company, however, did not provide the reasons for missing isolators.

#### ***Bulk purchase of multi connection distribution boxes***

**2.20.2** The Zonal Chief Engineer (Jaipur zone) submitted (28 April 2006) the requirement of 6,200 and 9,300 spring loaded single phase and three phase multi connection distribution boxes respectively for district headquarters and municipal towns. The technical committee decided (April 2008) to purchase the single phase and three phase distribution boxes for a trial quantity in view of first time purchase of multi connection distribution boxes. The bulk purchase of multi connection distribution boxes was to be made after satisfactory performance of the trial quantity.

The CLPC, however, decided (10 December 2008) to place purchase order for the Company as a whole. The purchase order for supply of 27,440 single phase and 15,330 three phase multi connection distribution boxes was placed (December 2008) on a single firm (Delhi Control Devices) at unit cost of ₹ 2,189 and ₹ 5,175.72 respectively. The other three bidders being the first time suppliers for the Company were allotted 10 *per cent* of the tendered quantity for both single as well as three phase distribution boxes at the same rates. The firm had supplied the ordered quantity within the scheduled delivery period of four months from the date of issue of purchase order.

The samples of the three bidders for single phase (25 August 2009) and three phase boxes (15 September 2009) were approved by the committee. The Company, however, imposed (6 October 2009) deferment on supplies (9,360

single phase and 6,570 three phase boxes) in view of stock position (26,790 single phase and 14,600 three phase boxes as on 15 September 2009) and poor utilization of the material. The firms requested (22 March 2011) the Company to lift the deferred quantity also as they had exclusively manufactured the product for the Company. After detailed deliberations and discussions, the CLPC decided (29 November 2012) to lift deferment and to utilize the boxes for R-APDRP part B works.

As per report of Chief Accounts Officer (Internal Audit), stock of 6,282 single phase (₹ 1.37 crore) and 4,063 three phase (₹ 2.10 crore) distribution boxes was lying with the ACOS as on 31 January 2015. Further, stock of 7,759 single phase (₹ 1.70 crore) and 3,753 three phase (₹ 1.94 crore) distribution boxes was also lying with the sub-divisional stores. **The Chief Accounts Officer also reported that 17,749 single phase (₹ 3.89 crore) and 3,767 three phase boxes (₹ 1.95 crore) were dispatched from ACOS but were not found received by the sub-divisional stores. The Superintending Engineer (Procurement) asked the Superintending Engineer (I&S) to lodge FIR against the responsible officers but no action was taken.** Considering heavy stock position, the CLPC cancelled (February 2016) the purchase orders for pending quantity (3,789) of three phase boxes.

We observed that the Company purchased 39,200 single phase (₹ 8.58 crore) and 18,111 three phase (₹ 9.37 crore) multi connection distribution boxes. The ACOS had stock of 416 single phase and 353 three phase boxes as on March 2017 and remaining boxes were issued to the sub-divisional stores. The number of boxes installed and lying with the stores was not available with the Company. However, test check of records of 21 sub-divisional stores under the selected ACOS disclosed balances of 525 (single phase) and 783 (three phase) distribution boxes as on 31 March 2017. Further, 230 single phase and 50 three phase boxes issued (2009-10) to the Junior Engineer, Chomu-A1 were also lying unutilized as on 31 March 2017.

Thus, the procurement of huge quantities by the CLPC against the recommendation of purchasing only the trial quantities and non-utilisation of distribution boxes by the field offices indicates unwarranted purchase of material to the value of ₹ 17.95 crore. Further, the Company did not investigate the case of missing boxes and no action was taken against the delinquent officers.

The Government stated that NIT quantity was purchased due to urgent requirement in field and TW works and the entire quantity had been utilised. The Government, however, did not submit any document in support of utilisation of material. Further, the reply was silent on the issue of missing distribution boxes and material lying at sub-divisional stores.

#### ***Idle inventory due to excess procurement***

**2.21** Review of records at the ACOS, sub-divisional stores and physical verification reports of the ACOS/sub-divisional stores disclosed that various types of material were lying unutilised due to lack of demand from the field offices. This indicated that the material was procured in excess of requirement. A few indicative cases indicating poor inventory management resulting in

excess purchase of material leading to blockage of funds of ₹ 10.49 crore are discussed in **Annexure-5**.

### **Storage of inventory**

**2.22** The SE (I&S) issued (September 2014) directions for proper storage of inventory at ACOS and sub-divisional stores in view of pilferage and theft of material due to improper maintenance of inventory. The directions inter alia provided that same types of material should be kept at one place, stacking of steel material, set of sub-stations, GI wires should be ensured in such a way that the same could be counted at the time of issue and physical verification, meters, copper scrap, *etc.* should be kept indoor, material should be issued on 'first in first out' basis specially in case of items covered under guarantee period, tender wise record of meters, CTPT and transformers covered under guarantee period should be kept indicating year of manufacturing, name of the supplier and loading and stacking should also be done accordingly, high security for indoor and outdoor material should be ensured through barbed wire fencing and proper lighting.

The field visit at four selected ACOS and 21 sub-divisional stores disclosed that the inventory was not stacked and maintained as per the prescribed directions. The material was lying in haphazard manner. The physical verification reports of these stores also mentioned about non-verification of material due to improper storage of inventory. The field visit also disclosed that failed transformers and meters were lying in heap and covered a large part of the stores.

Improper storage of inventory caused shortages and excesses as pointed out by the stock verifiers in their physical verification reports. This also caused incidents of theft, fire and embezzlements at ACOS and sub-divisional stores.



*Failed transformers lying in heap at JPDC ACOS*



*New cables and scrapped conductor lying at JPDC ACOS*

The Government accepted the facts and stated that regular pursuance was being made with all the ACOS/sub-divisional stores for proper stacking of material in their stores.

### ***Excesses and shortages of inventory***

**2.22.1** The adjustments for shortages and excesses of inventory are required to be carried out through stores issue and store receipt notes respectively for the purpose of stores accounting. However, the concerned Assistant Engineers/Assistant Storekeepers has to furnish proper justification for such shortages and excesses of material. Further, the SE (I&S) is required to investigate the reasons for shortages and excesses of inventory and issue sanction for writing-off the losses incurred due to shortage of material. Besides, the excess/shortages of stores pointed out in physical verification reports has to be cleared and adjusted within a period of one month and at least at the closure of the financial year.

The physical verification reports of all the ACOS pointed out unadjusted shortages of ₹ 2.28 crore and excesses of ₹ 2.61 crore as on March 2017. Further, the 34 physical verification reports of 21 sub-divisional stores under the selected ACOS disclosed shortages of ₹ 0.77 crore and excesses of ₹ 1.09 crore during 2012-17. The concerned authorities, however, did not investigate the reasons for such shortages and excesses of material in the stores.

We noticed that investigation of shortages and excesses of material in the stores of the Company was pending since the financial year 1997-98.

The shortages and excesses of material in the stores indicate that inward/outward recording of inventory was done without proper documentation and accounting. The possibilities of theft and misuse of material could also be not ruled out in absence of proper documentation and accounting.

The Government accepted the facts and stated that excesses and shortage in Kota, JPDC and Bharatpur ACOS have been sorted out.

### **Loss of inventory due to theft, fire and embezzlement**

**2.23** The Stores Manual provided that all cases of loss of inventory shall be immediately reported to the ACOS/SE (I&S) and the CAO (Internal Audit) and taken up for investigation and dealt in accordance with the General Financial and Accounts Rules. The Assistant Engineer at ACOS was required to conduct preliminary inquiry; lodge FIR with the Police; claim compensation for loss from the insurance agency; and to submit detailed report to the SE (I&S) along with preliminary enquiry report, copy of FIR and copy of claim registered with the insurance agency. The SE (I&S) was also required to order detailed inquiry and take action on the basis of inquiry report.

The SE (I&S) provided information about 14 cases of theft and shortages at all ACOS amounting to ₹ 1.56 crore during 2012-17. Scrutiny of records at various levels, however, disclosed 31 such cases at the ACOS causing loss of ₹ 2.20 crore. The SE (I&S), therefore, did not have proper information about cases of theft, shortages and fire occurred at ACOS. Further, there was no reporting mechanism about theft, shortages and fire at sub-divisional stores which are controlled by the concerned SE (O&M). The loss incurred due to theft and fire at ACOS and sub-divisional stores, therefore, could not be assessed. We noticed that the Company insured the inventory at ACOS but no insurance was taken for sub-divisional stores.

The Government stated that all possible action would be taken regarding procedure to be adopted for investigation in case of theft of material. Further, a proposal had been sent to the Corporate Office for insurance of all sub-divisional stores of the Company.

Four instances highlighting non-maintenance of prescribed records and embezzlement, fire and shortages of material due to lack of control and monitoring by the competent authorities are discussed below. These also show that action in cases of embezzlement and fraud are badly delayed.

#### ***Shortages of copper coil***

**2.23.1** The JPDC ACOS conducted 13 auctions during the period between 28 May 2007 and 5 October 2013 but every time it offered a lesser quantity of burnt copper coil than what was actually shown in the records (after excluding the 50,350 kg copper coil on which stay was granted by the High court).

The SE (I&S), however, never took cognizance of the reasons for sale of lesser quantities by the ACOS. Also, there were complaints from the residents about theft of material but no action was taken to investigate the authenticity of complaints. A resident lodged (22 May 2012) FIR against certain persons for theft of material from the ACOS, based on which the police caught the thieves and recovered 350 kg of copper coil. The ACOS also lodged FIR for theft of 350 kg copper on the basis of material recovered by the police. However, the SE (I&S) did not conduct investigation even after lodging of FIR and recovery of copper coil.

Subsequently, the ward keeper was transferred (July 2014) and shortage of 19.62 MT (₹ 98.11 lakh) copper coil was discovered during handing over and taking over. The SE (I&S) constituted (9 July 2014) a committee for inquiry into the matter. The committee in its report pointed out that ACOS/Stores

Superintendent/Ward Keeper had observed negligence in receipt of copper coil. In many cases, the store receipt notes were prepared without weighment card. The concerned Assistant Engineer either received less or excess to the quantity entered in weighment card which indicated malpractice by the staff of the ACOS. Further, in many cases, the weighment cards were not signed by the store superintendent and the messenger leading to misappropriation of material. As per report, the vehicle movement register was also not maintained properly and the manual columns and entries were either blank or incomplete. It was also pointed that the ACOS had issued an additional quantity of 6,470 kg (₹ 32.35 lakh) copper coil to the sub-division offices and thereby hidden the shortages.

We observed that the lack of inspections by the competent authorities and improper maintenance of records by the ACOS led to embezzlement of material of ₹ 1.30 crore during a period of seven years indicating complete failure of the internal control mechanism. The SE (I&S) was required to take appropriate action on the complaints of the residents and reports of the stock verifiers which clearly stated that physical verification of copper coil was not done due to inadequate manpower and time.

The Government accepted the facts and stated that the Company constituted a committee for inquiry regarding shortage of copper coil, the report of which was awaited. It was further stated that now quantity of copper coil is segregated and kept separately in store.

***Improper storage of material and failure to deposit the failed material***

**2.23.2** The Managing Director (January 2010) and SE (I&S) (June 2014) issued directions to the sub-divisional stores to deposit the transformers failing during guarantee period with the ACOS within a period of seven days. Further, the SE (I&S) issued (September 2014) directions for taking effective steps to prevent any incident of fire in the stores of the Company. The directions provided that the ACOS and sub-divisional officer needed to ensure that no inflammatory items like transformer oil, transformers, cable, CTPT set were kept under any high tension line passing over the stores office, keep separate records of CTPT sets and transformers failed during guarantee period and deposit the material in time.

We noticed that a fire occurred (April 2016) at Malakhera sub-divisional store. The Committee pointed out that fire occurred due to short circuit and spread because of 70,000 litre burnt transformer oil and failed distribution transformers. The Committee concluded that there was loss of material valuing ₹ 2.87 crore. The loss of material mainly included 67 failed transformers (₹ 36.08 lakh) which were under guarantee period and 676 failed transformers (₹ 2.37 crore) whose guarantee period had expired. The failed transformers under guarantee period were lying in store for more than two years. Further, the burnt transformer oil accumulated to 70,000 litre because it was not deposited with the ACOS in time.

We observed that the Assistant Engineer did not adhere to the directions regarding storage of material at a safe place as the inflammable material (transformer oil and transformers) was stored under the high tension line and,

therefore, any such incident was inevitable. Further, the transformers failed during guarantee period were also not deposited with the ACOS in time.

The Company, therefore, suffered loss of material of ₹ 3.27 crore (including value of transformer oil ₹ 40.15 lakh) due to improper storage of material.

The Government accepted the facts and stated that a committee has been constituted for inquiry in the matter.

***Delay in inquiry of shortages of scrap material***

**2.23.3** The Company conducted (3 July 2012) an e-auction for disposal of 32.71 MT of conductor lying in the ACOS Alwar. However, the Company could handover (August and September 2012) only 20.93 MT conductor to the firm and remaining conductor was not available with the ACOS. A committee conducted (October 2012) physical verification and found that there was 14.15 MT conductor as per ledger balance (as on 19 September 2012) but only one to two MT conductor was available with the ACOS. As per measurement, there was shortage of 11.25 MT of scrapped conductor.

The SE (I&S) constituted (February 2013) a committee to submit report on the case. The committee, however, had not submitted any report (May 2017) even after a lapse of more than four years. As a result action has not been taken against the officials accountable for embezzlement of material worth ₹ 15.19 lakh.

The Government accepted the facts and stated that regular pursuance was being made by the CE (MM) and SE (I&S) with the committee members to furnish their findings in the said matter.

***Embezzlement due to non-adherence to laid down procedures***

**2.23.4** The stock verifiers reported shortage of cables (22.23 KM) of various sizes and other material valuing ₹ 64.92 lakh during physical verification of the sub-divisional (D-III) store under JCC for the period from December 2009 to November 2013. The physical verification reports mentioned that four copies of indent book (4268/10 and 4268/11) were not found and fifth copy of the same was blank which raised suspicion about misuse of indents. The store had also not made entries in the stock register during the period April 2013 to November 2013 for material valuing ₹ 1.19 crore. The Assistant Engineer (DIII) reported (January 2014) that stores were checked by him personally and cables of various sizes valuing ₹ 35.30 lakh were found short. The internal audit observed (February 2014) that the storekeeper got issued 10 drums of 4CX300 sqm LT XLPE cable from the ACOS through multiple indents between July 2013 and November 2013 despite the fact that there was no requirement and demand of the cable from the sub-division. We observed that embezzlement of ₹ 35.30 lakh occurred due to non-adherence to the laid down procedure as the ACOS and concerned SE (O&M) issued the material which was not required by the field office. The ACOS and SE (O&M) were required to ensure that work wise material was being indented and material had been issued for the designated work only.

The Government accepted the facts and stated that FIR has been lodged for shortage of material.

## Disposal of scrap

**2.24** The Stores Manual provided that dismantled inventory, whether in serviceable condition or not shall be recorded in COS 24. The serviceable inventory needs to be taken in stock while the unserviceable scrap should be deposited with the concerned ACOS through material credit note. The ACOS was required to prepare store receipt note and make entry in the scrap register.

Review of records at the 21 sub-divisional stores under selected ACOS disclosed that the storekeepers did not record the dismantled inventory in COS 24. The sub-divisional stores prepared material credit notes which were acknowledged by the ACOS. This indicated that there was no control over the scrap as accounting was done on the basis of material submitted by the sub-divisional store with the ACOS. There was no record of the actual material retrieved at the time of dismantling of lines/projects.

The Disposal of Stores Rules required the ACOS to prepare quarterly survey reports and make recommendations regarding inventory to be disposed. The SE (I&S) had to put the brief of survey reports before the Board for approval of disposal of stores.

The selected ACOS, however, did not conduct surveys and prepare quarterly reports. We noticed that the ACOS prepared only 11 survey reports on the directions of SE (I&S) during 2012-17. Further, the survey reports did not mention the reasons of items becoming unserviceable for auction.

The Government accepted the facts and stated that field officers would be instructed for maintaining proper records of dismantled inventory.

### Sale of scrap

**2.24.1** The Company conducted open auction of scrap at ACOS level upto 2014-15. Simultaneously, online auction of scrap through portal of Metal and Scrap Trading Corporation (MSTC) Limited was also done. The details of scrap generated and auctioned during 2012-17 was as follows:

(₹ in crore)

Year	Opening balance	Received during the year	Total scrap	Scrap auctioned	Closing balance	Percentage of scrap sold to total scrap
2012-13	8.40	8.27	16.67	5.81	8.93	34.88
2013-14	9.00	10.23	19.23	6.86	10.84	35.67
2014-15	10.83	14.78	25.61	8.94	15.4	34.91
2015-16	14.87	63.05	77.92	59.71	17.91	76.63
2016-17	17.14	202.81	219.95	103.99	103.64	47.28
<b>Total</b>		<b>299.14</b>		<b>185.31</b>		

(Note: The opening and closing balances are not matching. The figures have been provided by the Company)

It could be seen that generation of scrap for disposal was steadily rising upto 2015-16. It jumped from ₹ 63.05 crore in 2015-16 to ₹ 202.81 crore in 2016-17 because the repair of the failed distribution transformers (manufactured upto 2010) was considered uneconomical. The Company could not auction the entire scrap during the year which resulted in space constraints

at the ACOS and sub-divisional stores. Further, SE (I&S) did not reconcile opening, receipt and closing quantity of the scrap lying at ACOS.

The Government stated that e-auction of scrap material is being initiated immediately after receipt of survey report. During exit conference the Management of the Company stated that a special drive has been initiated for identifying redundant lines and disposal of scrap. The Management further stated that the employees of the Company were being given incentive for disposal of scrap.

### **Insurance of stores**

**2.25** The Company commenced (2010-11) insurance of stock at ACOS against theft, fire, *etc.* As of March 2017, the insurance companies accepted 14 claims of ₹ 40.44 lakh, rejected 10 claims of ₹ 53.34 lakh and eight claims of ₹ 12.62 lakh were pending for decision.

We noticed that the sub-divisional stores of the Company also maintain huge inventory of new and scrap items. The risk of theft and fire is also high due to improper storage and location of stores in remote areas. The Company, however, did not insure the sub-divisional stores despite many cases of theft and fire. Review of records disclosed six cases of theft and fire at sub-divisional stores which caused loss of ₹ 4.04 crore to the Company. The Company could not make good the loss in absence of insurance policies.

The Government stated that a proposal for insurance of all the sub divisional stores was under consideration with the Director (Technical).

### **Conclusion and recommendations**

#### ***Conclusion***

**The audit findings disclosed serious shortcomings in assessment of requirement of material and procurement system which led to uneconomical purchase of material, purchase of material not conforming to the specifications, receipt of material ahead of supply schedule without requirement and acceptance of material without proper testing and inspection. The Company did not adopt a scientific and an effective inventory management system. The critical levels of inventory were not fixed and movement analysis was not carried out to ensure efficient management of inventory. This resulted in idle inventory at the stores. Proper records relating to issue and accounting of inventory were not maintained and the system of physical verification was not adequate. This led to theft and embezzlement of material.**

#### ***Recommendations***

- **The Company should revise the Purchase Manual as per Rajasthan Transparency in Public Procurement Act 2012 and Rules there under**

- **The Company should streamline the process of assessment of requirement of material to ensure that procurement is done as per field requirements**
- **The Company should finalise the tenders within the prescribed time frame and approval of the higher authorities should be sought in case of delay in finalisation. Procedures as prescribed for tendering and award of contracts need to be followed scrupulously**
- **The Company should strengthen the inspection and testing procedures and also ensure strict adherence to the technical specifications at the time of the supply of material by the suppliers**
- **The Company should adopt inventory control techniques for efficient management of inventory and the prescribed records need to be properly maintained for better control and monitoring of inventory and**
- **The Company should conduct physical verification of inventory at specified intervals and take corrective action on discrepancies reported in physical verification reports.**



**CHAPTER III**  
Compliance Audit  
Observations



## Chapter III

### 3. Compliance Audit Observations

This Chapter includes important audit findings emerging from test check of transactions of the State Government Companies and Corporations.

#### Jodhpur Vidyut Vitran Nigam Limited

##### 3.1 *Rectification of electricity bills of the consumers-Implementation of Rajasthan Guaranteed Delivery of Public Service Act 2011*

The Government of Rajasthan (State Government) enacted (September 2011) 'The Rajasthan Guaranteed Delivery of Public Services Act, 2011' (RGDPS Act, 2011) to provide delivery of certain notified services to the people of the State within stipulated time limits. The State Government also notified (October 2011) 'The Rajasthan Guaranteed Delivery of Public Services Rules, 2011 (RGDPS Rules, 2011) which laid down the procedures for implementation of the provisions of RGDPS Act, 2011. The Administrative Reforms and Co-ordination Department (ARCD) of the State Government issues instructions/guidelines/circulars to Departments responsible for implementation of the RGDPS Act/Rules.

Section 4 of the RGDPS Act, 2011 stipulates that the designated officer shall provide the notified service within stipulated time to the person eligible to obtain the service. 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, it may impose a lumpsum penalty between ₹ 500 and ₹ 5,000, which shall be recoverable from the salary of the designated officer in accordance with the Section 7 of the Act.

As of March 2016, the State Government had notified 153 services under Section 3 of the Act. Five out of 153 services pertain to Energy Department which include release of new connections, rectification of electricity bills, replacement of meters, refinement of electricity supply and delivery of infrastructure based services. The three<sup>1</sup> electricity distribution companies of the State are required to ensure delivery of these services within the stipulated time period prescribed in the Act.

The present audit was conducted (December 2016 to March 2017) to assess whether 'Jodhpur Vidyut Vitran Nigam Limited' (Company) rectified the electricity bills of the consumers within the time period prescribed in the Act. It was also seen whether the Company had maintained proper records and

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

taken adequate measures for publicity and generating awareness among the consumers about delivery of notified services as per the RGDPS Act and Rules thereunder. Audit analysed the performance of the Company in rectification of electricity bills during the period 2014-15 to 2016-17 (up to October 2016). Replies of the Government (July 2017) were taken into consideration.

The Company's distribution network is divided into three zones (Jodhpur, Bikaner and Barmer) which are further divided into 12 Circles and 155 Sub-divisions under the Circles. The consumers are divided into Low Tension (LT) and High Tension (HT) categories. Further, the Company categorised the LT consumers into rural and urban consumers. As on March 2016, the Company had 33.12 lakh consumers including 1,586 HT consumers. We selected five<sup>2</sup> Circles (42 per cent) out of 12 Circles to assess the performance of the Company in rectification of billing complaints relating to HT and LT consumers. The primary basis for sample selection was highest number of HT and LT consumers. At least one Circle was selected from each zone to have geographical representation of all the Circles.

The performance in HT category was reviewed in Jodhpur City and Pali Circles. The Circles accounted<sup>3</sup> for 37.64 per cent of the total HT consumers of the Company. The performance in LT category was reviewed in remaining three (Churu, Jodhpur District Circle and Barmer) Circles. In view of large number of LT consumers, we selected two sub-divisions from each Circle having highest number of consumers. The six<sup>4</sup> selected sub-divisions covered 1.64 lakh consumers of the Company as on March 2016.

### 3.1.1 Time period allowed under the Act for rectification of electricity bills

The time period allowed under the Act for resolving various types of complaints relating to electricity bills is mentioned below:

Type of complaint	Time period prescribed under the Act for rectification of complaint
Wrong bill/incorrect tariff/non-receipt of electricity bill/complaint about inadequate time period	<ul style="list-style-type: none"> <li>• Within three hours if complaint made by the consumer telephonically or in person.</li> <li>• Within seven days if the complaint is received by post.</li> </ul>
Mathematical error or inadequate time period allowed for payment of bill	<ul style="list-style-type: none"> <li>• On the same day on which complaint is received</li> <li>• The day on which complaint has been received by post</li> </ul>
Other complaints regarding electricity bill	<ul style="list-style-type: none"> <li>• Within seven days</li> </ul>
Other complaints (where meter testing is involved)	<ul style="list-style-type: none"> <li>• Rectification to be made within 60 days after verification within 30 days</li> </ul>
Complaint of high tension consumer regarding electricity bill	<ul style="list-style-type: none"> <li>• Three days</li> </ul>

2 Jodhpur City Circle, Pali, Churu, Jodhpur District Circle and Barmer.

3 Jodhpur City Circle (379 HT consumers) and Pali Circle (218 HT consumers).

4 Balesar and Mandore Sub-divisions under Jodhpur District Circle, Siwana and Chohtan Sub-divisions under Barmer Circle and Churu and Taranagar Sub-divisions under Churu Circle.

### **3.1.2 Non-maintenance of essential records/Registers**

Rule 17 of RGDPS Rules required the designated officer to maintain a register in Form-3 which shall include the name and address of the applicant, service for which the application has been received, last date of the stipulated time limit, application allowed/disallowed and date and details of the order passed. Rule 17 also requires the first appeal officer, second appellate authority and revising officer to maintain record of the cases in Form-4, Form-5 and Form-6 respectively. Further, Rule 4 stipulates that the designated officer or the person authorised by him shall give acknowledgement to the applicant in Form-1 and mention the last date of the stipulated time limit of providing service on the acknowledgement.

We noticed that none of the designated officers/authorities in any of the six sub-divisional offices and HT billing section maintained the desired records during April 2014 to October 2016. Though the Company provided acknowledgement slips to the sub-division offices and HT billing section but these were not passed on to the complainants.

The Assistant Engineers/Accounts Officer of the sub-divisions and HT billing section replied (March 2017) that records were not maintained due to heavy work load.

The Sub-divisions, therefore, failed to comply with the provisions of the Act and RGDPS Rules regarding maintenance of prescribed records.

The Government stated (July 2017) that required records were generally maintained by the field offices. The field offices have again been directed to maintain the records in Forms 3, 4, 5 and 6 and issue acknowledgement slip. Further, the HT billing section was centralized during the period (2014-17) and grievances received from HT consumers in the sub-divisions were immediately forwarded to the HT billing for resolving them. The reply was not correct as the prescribed records were not maintained at any of the selected sub-divisions and HT billing section. Further, the Assistant Engineers/Accounts Officer of the sub-divisions and HT billing section confirmed that the prescribed records were not maintained.

### **3.1.3 Incorrect reporting to the State Government**

The Administrative Reforms and Co-ordination Department (ARCD) of the State Government issued (March 2012) directions to the concerned departments to submit fortnightly information in the prescribed format regarding complaints received, complaints disposed of and appeals filed by the consumers. The ARCD also directed (July 2015) to appoint a nodal officer to monitor delivery of notified services to the people of the State in time by the Company.

The Company nominated (October 2012) the Superintendent Engineer (SE) Project, Planning and Monitoring (PP&M) as nodal officer who was required to monitor delivery of services to the consumers as per the provisions of the Act, compile the information received from each Zone and fortnightly submit the information to the State Government in prescribed format. The information to the Zonal office was to be channelled through Sub-divisions, Division offices and Circle office.

We noticed that the selected Sub-divisions did not compile and send any information about consumers' complaints and their redressal to the Division offices. Further, the Division offices also did not compile and send any information to the Circle office. The Circle offices thus without any input from the Sub-divisions and Divisions compiled the information at their own level and sent fortnightly data to the concerned Zonal office which in turn forwarded it to the SE (PP&M). The SE (PP&M) compiled the information for the Company as a whole and sent it to the State Government.

This indicates that the information sent by the Zonal office was not based on realistic data of complaints received and disposed of by the sub-divisions. This also led to submission of incorrect information by the SE (PP&M) to the State Government.

Our scrutiny of fortnightly information sent by the Zonal offices to the SE (PP&M) and reports submitted by SE (PP&M) to the State Government disclosed that:

- The selected Circle offices under Barmer and Bikaner Zones sent a consolidated figure of all five types of complaints without indicating the nature and type of complaint received and redressed. All the three Zonal offices also reported consolidated figures of all five types of complaints to the SE (PP&M)
- The SE (PP&M) also reported to the State Government a consolidated figure of all five types of complaints received and redressed. Further, it was reported that all the complaints were redressed within the time period prescribed in the Act and there was not even a single case of delay since the Act came into force.

All the authorities from Division level to SE (PP&M), therefore, failed to monitor the delivery of services to the consumers as per the provisions of the Act. The Company reported incorrect information to the State Government. Further, the reported information was not in prescribed format. The State Government also failed to monitor the delivery of services by the Company as per Act as no directions/instructions were issued by the ARCD for non-submission of information in the prescribed format.

The Government stated that there is a system of lodging complaints at centralized customer care centre and 33 kV GSS and, therefore, it was not true that records were not maintained. The SE (PP&M) collects information from customer care centre as well as circle office. Instructions have been issued to consolidate information of all five types of complaints. The field offices and customer care centre have also been issued instructions to compile the information as per requirement of the RGDPs Act.

The reply is not acceptable because the sub-divisions and divisions neither compiled nor sent any information to the Circle offices. The Assistant Engineers also accepted the fact that records were not maintained due to heavy work load. It was also seen that the SE (PP&M) did not report even a single case of delay since the Act came into force but the Company in reply to the subsequent para had accepted the fact of delay in redressal of complaints.

### 3.1.4 Delay in redressal of complaints

In absence of register in Form 3, acknowledgement receipts and other relevant record/data, audit could not comprehensively examine the extent of delay in redressal of complaints relating to rectification of electricity bills. We, therefore, scrutinised the complaint/application file maintained at sub-divisions which contained the individual complaints/applications submitted by the consumers. However, availability of all the applications/complaints in the file could not be ensured due to absence of page numbering or indexing of applications or allotment of running registration number on the applications or maintenance of complaint register correlating the applications in the file.

Out of 10,367 bill related applications/complaints found in the files maintained at the selected six Sub-divisions, date of receipt of the application or the date of submission of application by the consumers and date of disposal of complaint by the Company was not found in 6,680 (64 per cent) cases. Out of remaining 3,687 complaints, the date of disposal of 141 complaints mentioned in the 'Consumer Charges and Allowance Register' (CC&AR) was shown prior to the date of receipt of application. The time period involved in rectification of 6,821 (66 per cent) out of 10,367 complaints was, therefore, not verifiable due to lack of proper data.

Of the remaining 3,546 complaints where date of receipt of application and date of disposal of complaint were mentioned, we found that there was delay in rectification of 3,184 (90 per cent) complaints. The extent of delay ranged between one and 233 days against the stipulated time period of one day allowed in the Act for rectification of these complaints. In 420 cases (13 per cent), the delay was of more than 30 days.

The Company did not report to the State Government even a single case of delay in disposal of 16.65 lakh complaints (for the Company as whole upto 31 October 2016 since enactment of the Act). However, in selected SDOs, 90 per cent complaints were resolved with delays ranging between one and 233 days.

The Company, therefore, failed to resolve the bill related complaints of the consumers within the prescribed time period. The SE (PP&M) had reported to the State Government about resolution of all the complaints within time period stipulated in the Act. The Company's failure to adhere to the timelines in resolving complaints and lack of monitoring by the State Government had defeated the objective of enactment of the Act which was the people's right to get delivery of services within the prescribed time period.

The Government accepted the facts and stated that delay in redressal of billing complaints was due to shortage of staff in the field offices. Employees are being deputed in the field offices to cope with the shortage of staff. Further, all field officers are being advised to ensure redressal of complaints within the time limit prescribed in the Act and, if, any information regarding delay in redressal of complaints was received then necessary action would be taken against the defaulters.

### 3.1.5 Discrepancies in HT billing

Scrutiny of individual files of HT consumers in two selected Circles disclosed that the Company received 43 bill related complaints during the period from

April 2014 to October 2016. We noticed that 41 (95 per cent) out of 43 complaints were resolved with delays ranging between four and 135 days beyond the prescribed time period of three days.

The Government accepted the facts and attributed the delay in redressal of grievances towards acute shortage of staff. It was also stated that each case required prior approval of concerned higher authorities and, therefore, delay occurred in resolving the grievances.

### **3.1.6 Non-acceptance of complaints**

Based upon the scrutiny of complaints/applications received from the consumers, we noticed that the Sub-division and Division offices did not accept the applications of the consumers immediately for resolving the complaints. The applicants were asked to get a factual report of the meter reading from the lineman and get it verified from the concerned Junior Engineer.

The complaints relating to mathematical error/wrong billing were required to be resolved on the same day as per the Act. The process adopted by the Sub-divisions had, however, delayed the delivery of service to the consumers as it took around two to six days to get the verified factual meter reading report due to field duty of lineman and Junior Engineers.

The Assistant Engineers of selected Sub-divisions replied (March 2017) that the verified factual meter reading report was needed to save the time of consumers. However, the applications from the consumers would be accepted directly in future and action would be taken as per procedure.

The Government stated that complaints from the consumers were directly accepted and diverted to the concerned linemen and Junior Engineers for redressal. It was further stated that feeder incharge has now been given responsibility to resolve all type of grievances.

### **3.1.7 Lack of training to designated officers/appellate officers**

Rule 20(4) of RGDPS Rules 2011 directs the State Government to provide training to the designated officer, first appeal officer, second appellate authority and revising officer about their duties under the Act, to the extent of availability of financial and other resources.

We noticed that the Company or the State Government did not organise training programs for the designated officers and other officers/authorities to make them aware about their duties under the Act.

The Government replied that proper training was given by the State Government for resolving complaints under Rajasthan Sampark Portal and hence further training was not required under RGDPS Act. The reply was not convincing in view of the fact that the sub-divisions did not maintain records required under the RGDPS Act and further the bill related complaints were not received from the consumers directly.

### **3.1.8 Lack of awareness among consumers**

Rule 7 of RGDPS Rules required the designated officer to display all relevant information relating to services on the notice board in Form-2 for the convenience of the common people. The notice board was required to be

installed at a conspicuous place in the office and all the necessary documents required to be enclosed with the application for obtaining the notified service had to be displayed on the notice board. Form-2 included the details of notified services, documents to be enclosed with the application, stipulated time limits for providing the services, designation and address of the first appeal officer, stipulated time limit for the disposal of first appeal and designation and address of the second appellate authority.

Rule 20 (1) of RGDPS Rules required the State Government to:

- develop and organise campaigns and programmes to advance the understanding of the public, in particular of the disadvantaged communities, as to how to exercise the rights contemplated under the Act
- encourage public authorities to participate in the development and organisation of programmes and to undertake such programmes themselves
- promote timely and effective dissemination of accurate information by public authorities about the notified services and timelines and the processes for applications.

We noticed that the Company did not take adequate steps to generate awareness among the consumers about their right of getting delivery of notified services within the stipulated time. The Company neither organised consumer awareness programmes nor publicised the rights of the consumers through electronic media or by giving advertisements in newspapers. We found that the Head Office and Chohtan, Churu and Taranagar sub-divisions did not even install notice boards for displaying the information as prescribed under the Act.

### **3.1.9 Deficiencies in billing system**

We observed that the billing system was fraught with shortcomings like delay in issue of first bill to the consumers, wrong billing due to incorrect meter reading by the meter reader, non-delivery of electricity bill, insufficient time period allowed for payment of electricity bills and levy of inappropriate charges as stated below:

- There was delay in issue of first bill in 11,613 (35.75 per cent) cases out of 32,481 newly released LT connections in five<sup>5</sup> selected sub-divisions during the period from April 2014 to October 2016. The extent of delay ranged between one and 50 months beyond the prescribed period of 90 days. Out of 11,613 cases of delay, we found only 26 complaints from the consumers wherein delay ranged between four and 28 months. Some of the consumers repeatedly requested for issue of bill but the sub-divisions did not make any effort to ensure issue of first bill in time. The Churu sub-division did not maintain A-49<sup>6</sup> register and, therefore, delay in issue of first bill was not verifiable.

5 Mandore, Balesar, Siwana, Chohtan and Taranagar.

6 A-49 register shows the service numbers and new electricity connections released to the consumers. This register also shows the date of connection and date of first bill issued to the consumers.

The Government accepted the facts and stated that delay in some places, especially BPL connections which are done by contractors, occurred due to submission of file in lots after giving the connections. Efforts have been initiated to streamline the delay.

- Out of 10,367 complaints scrutinised by us, 7,746 (74.72 per cent) were relating to recording of incorrect meter reading by the meter reader. In 550 cases, the meter readers recorded reading without visiting the consumer's premises.

The Government accepted the facts and stated that Company is very strict on reporting of incorrect meter reading and action was being taken against the defaulter meter reader.

- In selected sub-divisions, we found 188 complaints of consumers regarding non-receipt of electricity bills. We noticed that the contractors intimated about non-delivery of 52,201 bills during April 2014 to October 2016. The Sub-divisions, however, did not assess the reason for non-delivery of bills by the contractors. These consumers had to get the bill issued from the sub-divisions for payment of dues.

The Government accepted the facts and stated that provision of taking receipt has been kept in work orders. Further, SMS of bill generation is being sent on registered mobile numbers to inform the consumers about due date, bill amount, etc.

- Clause 36 (1) of Terms and Conditions of Supply of Electricity, 2004 allows a time period of 15 days (19 days in case of PHED) for payment of bill from its date of issue. Scrutiny of records disclosed that there were many cases where the date of issue of bills was prior to the date of printing of bills. The consumers, therefore, did not get the prescribed time period for depositing the bills in these cases.

The Government stated that the sub-divisions generally extend the due date on consumer's request on providing genuine grounds when there was delay in distribution of bills.

- The Company transferred 30 consumers from Soor Sagar sub-division to Mandore sub-division which is a rural sub-division, in August 2013. However, the Mandore sub-division did not stop charging urban cess from these consumers. On the request of seven consumers, urban cess was removed in September 2015. In remaining cases, urban cess was still being recovered from the consumers (March 2017).

The Government accepted the fact and stated that corrective action had been taken and no urban cess was levied on remaining consumers.

The above instances indicate that the consumers were not aware of their rights under the Act and, therefore, did not lodge complaints under the Act despite huge shortcomings in the bill system. Further, the consumers who lodged complaints were not aware about the appellate authorities as none of the consumers preferred any appeal for redressal of their grievances.

The Government stated that all relevant information relating to services have now been displayed on notice boards. Further, awareness generation among

consumers was being done by the Energy Department through advertisement on television, newspaper and choupals and camps organised from time to time.

#### *Conclusion and recommendations*

**The Company failed to adhere to the provisions of the Act and it could not resolve the bill related complaints of the consumers within the stipulated time period prescribed in the Act. The State Government also failed to monitor the delivery of services by the Company as per Act as no directions/instructions were issued by the Administrative Reforms and Coordination Department for non-submission of information by the Company in the prescribed format.**

**The Company needs to ensure delivery of services to the people within the stipulated time period prescribed in the Act and to ensure close monitoring so that the sub-divisions, Divisions and Circle offices adhere to the provisions of the Act. The Company should also provide adequate training to the officers to make them aware of their duties under the Act as well as take action against the defaulter officers.**

**Further, the Company should install notice boards at conspicuous places and organise campaigns to generate awareness among the consumers about their rights under the Act.**

### **Rajasthan Rajya Vidyut Prasaran Nigam Limited**

#### *3.2 Loss due to inordinate delay in construction of Grid Sub-station*

**The Company incurred loss of ₹ 38.12 crore as of March 2017 due to inordinate delay in construction of 400 kV GSS at Ajmer.**

Rajasthan Rajya Vidyut Prasaran Nigam Limited (Company) created (June 2009) a Special Purpose Vehicle (SPV) with the name Maru Transmission Service Company Limited (Transmission Service Provider-TSP) for construction of transmission system under the scheme of 400 kV Grid Sub-station (GSS) Deedwana. The transmission system consisted of 400 kV single circuit Bikaner-Deedwana line, 400 kV single circuit Ajmer-Deedwana line and other<sup>7</sup> associated works. The Company issued (30 September 2010) Letter of Intent (LoI) to the successful bidder for purchase of SPV. A Transmission Service Agreement (TSA) for procurement of transmission services was also executed (February 2011) between the TSP and three<sup>8</sup> electricity distribution companies (DISCOMs) of the State.

The TSA stated that an element of the project shall be declared to have achieved 'Commercially Operative Date' (COD) 72 hours following the connection of the element with the interconnection facilities or seven days after the date on which it was declared by the TSP to be ready for charging but

7 The other associated works included construction/installation of (i) 400/220 kV, 2X315 MVA Grid Sub-station at Deedwana with 1X100 MVA 220/132 kV Transformer and installation of 1X50 MVAR, 400 kV Bus Type Shunt Reactor and (ii) 220 kV double circuit Sujangarh-Deedwana line.

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

was not able to be charged for some reasons not attributable to the TSP. The TSA also stated that once any element of the project has been declared to have achieved deemed COD then such element of the project shall be deemed to have availability equal to the target availability till the actual charging of the element and to this extent shall be eligible for payment of the monthly transmission charges applicable for such element.

The TSP claimed to achieve COD of the project on 16 December 2013 and claimed transmission charges from the DISCOMs as per terms and conditions of TSA. The Chairman DISCOMs constituted (December 2013) a Committee to verify commissioning of the project. The Committee reported (January 2014) that the project was not completely commissioned as one of the elements of the project (400 kV Ajmer-Deedwana line) was not commissioned/charged. The TSP clarified (January 2014) that commissioning of 400 kV Ajmer-Deedwana line was not possible because the terminating end of the line *i.e.* Ajmer GSS was not commissioned by the Company and hence delay in commissioning of the line was not attributable to it.

In a meeting (February 2014) held by the Company, DISCOMs and the TSP, it was decided to pay proportionate monthly transmission charges (around 70 *per cent*) to the TSP from 16 December 2013 on the basis of assets commissioned and being utilized to total assets. The proportionate charges were to be paid up to June 2014 or earlier, when the 400 kV GSS Ajmer was commissioned by the Company. It was also decided that in case the Company failed to commission the 400 kV Ajmer GSS by June 2014, the issue would be reviewed and an appropriate decision would be taken in due course.

We noticed that the Company had awarded (February 2011) the work of construction of 400 kV GSS at Ajmer to Jyoti Structures Limited, Mumbai (Contractor) with stipulated date of commissioning within 24 months. The GSS, however, could not be commissioned (January 2017) due to various issues like delay in handing over land to the Contractor by the Company, non-removal of 132 kV transmission line passing over the proposed GSS and slow progress of work by the Contractor. The Company issued several notices to the Contractor from time to time for slow progress of work and also deducted liquidated damages from the bills. Non-commissioning of the Ajmer GSS within stipulated time period had created obligation on the DISCOMs for payment of monthly transmission charges to Maru Transmission without full utilisation of the 400 kV Ajmer-Deedwana line.

As the Company could not commission the 400 kV Ajmer GSS up to June 2014, the TSP filed (July 2014) an appeal with Rajasthan Electricity Regulatory Commission (RERC) on the issue and stated that the DISCOMs were arbitrarily paying 70 *per cent* of the eligible charges contrary to the provisions of the TSA. The RERC in its decision (January 2015) directed the DISCOMs to pay transmission charges to the TSP as per terms of TSA from 16 December 2013 as it had achieved the deemed COD of 400 kV Ajmer-Deedwana line. The RERC in its decision also stated that the Company had not produced any evidence to show that non-construction of 400 kV GSS at Ajmer was beyond its control.

As per RERC directions, the DISCOMs started (August 2015) full payment of monthly transmission charges (including arrears from 16 December 2013) to

the TSP. The DISCOMs, however, recover 30 *per cent* of the amount payable to the TSP from the bills raised by the Company for transmission charges on account of un-utilized portion of 400 kV Ajmer-Deedwana line. As of March 2017, the DISCOMs had recovered ₹ 38.12 crore from the bills raised by the Company for transmission charges.

The Company, therefore, incurred loss of ₹ 38.12 crore due to inordinate delay in construction of 400 kV GSS at Ajmer. The Company would continue to incur this loss till commissioning of the GSS at Ajmer.

The Government stated (June 2017) that non-completion of Ajmer GSS did not cause any hindrance in charging 400 kV GSS Deedwana as the Ajmer GSS was to provide alternative supply only. It was further stated that the Company was continuously pursuing with the DISCOMs to stop deductions and refund the deducted amount. The reply was not convincing because transmission charges were payable to the TSP on achieving COD irrespective of utilisation of the transmission line.

### **Rajasthan Rajya Vidyut Utpadan Nigam Limited**

#### **3.3 Non-recovery of liquidated damages**

**The Company allowed a particular contractor to lift dry fly ash from Suratgarh Thermal Power Station without executing any agreement and depositing the security amount. Further, the Company did not take action against all the four contractors as per the terms and conditions of tender and Letter of Award despite all of them failing to lift the allocated quantity of fly ash and to deposit the liquidated damages.**

Rajasthan Rajya Vidyut Utpadan Nigam Limited (Company) invited (August and November 2014) tenders (TN-2252 and 2281) for sale of approximately 12 lakh Metric Tonne (MT) of dry fly ash generated by the units of Suratgarh Super Thermal Power Station (SSTPS). The general terms and conditions of the contract (Section B) provided that the contract would be liable to be terminated if there is default in lifting the material by the buyer, default in payment for the quantity lifted and payment of compensation, if any. No claim or compensation was payable as a result of termination of contract. The successful bidder was required to deposit security amount equivalent to the value of a month's quantity of annual allocated quantity of fly ash. The Company had the right to forfeit the security deposit either in whole or in part if the bidder failed to observe or perform any of the obligations under the contract. The scope of works and special terms and conditions for the contract (Section C) provided that in case the buyer failed to lift the allocated quantity of fly ash monthly and if such shortfall was disposed off through wet system<sup>9</sup> then the buyer was liable to pay liquidated damages calculated at sale price plus ₹ 150 per MT for the shortfall. In case the monthly generated quantity of dry fly ash was less on account of annual shutdown or certain other problem in the generating unit and no wet system was used for dumping the fly ash then no penalty was to be imposed.

<sup>9</sup> In Wet Disposal the ash is mixed with water and the ash slurry is transported to the disposal area.

The Company finalised the bids as per terms and conditions of tender and awarded Letter of Awards (LoA) to the following four firms for sale of dry fly ash.

Name of the firm	Date of LoA	Annual allocated quantity (In MT)	Rate per MT (in ₹)
Siddhi Vinayak Cement Private Limited (TN 2252)	11 November 2014	1,26,000	252
Ambuja Cement Limited (TN 2281)	3 January 2015	2,20,000	160
J.K. Cement Works (TN 2281)	3 January 2015	1,04,000	160
Shree Cement Limited (TN 2281)	3 January 2015	7,50,000	160

Clause 11 of the LoAs provided that the contractors had to execute an agreement for due fulfillment of the contract.

We noticed (November/December 2016) that Shree Cement Limited did not execute agreement with the Company as required under clause 11 of the LoA. Further, it also did not submit security deposit of ₹ one crore<sup>10</sup> as per the terms and conditions of LoA and tender. The Company, however, allowed Shree Cement Limited to lift fly ash from SSTPS without any agreement and security deposit.

Further, the scrutiny of records relating to quantity of fly ash lifted by the contractors disclosed that all the four contractors failed to lift the allocated quantity on monthly basis in various months during January 2015 to November 2016. The maximum shortfall pertained to Shree Cement Limited. Out of 23 months (January 2015 to November 2016), Shree Cement Limited did not lift the entire allocated quantity of fly ash in 21 months.

We noticed that the Company disposed of 1.77 lakh MT fly ash through wet system during August 2015 to October 2016 due to non-lifting of the allocated quantity by the contractors. The Company worked out the liquidated damages for shortfall in lifting the allocated quantity and also intimated the contractors for depositing the same. However, none of the contractors deposited the penalty for any month for which they failed to lift the allocated quantity.

The Company did not take action against the contractors as per the terms and conditions of tender and LoA despite the liquidated damages accumulating to ₹ 5.63 crore upto October 2016. The position of available security deposit vis-à-vis the accumulated liquidated damages as on October 2016 was as follows:

(₹ in crore)			
Name of the firm	Available security deposit/earnest money deposit	Liquidated damages to be recovered	Short fall against available security
Siddhi Vinayak Cement Private Limited	0.38	0.47	0.09
Ambuja Cement Limited	0.40	0.10	-
J.K. Cement Works	0.32	0.26	-
Shree Cement Limited	0.39	4.80	4.41
<b>Total</b>	<b>1.49</b>	<b>5.63</b>	<b>4.50</b>

10 Annual allocated quantity/12 X rate per MT i.e. 750000/12 X 160.

The Company allowed the liquidated damages to accumulate in excess of the available security deposit thereby jeopardizing its financial interests. The possibilities of recovery of liquidated damages from Shree Cement Limited are poor in absence of agreement and security deposit.

The Government stated (May 2017) that the Company allowed Shree Cement Limited to lift fly ash without agreement because the prime objective was to ensure utilisation of fly ash in a productive manner and to comply with the guidelines issued by Ministry of Environment and Forest (MoEF) which set the target of 100 *per cent* utilisation of fly ash generated. The fact remains that Shree Cement Limited lifted the fly ash without any agreement and security deposit. Further, even after more than two years an agreement has not been entered into. In absence of agreement and security deposit, the Company could not recover liquidated damages.

### 3.4 *Excess payment due to defective clause in the work order*

**Defective clause in the work order resulted in excess payment of ₹ 2.08 crore to the Contractor at Suratgarh and Kota Super Thermal Power Stations for excess transit losses allowed over Railway Receipt weight.**

Rajasthan Rajya Vidyut Utpadan Nigam Limited (Company) procures coal from the Korba Coalfields of South Eastern Coalfields Limited (SECL) for its Kota Super Thermal Power Station (KSTPS) and Suratgarh Super Thermal Power Station (SSTPS). The Company awarded (July 2006 and January 2013) work orders to Aryan Coal Beneficiation Private Limited (Contractor) for beneficiation/washing of raw coal at Korba Coalfields and supply of beneficiated coal to KSTPS and SSTPS. The Company allowed transit loss to the Contractor on actual weight received at the power stations. The supplies against the old (July 2006) work order were received up to December 2012. The supplies against new work order commenced from January 2013.

Review (January 2017) of the work orders disclosed that the Company modified the Clause relating to transit loss in the new work order. The old work order awarded in July 2006 provided that “the Company will allow a maximum 1.5 *per cent* transit loss on monthly basis while computing actual weight of beneficiated coal received on rake to rake basis. For this purpose, weight of the clean coal received at the power stations shall be increased by 1.5 *per cent* but not exceeding the Railway Receipt weight of the respective rakes”. The modified clause included in new work order awarded in January 2013 provided that “the Company would allow a 0.80 *per cent* transit loss on actual weight of the beneficiated coal received at power stations on each rake. For this purpose, weight of beneficiated coal received at the power station shall be increased by 0.80 *per cent* on rake to rake basis”. There was no reference to limiting the payment to the RR weight.

We noticed that the Company reduced the rate of transit loss in the new work order as per Rajasthan Electricity Regulatory Commission Tariff Regulations, 2009. The modified terms and conditions relating to transit loss were, however, not prudent because the modified Clause invariably allowed benefit of 0.8 *per cent* to the Contractor on the actual weight without considering the fact that benefit of increase in coal weight was not to be allowed beyond Railway Receipt (RR) weight. The RR weight represents the actual quantity

loaded by the contractor at the loading point considering all specified parameters like moisture, etc. The terms and conditions in the old work order considered this aspect and, therefore, restricted the transit loss up to the RR weight only.

Scrutiny of records disclosed that the Company invariably increased the actual weight of coal received at SSTPS and KSTPS by 0.8 per cent and made payments accordingly. The Company should have provided the benefit of transit loss to the extent of RR weight only.

The Government stated (May 2017) that actual weight of coal received at the thermal stations was worked out after deducting the weight of empty wagon from the gross weight. Hence, the weight as shown in RR may not be considered as maximum weight of coal dispatched. Further, the bidders had quoted rates as per tender conditions and the clauses of allowing transit loss on actual weight received at thermal station was as per tender conditions.

The reply was not convincing because invariable increase in weight for compensating transit losses over and above the RR weight led to payment for coal not loaded by the Contractor. Besides, there were no recorded reasons for change in the clause in the new work order. The Company by incorporating a defective clause in the work order made an excess payment of ₹ 2.08 crore to the Contractor at SSTPS (₹ 1.20 crore) and KSTPS (₹ 87.82 lakh) on account of transit loss over and above RR weight during January 2013 to September 2016.

### **Rajasthan State Mines and Minerals Limited**

#### **3.5 Non-recovery of contribution from customers for District Mineral Foundation and National Mineral Exploration Trust**

**The Company belatedly commenced recoveries from the customers for National Mineral Exploration Trust and District Mineral Foundation Trust and thereby lost opportunity to recover at least ₹ 14.54 crore.**

The Government of India (GoI) vide notification dated 27 March 2015 amended 'The Mines and Minerals (Development and Regulation) Act, 1957' (MMDR Act, 1957) and inserted new Sections 9B and 9C. The amendments to the MMDR Act, 1957 were deemed to have come into force from 12 January 2015. Further, the amendment in MMDR Act, 1957 led to establishment of District Mineral Foundation Trust (DMFT) and National Mineral Exploration Trust (NMET).

Section 9B	The State Governments were to establish District Mineral Foundation Trust (DMFT) in any District, affected by the mining related operations. The holder of a mining lease had to contribute to the DMFT, in addition to the royalty, an amount not exceeding one-third of such royalty.
Section 9C	The Central Government was to establish National Mineral Exploration Trust (NMET) and the holder of a mining lease had to contribute to the NMET an amount equivalent to two <i>per cent</i> of the royalty.
14 August 2015	The GoI notified (14 August 2015) the National Mineral Exploration Trust Rules, 2015.
16 September 2015	The GoI directed the State Governments that the DMFTs would be deemed to have come into existence with effect from 12 January 2015.
17 September 2015	The GoI notified (17 September 2015) the Mines and Minerals (Contribution to District Mineral Foundation) Rules, 2015 which specified the rates for contribution to the DMFT. As per Rules, the mine holders granted mining leases on or after 12 January 2015 were required to contribute to the DMFT at the rate of 10 <i>per cent</i> of the royalty while the mine holders who were granted leases before 12 January 2015 were required to contribute at the rate of 30 <i>per cent</i> of the royalty.

The Government of Rajasthan (GoR) notified (31 May 2016) ‘The District Mineral Foundation Trust Rules, 2016. These were deemed to have come into force from 12 January 2015. The GoR also established (9 June 2016) District Mineral Foundation Trusts (DMFT) in the mining affected Districts of the State.

Rajasthan State Mines and Minerals Limited (Company) is primarily engaged in mining and marketing of Rock Phosphate, Gypsum, Limestone and Lignite minerals. As on January 2017, the Company had been granted all the mining leases prior to 12 January 2015 and as such it was required to pay to the DMFTs and NMET at the rate of 30 *per cent* and two *per cent* of the royalty respectively with effect from 12 January 2015.

The Company, however, commenced<sup>11</sup> recovery of contribution for DMFT and NMET from the customers for different minerals between 1 April 2016 and 1 June 2016. The contribution towards DMFT in respect of Lignite was not recovered from the customers on the basis of notification issued (20 October 2015) by the Ministry of Coal, GoI which stated that the date of contribution shall be the date of notification issued by the State Government or the date on which the Mines and Minerals (Contribution to District Mineral Foundation) Rules, 2015 came into force, whichever was later. However, there was no such stipulation for payment of NMET. The reasons for delayed levy of DMFT and NMET in the invoices of other minerals were not found on records.

The Company did not act in time on the notifications issued by the Government of India for DMFT and NMET. The notifications were issued on 17 September 2015 and 14 August 2015 respectively but the Company commenced recoveries from the customers for various minerals between 1 April 2016 and 1 June 2016. Had the Company acted in time on the notifications, it could have recovered at least ₹ 14.54 crore from the customers towards DMFT and NMET from October 2015.

11 Rock Phosphate (1 May 2016), Gypsum (1 June 2016), Limestone (1 April 2016) and Lignite (1 April 2016).

We observed that the Company deposited ₹ 1.14 crore towards NMET for the year 2015-16 from its own funds. However, contribution to DMFT for 2015-16 was not made (January 2017).

The Government stated (August 2017) that the issue of imposing NMET and DMFT from retrospective date was under litigation at Delhi High Court. Further, the Company had started contribution to DMFT and NMET from the date of formation of these trusts on the basis of legal opinion. The reply was not acceptable because the paragraph highlights the fact that the Company did not recover contributions to the DMFT and NMET even after issue of notifications by the Government of India.

### **3.6 Obligatory payment of compensation and increased cost of production of Rajphos due to unrealistic clauses in the work order**

**The Company incorporated unrealistic clauses in the work order regarding payment/recovery of compensation for shortfall in production which made it obligatory for the Company to pay compensation to the Contractor without any possibility of recovery. This led to payment of compensation of ₹ 78.86 lakh to the contractor.**

Rajasthan State Mines and Minerals Limited (Company) awarded (September 2013) a work order to R.K. Dhabhai Minerals and Chemical Private Limited (Contractor) for designing, installation, commissioning and operation and maintenance of a Rajphos<sup>12</sup> grinding unit with rated capacity of one lakh metric tonne (MT) per annum at its Jhamarkotra mine. The work order was awarded for a period of 10 years on design, build, operate and own basis.

As per terms and conditions of work order, the Contractor was required to grind the Rock Phosphate and fill the Rajphos in valve type HDPE<sup>13</sup> bags with inside lamination at the rates<sup>14</sup> mentioned in the work order. The Company had to provide sufficient space for installation of the grinding unit and stacking of packed bags of Rajphos and empty valve type HDPE bags with printed maximum retail price. The decision to use valve type HDPE bags was a departure from the prevailing practice of using open mouth HDPE bags with inside lamination.

Further, the work order stipulated payment/recovery of compensation for shortfall in production due to reasons attributable to the Company/Contractor respectively as follows:

- it was obligatory for the Company to pay for 60 *per cent* (60,000 tonne per annum) of the rated capacity considering average production of Rajphos at 5,000 MT per month. The Company was liable to pay compensation for shortfall on **monthly** basis at 50 *per cent* of the applicable rate in case the monthly production fell short of 5,000 MT for reasons attributed to it; and

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12 A product containing 18 to 20 *per cent* Rock Phosphate (P2O5). The material is mainly used by the farmers as direct fertilizer in acidic soils.

13 High Density Polyethylene Bags.

14 Rate per MT including weighing, bagging and stitching: 1<sup>st</sup> year (₹ 470), 2<sup>nd</sup> to 6<sup>th</sup> year (₹ 551), 7<sup>th</sup> and 8<sup>th</sup> year (₹ 591), and 9<sup>th</sup> and 10<sup>th</sup> year (₹ 621).

- the Company was entitled to recover compensation for shortfall on **annual** basis at 50 *per cent* of the applicable rate in case the Contractor failed to achieve the rated capacity of one lakh MT per annum for reasons attributable to him.

The Contractor successfully completed the performance guarantee test and the commercial production of Rajphos commenced from 16 May 2015.

We observed that the compensation clause did not safeguard the financial interests of the Company. Thus while the contractor could recover compensation on monthly basis for production below 5,000 MT the Company was entitled to recover compensation for shortfall on annual basis in rated capacity for reasons attributable to the Contractor. During 2009-16, the sale<sup>15</sup> of Rajphos ranged between 0.34 lakh MT and 0.80 lakh MT while the production<sup>16</sup> ranged between 0.02 lakh MT and 0.83 lakh MT against the targeted production of one lakh MT per annum. There was no sale of Rajphos during 2012-13. The lack of demand indicated that the Company was not in a position to issue instructions for production of Rajphos up to the rated capacity of one lakh MT per annum. Lack of demand and supply orders created a situation where the Company could not recover compensation in some months even if the Contractor failed to produce the allocated quantity for reasons attributed to it because the efficiency had to be measured on annual basis. On the contrary, the contractor could easily achieve the target of 5,000 MT per month as the average operational capacity of the plant was around 8,333 MT per months. The maximum production (0.83 lakh MT) achieved by the Company during 2009-10 could be produced within 10 months. Thus, it is evident that poor demand for Rajphos was not taken into consideration before framing the clauses loaded in favour of the Contractor.

The Company stated (September 2017) that the provision for compensation to the contractor on monthly basis was to assure the Contractor of regular cash inflow as it had made significant capital investment and also had to make monthly payment for operational expenses. The Company further stated that now the Contractor had been directed (April 2017) to restrict the monthly production to 5000 MT to minimise variation in production and compensation payable to him. The fact remain that the Company jeopardized its financial interests by incorporating an inappropriate clause regarding compensation.

Scrutiny (January and July 2017) of records disclosed that the Contractor could not achieve the targeted production of 5,000 MT per month in 11 out of 22 months during 16 May 2015 to 31 March 2017. The actual production in these 11 months was only 22,425 MT against the targeted production of 55,000 MT. The monthly shortfall ranged between 460 and 5,000 MT.

The Contractor attributed the shortfall in production to non-fulfillment of contractual obligations by the Company which included not providing valve type HDPE bags, delay in stencil of new MRP<sup>17</sup> on bags and non-availability of sufficient space for stacking of packed bags of Rajphos. The Contractor

15 2009-10 (79,600 MT), 2010-11 (74,923 MT), 2011-12 (33,592 MT), 2012-13 (nil), 2013-14 (76,026 MT), 2014-15 (78,402 MT) and 2015-16 (53,139 MT).

16 2009-10 (82,707 MT), 2010-11 (68,955 MT), 2011-12 (30,976 MT), 2012-13 (1,595 MT), 2013-14 (76,201 MT), 2014-15 (78,250 MT) and 2015-16 (62,698 MT).

17 Maximum Retail Price.

raised monthly demand for compensation citing these reasons for shortfall attributable to the Company. The Company accepted (March 2016) the reasons and paid compensation of ₹ 78.86 lakh<sup>18</sup> to the Contractor.

We observed that the valve type HDPE bags could not be provided for automatic filling of Rajphos due to non-receipt of offers for supply of bags as per the requirement of the Company. Further, the space constraints occurred due to lesser allotment of required land and stacking of packed Rajphos on account of poor demand.

We noticed that the Contractor agreed to use the prevailing open mouth HDPE bags with inside lamination on additional terms and conditions which included:

- payment for labour charges at the rate of ₹ 13.11 per MT along with escalation/de-escalation based on the minimum wages declared by the Government of India from time to time from the date of commencement of commercial production,
- cost of thread at a fixed rate of ₹ 12.72 per MT based on consumption pattern for the entire contract period of 10 years and
- lumpsum payment of ₹ 5.27 lakh for modification of the plant to make it suitable for using open mouth HDPE bags.

The Board of the Company also raised concerns for incorporating unrealistic clause in the work order regarding supply of valve type HDPE bags without ensuring their availability in the market. It, however, accorded (March 2017) approval for operation of the plant on additional terms and conditions of the Contractor without fixing responsibility for incorporating the said unrealistic clause. This increased the cost of production of Rajphos by ₹ 25.83 per MT.

The Company stated (September 2017) that the bids for such type of bags did not receive suitable response and the bags were also costlier in comparison to the open type bags. The Company's reply substantiates the audit observation that the Company envisaged the use of new types of bags without proper market survey regarding cost and availability of these bags.

## **Rajasthan State Road Development and Construction Corporation Limited**

### ***3.7 Processing tenders for collection of toll***

Rajasthan State Road Development and Construction Corporation Limited (Company) constructs Highways, Bridges and Road Over Bridge (ROB), etc. on Build-Operate-Transfer (BOT)/Public Private Partnership (PPP) models. The Company recovers the investment during concession period through levy of user fee (toll) as per the provisions of Rajasthan Road Development Act, 2002 and Rules framed there under. The concession period is determined considering the likely costs and expected toll revenue. The project is

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18 Including Tax deducted at source: ₹ 20.62 lakh (September 2016), ₹ 23.37 lakh (November 2016), ₹ 21.09 lakh (December 2016), ₹ 13.78 lakh for the month of December 2016-January 2017 (calculated figure).

transferred to the State Government free of charge after recovery of the investment (including return) made on the project.

The deficiencies in processing tenders for toll collection were highlighted in paragraph 3.6 of the Report No. 4 (Commercial) of the Comptroller and Auditor General of India for the year ended 31 March 2011, Government of Rajasthan, hereinafter called as Audit Report 2010-11. The Audit Report 2010-11 highlighted delays in finalization of toll collection tenders and shortcomings in fixation of reserve price of bids invited for collection of toll during the period 2007-08 to 2009-10.

The paragraph was discussed (July 2013) by the Committee on Public Sector Undertakings (COPU). During discussion, the COPU observed that systemic lapses in processing tenders for toll collection caused delay in finalisation of tenders. The COPU recommended (September 2015) review of the existing annual tendering process for increasing the toll collection period upto two to three years, not to collect toll through departmental employees in future and to inform it about implementation of the recommendations after taking decisions at the appropriate level.

The present audit was conducted (December 2016 to March 2017) to assess whether the Company finalised the toll collection tenders in time, developed a proper system for fixing the reserve price of the bids and had implemented the COPU's recommendations. The audit covers the toll collection activity of the Company during the period from 2011-12 to 2016-17.

### 3.7.1 *Tenders for collection of toll*

As on 31 March 2017, the Company was collecting toll on 25 BOT projects. Out of 25 BOT projects, 23 BOT projects were completed during 2011-16 while the remaining two projects were completed in earlier years (2007-08 and 2009-10).

During 2011-17, the Company had to issue 'Notice Inviting Tenders' (NITs) 138 times for awarding 65 toll collection contracts for different periods on these 25 roads due to non-participation of bidders because of higher reserve price, cancellation of tenders due to inadequate offers in comparison to the reserve price and withdrawal of offers by the successful bidders in some cases.

The number of BOT projects completed, tenders finalised and number of times the NITs were issued during 2011-17 is detailed below:

Year	No. of BOT roads completed during the year	No. of tenders finalised	No. of times tenders invited
2011-12	01	02	09
2012-13	06	07	10
2013-14	04	09	20
2014-15	08	18	37
2015-16	04	15	27
2016-17	00	14	35
<b>Total</b>	<b>23</b>	<b>65</b>	<b>138</b>

### 3.7.2 *Delay in initiating tender process*

The process of finalising bids for collection of toll begins with the traffic census to be conducted by the Project Director of the Company and involves determination of reserve price based on traffic census, approval of reserve

price by the competent Committee, invitation of tenders, opening of price bids, finalisation of tenders, completion of formalities by the bidders like deposit of security amount, advance installment, submission of post dated cheques and execution of agreement with bidder. The Toll Policy 2012 allows the Company to extend the ongoing contract upto three months after enhancing the rates by 7.50 per cent in cases where the new tender is not finalised in exceptional conditions before expiry of the ongoing contract. It is therefore obligatory for the Company to initiate the tender process in time so that the new tender is finalised prior to the closure of ongoing contract.

The COPU also directed (July 2013) the Company to initiate the tendering process at least four months prior to the expiry of ongoing contract so that the tenders could be finalised in time. Further, the toll collection period could be for two to three years to avoid tendering every year.

The Company, however, issued (22 September 2014) instructions on these lines to the Unit Offices after delay of 14 months. Scrutiny of records disclosed that the Company in violation of COPU's directions did not initiate the tender process four months prior to the expiry of ongoing contracts in 21 (38 per cent) out of 56 tenders finalised during 2013-17 (**Annexure 6**). The Project Directors in these cases commenced the traffic census between 32 and 94 days prior to the closure of ongoing toll collection contracts. Delay in initiating the tender process resulted in delayed finalisation of 12 tenders which were finalised after expiry of 11 to 75 days of the ongoing contracts. The delay in initiating tender process resulted in:

- allowing inadequate time period to the bidders for submission of bids
- extension to the contractors without enhancing the rates by 7.5 per cent in two cases<sup>19</sup> causing revenue loss of ₹ 15.28 lakh
- extension to the existing contractor beyond three months on Pali-Nadol Road (September and December 2013) in violation of the Toll Policy 2012
- awarding short term toll collection contracts at lower rates in three<sup>20</sup> cases by accepting the *suo moto* offers of the contractors causing loss of ₹ 7.13 lakh and
- loss of ₹ 1.35 crore in two<sup>21</sup> cases due to delay in finalising tenders.

Besides, the Company also did not follow the COPUs direction of awarding toll collection contracts for more than one year. In 18 out of 56 cases during 2013-17, it awarded contracts for a period ranging between six and 12 months.

The Government stated (August 2017) that bids/*suo moto* offers for toll collection were approved by the competent authority as per site conditions in the interest of the Company. As regards non-adherence to COPU's directions, it was stated that bids for toll collection in respect of newly constructed roads

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19 Merta- Ras Road (October 2014) and Jahajpur-Mandalgarh Road (April 2014).

20 Mangalwar-Nimbahera Road (September 2016), Fatehnagar-Dariba Road (September 2016) and Salumber-keerki Chowki Road (September 2016).

21 (i) Merta-Ras (₹ 0.36 crore) during 28 December 2016 to 24 February 2017 and (ii) Hanumangarh-Suratgarh (₹ 0.99 crore) during 9 May 2014 to 22 July 2014.

were initially invited for one year with the presumption that traffic would increase after one year. The reply did not specify reasons for delay in initiating the tender process. Further, it may be seen that there were only eight newly constructed roads out of 18 cases pointed out in the paragraph.

### 3.7.3 Non-compliance with Rajasthan Transparency in Public Procurement, Act 2012

The Government of Rajasthan (State Government) enacted (May 2012) 'The Rajasthan Transparency in Public Procurement, Act 2012' (RTPP Act 2012) with the objectives of ensuring fair and equitable treatment of bidders, promoting competition, enhancing efficiency and economy, and achieving highest standards of transparency, accountability and probity to enhance public confidence in public procurement process. The State Government also notified (January 2013) 'The Rajasthan Transparency in Public Procurement Rules, 2013' (RTPP Rules 2013) under the RTPP Act 2012.

Rule 43 of the RTPP Rules 2013 provides a time period of 30 days for submission of bids from the date of publication of 'Notice Inviting Tender' (NIT) in case of tenders with estimated value above ₹ 50 lakh.

We noticed that out of 138 NITs for collection of toll during 2011-17, the Company violated the Rule in 89 NITs (64.49 per cent) and allowed the bidders a time period ranging between nine and 26 days for submission of bids instead of 30 days as stipulated in the Rule. The time period allowed to bidders for submission of bids in 89 NITs is given below:

Time period allowed for submission of bids (in days)	9 to 15	16 to 22	23 to 26
No. of NITs	54	31	4

Reasons for not allowing the stipulated period of 30 days for submission of bids in 12 projects were not available on records. Scrutiny of records in other cases, however, disclosed that the reasons for allowing shorter periods were delay in initiating the tender process, delay in fixation of reserve price and non-finalisation of the NIT requiring re-invitation of tenders.

#### *Case study: Kishangarh Bas-Khairthal-Bansur-Kotputli Road*

The Company allowed (7 October 2016) a time period of only 15 days for submission of bids for high value tender for the road with reserve price of ₹ 13.83 crore for a period of two years. The Company had sufficient time for finalization of the tender even if it had allowed a time period of 30 days for submission of bids as the ongoing contract was expiring on 26 December 2016. The tender was finalised (7 November 2016) one and half months prior to the expiry of the ongoing contract at ₹ 16.17 crore for two years. The Company, therefore, limited the competition by not allowing the bidders a period of 30 days for submission of bids.

The Company, therefore, acted in violation of RTPP Act 2012 by allowing shorter period for submission of bids.

The Government stated that in emergent conditions the procuring entity, after recording reasons, may reduce the period for submission of bids to half of the period specified in rule 43 (7) of RTPP Rules 2013. The reply was not convincing as there were no recorded reasons for reduction in bid time. The Company curtailed the bid period in majority (64 per cent) of the cases without recording any reason.

### **3.7.4 Fixation of reserve price**

The Toll Policy, 2012 framed by the Company provides that the reserve price for inviting bids for collection of toll would be finalised by a Committee based on the traffic census conducted by the concerned Project Director.

### **3.7.5 Non-conduct of traffic census as per Toll Policy**

The Toll Policy 2012 stipulated fixation of reserve price based upon seven days traffic census conducted by concerned Project Director. The Project Directors in three<sup>22</sup> cases, however, did not conduct traffic census for seven days as per Toll Policy and proposed reserve price based upon traffic census conducted for three to five days.

The Government accepted the facts and stated that initially traffic census was conducted for seven days on these roads but offers were not received as per the reserve price. Subsequently, traffic census for shorter period was conducted due to urgency and to re-assess the reserve price. The reply was not convincing in view of the fact that traffic census for shorter period may result in inaccurate data and inadequate assessment of reserve price.

### **3.7.6 Fixation of reserve price for newly constructed roads**

We noticed that the Company did not follow a consistent and rational approach in fixing reserve price for inviting first toll collection tender for 23 newly constructed roads. The Company in 19 cases (**Annexure 7**) did not consider the reserve price proposed by the Project Director based upon traffic census and fixed a higher reserve price based upon the DPRs of the roads. In three<sup>23</sup> cases, the reserve price based upon DPRs was not considered because the traffic census worked out a higher reserve price. In the remaining case (Pali-Nadol road), the reserve price worked out on the basis of traffic census was the same as that prescribed in the DPR.

Our analysis disclosed that all the tenders (six cases) where reserve price was fixed upon traffic census were awarded in the first attempt. However, out of 16 cases where the Company fixed higher reserve price based upon DPR, tender in only one case (Nasirabad-Kekri) could be awarded in the first attempt while in the remaining 15 cases no bidder participated in the tenders due to higher reserve price. In these 15 cases, the Company had to reduce the reserve price and re-invite tenders two to five times for awarding the first toll collection contract. This caused delay in commencement of toll collection activity and the Company was deprived of the opportunity to earn toll revenue of ₹ 33.27 crore.

The Government accepted the facts and stated that there was large difference between reserve price based on DPR and traffic census conducted by the Project Director. It was decided to invite bids for the first time on the basis of higher reserve price of DPR/traffic census looking to the interests of the Company.

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22 Gotan-Sojat: three days during 29 June 2012 (6:00 AM) to 02 July 2012 (6:00 AM), Bari-Bayana-Kherli Road: five days during 7 March 2016 to 12 March 2016 and Nasirabad-Kekri-Deoli Road: three days during 25 January 2017 to 28 January 2017.

23 (i) Mahua-Hindaun-Karauli, (ii) Jodhpur-Osiyan and (iii) Kotputli-Sikar-Kuchaman.

Fixation of reserve price based upon DPRs was, however, not a reliable criterion which resulted in cancellation of bids and loss of revenue.

### 3.7.7 Fixation of reserve price for ongoing contracts

We noticed that the Company did not follow a consistent approach in fixing reserve price for inviting subsequent toll collection tenders for the ongoing roads. The Company in seven cases (**Annexure 8**) did not consider the mechanism of traffic census as prescribed in the Toll Policy and instead fixed the reserve price of the roads by either considering 10 *per cent* growth in previous contract value or five *per cent* annual growth in traffic and five *per cent* increase in the previous toll rates or six *per cent* increase in traffic growth. The reserve price fixed by adopting different parameters was always in excess (between 7.52 and 58.14 *per cent*) of the reserve price worked out on the basis of traffic census. The Company had to invite tenders two to three times due to revision of reserve price. The toll collection contracts were awarded after a period ranging between 38 and 187 days from the date of issue of first NIT.

The Government accepted the facts and stated that there was large difference between reserve price based on DPR and traffic census conducted by the Project Director. It was decided to invite bids for the first time on the basis of higher reserve price of DPR/traffic census looking to the interests of the Company. The reply was not convincing as the Company did not follow provisions of the Toll Policy 2012 and in most of cases it had to re-invite tenders due to lack of response from the bidders at higher reserve price.

### 3.7.8 Fixation of reserve price as per new Toll Policy 2016

The Company approved (March 2016) a new Toll Policy (Parameters of Bidding Procedures and Conditions for Collection of Toll Tax) 2016, applicable with effect from 1 April 2016. The new toll policy prescribed that reserve price for ongoing tenders would be higher of the price worked out on the basis of traffic census or the price worked out after enhancing the present toll contract by five *per cent* towards increase in growth of traffic plus actual increase in the toll rate in the corresponding year considering 1 April as base date. The new Toll Policy also provided that if no bidder participates in the tender or quotes a rate less than the reserve price, then the reserve price would be fixed on the basis of highest rate received in the cancelled tender.

We noticed that out of 14 tenders finalised during 2016-17, only five<sup>24</sup> (36 *per cent*) tenders could be awarded in the first instance at the reserve price worked out based on the new Toll policy. The Company had to invite tenders 30 times for awarding toll collection contracts in the remaining nine<sup>25</sup> cases due to non-participation of bidders because of higher reserve price/cancellation of tenders due to lower bids than the reserve price.

24 (i) Dabok-Mavli-Chittorgarh, (ii) Pali-Nadol, (iii) Banswara-Ratlam, (iv) Kishangarh-Bas-Khairtal-Kotputli and (v) Bikaner Bypass.

25 (i) Mahua-Hindaun-Karauli, (ii) Merta-Ras, (iii) Alwar-Behror-Narnaul, (iv) Nasirabad-Kekri, (v) Mangalwar-Nimbahera, Fatehnagar-Dariba, Salumber-Keer ki Chowki, (vi) Jaipur-Jobner-Kuchaman-Nagaur, (vii) Kota-Dharnawada, (viii) Bari-Bayan-Kherli and (ix) Hanumangarh-Suratgarh.

Thus, the mechanism for fixation of reserve price provided in the new Toll Policy resulted in the multiple invitation of tenders in 64 *per cent* of the cases. In view of this the mechanism may have to be revisited.

The Government accepted the facts and stated that efforts were made to invite bids at reserve price worked out on the basis of new toll policy but subsequently reserve price was reduced to attract more bidders.

### **3.7.9 Delay in execution of agreement**

Out of 23 new roads completed during 2011-16, the Company could not award the first toll collection tender in seven cases (30.43 *per cent*) promptly even after completion of the roads. We noticed that the Head office of the Company finalised the tenders and issued instructions to the Project Directors for execution of agreement with the bidders. The Project Directors, however, executed agreements with the bidders after delays ranging between 50 and 309 days due to non-completion of toll plazas or electricity works in toll plazas or other minor works. This resulted in belated commencement of toll collection activity by the contractors and the Company losing opportunity to collect toll revenue of ₹ 18.08 crore as detailed in **Annexure 9**.

The Company, therefore, failed to commence timely recovery of toll despite completion of roads due to non-completion of toll plazas. The traffic movement continued for a substantial period without payment of toll in absence of any temporary arrangement.

The Government accepted the facts and stated that the bids for collection of toll were invited in anticipation of completion of work in due time. However, the work could not be completed within scheduled time due to various reasons.

### **3.7.10 Loss of toll revenue due to departmental toll collection**

The toll collection contract (from 11 May 2010 for a period of one year) on Hanumangarh-Pilibanga-Suratgarh 24 Km Road (26/0 to 50/0) was due to expire on 11 May 2011. The existing contractor offered (February 2011) to extend the contract by three months increasing the ongoing contract value (₹ seven crore per year) by 7.5 *per cent*. The Company neither accepted the offer nor initiated proceedings for new contract as the remaining 26 Km (0/0 to 26/0) road would be completed by July 2011 and thereafter tenders would be invited for the entire road (0/0 to 50/0). As such, the Company started departmental toll collection on the road from 11 May 2011.

The new tender for the entire road could be awarded only in February 2012 due to delay in completion of 0/0 to 26/0 portion of the road and the contractor commenced toll collection from 9 May 2012. The Company collected toll of ₹ 5.76 crore and incurred expenditure of ₹ 22.06 lakh on manpower during the period from 11 May 2011 to 9 May 2012.

Had the Company accepted the offer of the contractor, it could have earned minimum additional toll revenue of ₹ 1.97 crore (calculated on the price offered by the contractor).

The Government stated that the Company estimated that the work on remaining stretch of 26 Km would be completed by July 2011 and could get bids at higher price for the whole road. The fact remained that the price

offered by the existing contractor was in consonance with toll policy as well as beneficial to the Company.

### **3.7.11 Non-recovery from the contractor**

Clause 12 of the agreement entered (June 2015) with the contractor (S.P. Constructions) for collection of toll on Kishangarh Bas-Khairthal-Kotputli road provided that the agreement would be terminated in case the contractor failed to pay any instalment of rent on the due date or breached any condition of the agreement. Further, the contractor was liable to bear all losses incurred by the Company on departmental toll collection or resale.

We noticed that the Company terminated (14 August 2015) the agreement with the contractor for non-payment of instalments and started departmental toll collection on the road. The Company also black listed the contractor and debarred him from participating in future contracts. The new contract for toll collection was awarded (December 2015) for one year at ₹ 5.91 crore. The toll collection under new contract commenced from 26 December 2015.

During the period from 14 August 2015 to 25 December 2015, the toll was collected departmentally from 20 August 2015 to 12 September 2015 and through a contractor from 12 September to 25 December 2015. The Company also invited tenders thrice (August 2015, September 2015 and October 2015) but could not finalise them either due to non-participation of bidders or non-receipt of adequate bids because of high reserve price.

We observed that the Company short recovered toll revenue of ₹ 2.66 crore during the period from 14 August 2015 to 24 June 2016 (date of closure of agreement with S.P. Constructions) as a result of non-performance of contractual obligations by S.P. Constructions. The short recovery of toll revenue was recoverable from the contractor as per Clause 12 of the agreement but the Company did not initiate any action for recovery of this amount. Instead the Company removed (November 2015) the name of the contractor from the black list and allowed him to participate in future contracts.

The Government stated that the contractor abandoned the work in extraordinary/abnormal circumstances involving law and order situation. The contractor was removed from the black list as per recommendation of empowered standing committee and the case was pending with committee. The reply was not convincing because toll would not have been collected departmentally and by the other contractor during this period had there been abnormal circumstances involving law and order situation.

### **3.7.12 Undue relief to the contractor towards loss of profit**

The Company awarded (May 2014) toll collection contract to SPC Infrastructure Private Limited (Contractor) on Kotputli-Sikar-Kuchaman road at ₹ 30.51 crore for a period of one year. The road consists of five toll booths. The toll collection activity on one toll booth (Challa Neem ka Thana) remained suspended during the period from 8 July 2014 to 10 February 2015 (218 days) due to public agitation. The Company based upon the contract value, estimated the loss of toll revenue incurred by the Contractor due to closure of booth at ₹ 4.30 crore. The Company in its calculation also allowed

waiver towards loss of profit to the Contractor amounting to ₹ 44.99 lakh for the period of 218 days.

We observed that the Contractor was not eligible for benefit of loss of profit during the closure period because the tender/contract conditions did not provide for any such relief and the Company was entitled to recover only the contract value from the Contractor. Further, the Contractor would have already included the profit element in the quoted price at the time of submission of bids. The company, therefore, allowed undue relief of ₹ 44.99 lakh to the Contractor which needs to be recovered.

The Government accepted the facts and stated that loss of profit was paid to the contractor on the basis of decision of the empowered standing committee. The fact remained that the tender/contract conditions did not provide for any such benefit.

### **3.7.13 Loss due to non-completion of road work**

The toll collection contract on Nasirabad-Kekri-Deoli road was due to expire on 02 November 2014. The Company finalised (22 October 2014) the new tender prior to the expiry of ongoing tender at ₹ 42.33 crore for two years. However, the activity of toll collection under new contract could not be commenced due to non-completion of a new toll plaza on the road. The Company, therefore, extended the ongoing contract for three months after increasing the contract value by 7.5 per cent. The toll collection under new contract commenced from 31 January 2015. This resulted in loss of toll revenue of ₹ 2.26 crore to the Company during the extended period (calculated as per rates received in new contract).

The Government accepted the facts and stated that bids for toll collection were invited including stretch of new constructed road in anticipation of completion of work and new toll plaza on time. However, the work could not be completed within scheduled time.

### **3.7.14 Delay in termination of contracts of defaulter contractors**

The Company awards toll collection contracts to the successful bidders on submission of security deposit (10 per cent of the contract value) in the form of bank guarantee. The contractor is also required to submit an advance instalment of toll fees of 10 per cent in the form of demand draft/cheque and post dated advance cheques towards monthly instalments for the remaining 90 per cent amount prior to the commencement of toll collection activity. The contract agreement is required to be terminated and security deposit forfeited in case of failure of the contractor to pay any of the instalments.

We noticed that the Company did not terminate the contracts in two<sup>26</sup> cases immediately after default in payment of instalment by the contractors at first instance. This led to accumulation of dues beyond the available security deposit till termination of the contracts. The shortfall after adjusting the available security in these cases worked out to ₹ 1.28 crore.

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26 (i) **Suket-Pipaliya-Bhawanimandi road**: shortfall of ₹ 0.78 crore against M/S Chaudhary Builders during April 2016 to February 2017 and (ii) **Chechat-Morak-Ramganjmandi road**: shortfall of ₹ 0.50 crore against M/S Jat Traders during March 2016 to November 2016.

We further noticed that the Company awarded (May 2016) toll collection contract for Bari-Bayana-Kherli road to the contractor which had defaulted (April 2016) in case of Suket-Pipaliya-Bhawanimandi road.

The Government accepted the facts and stated that toll contracts were not terminated on verbal assurance of the contractors.

#### *Conclusion and recommendations*

**The toll collection activity continued to suffer due to delay in processing tenders and improper fixation of reserve price despite audit pointing out similar shortcomings in the Audit Report 2010-11. The Company failed to commence toll collection activity on newly constructed roads due to delay in construction of toll plazas and fixing higher reserve price based on Detailed Project Reports instead of traffic census in violation of the Toll Policy 2012. Improper fixation of reserve price led to non-participation of bidders and the Company had to re-invite tenders several times by reducing the reserve price. The Company violated the provisions of Rajasthan Transparency in Public Procurement, Act 2012 (RTPP Act, 2012) by allowing shorter time period for submission of bids.**

**We recommend the Company to initiate the tender process in time and devise a proper mechanism for fixing the reserve price of newly constructed roads and ongoing projects. The Company may consider conducting the traffic census scientifically and adopting uniform criteria for fixing reserve price instead of adopting different criteria. The Company should also adhere to the provisions of RTPP Act, 2012 by allowing sufficient time period to the bidders for submission of bids.**

### **Rajasthan Renewable Energy Corporation Limited**

#### **3.8 Avoidable payment of interest penalty due to under assessment of tax liability**

**The Company under assessed the tax liability for the financial year 2014-15 due to consideration of profits and gains from projects beyond the eligible period allowed under Section 80 IA of the Income Tax Act, 1961. This resulted in an avoidable interest penalty of ₹ 83.32 lakh under Section 234 B and 234 C of the Act.**

Section 80 IA of the Income Tax Act, 1961 (Act) provides 100 *per cent* deduction of profits or gains to an assessee (undertaking or an enterprise) derived from any business referred to in Sub-section (4) for a period of 10 consecutive years, in accordance with and subject to the provisions of this section. Section 80 IA of the Act is reproduced below:

**80-IA (1) Where the gross total income of an assessee includes any profits and gains derived by an undertaking or an enterprise from any business referred to in sub-section (4) (such business being hereinafter referred to as the eligible business), there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction of an amount equal to hundred *per cent* of the profits and gains derived from such business for ten consecutive assessment years.**

**(2) The deduction specified in sub-section (1) may, at the option of the assessee, be claimed by him for any ten consecutive assessment years out of fifteen years beginning from the year in which the undertaking or the enterprise develops and begins to operate any infrastructure facility or starts providing telecommunication service or develops an industrial park or develops a special economic zone referred to in clause (iii) of sub-section (4) or generates power or commences transmission or distribution of power or undertakes substantial renovation and modernisation of the existing transmission or distribution lines.**

Further, as per Section 208 of the Act read with Section 211 of the Act, it is obligatory for an assessee to pay advance tax in four quarterly installments<sup>27</sup> where the advance tax payable is ₹ 10,000 or more. The assessee is liable to pay interest for default in payment of advance tax under Section 234 B and interest for deferment of advance tax under Section 234 C of the Act. Interest under Section 234 B is applicable where the assessee does not remit the advance tax or where the advance tax paid is less than 90 *per cent* of assessed tax. Interest under Section 234 C is applicable where the assessee has underestimated the installments of advance tax.

Rajasthan Renewable Energy Corporation Limited (Company) executed eight wind/solar power projects between April 2000 and April 2012. The profits and gains derived from these projects were eligible for 100 *per cent* deduction as per the provisions of Section 80 IA of the Act. Out of eight<sup>28</sup> projects, the Company started availing deduction under Section 80 IA on five projects from the financial year 2004-05. As such, these five projects were eligible for deduction up to the financial year 2013-14.

We noticed (November 2016) that the Company while assessing advance tax for the financial year 2014-15 also considered deduction of profits and gains on these five projects under Section 80 IA of the Act. The Company, therefore, under assessed the tax liability for the financial year and failed to pay accurate installments of advance tax. The original income tax return for the financial year 2014-15 was filed<sup>29</sup> (28 September 2015) with under assessed tax liability. The mistake came to the notice of the Company in September 2016 and a revised return for the financial year 2014-15 was filed (16 September 2016) with an interest penalty of ₹ 83.32 lakh<sup>30</sup> under Section 234 B and 234 C.

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27 1<sup>st</sup> instalment on or before 15 June (Not less than 15 *per cent* of advance tax liability), 2<sup>nd</sup> instalment on or before 15 September (Not less than 45 *per cent* of the advance tax liability after reducing earlier instalment), 3<sup>rd</sup> instalment on or before 15 December (Not less than 75 *per cent* of the advance tax liability after reducing earlier instalments) and 4<sup>th</sup> instalment on or before 15 March (The whole amount of advance tax liability after reducing earlier instalments).

28 The deduction on remaining three projects was commenced from financial year 2006-07, 2009-10 and 2012-13.

29 The due date of filing was 30 September 2015.

30 The interest penalty under Section 234 B and 234 C was deposited on 14 September 2016.

The Company, therefore, under assessed the tax liability for the financial year 2014-15 due to consideration of profits and gains from projects beyond the eligible period allowed under Section 80 IA of the Act. This resulted in an avoidable interest penalty of ₹ 83.32 lakh under Section 234 B and 234 C of the Act.

The Government accepted (June 2017) the fact of claiming inadmissible deduction under Section 80 IA of the Act. It, however, maintained that the Company had to pay interest penalty of ₹ 67.68 lakh even if deduction was not claimed because of extraordinary increase in indirect income at the time of finalization of accounts which created difference between actual tax payable and advance tax deposited. The Government further stated that the amount of interest penalty paid at the time of revised return remained invested in fixed deposits which earned interest of ₹ 27.34 lakh.

The reply was not correct because the Company had calculated interest penalty of ₹ 67.68 lakh upto March 2015 considering increase in indirect income during last quarter of the year. It had ignored the fact that delay in payment of tax liability because of belated realisation of inadmissible deduction had considerably increased the interest penalty upto the date (16 September 2016) of filing of revised return. The total penalty under Section 234 B and 234 C upto the date of filing of revised return was ₹ 1.13 crore out of which ₹ 83.32 lakh was only due to claiming inadmissible deduction under Section 80 IA of the Act. Further, the Company was under legal obligation to pay statutory dues under the Act and, therefore, the argument that delayed payment helped it in earning interest through fixed deposit is not tenable.

### **Rajasthan State Road Transport Corporation**

#### **3.9 Operation of buses in rural areas on Public Private Partnership mode under Viability Gap Funding**

##### **Introduction**

The Chief Minister, Rajasthan in the budget speech for the year 2011-12 announced (March 2011) ‘*Mukhyamantri Rural Bus Scheme*’ (Scheme). The Scheme envisaged expansion of bus services in rural areas through ‘Public Private Partnership’ (PPP) model. The main objective of the Scheme was to provide bus connectivity in rural areas of the State in next three years, connecting all *panchayat* headquarters with *tehsil* headquarters, district headquarters, *krishi upaj mandis*, educational institutions, hospitals, industrial areas, bus terminals and railway stations to the extent possible. The State Government nominated (March 2011) ‘Rajasthan State Road Transport Corporation’ (Corporation) as nodal agency for implementation of the Scheme.

The Corporation appointed (July 2011) PDCOR Limited as Project Management Consultant (Consultant) for preparing a concept report for rural transport services in the State including broad scheme of the project and feasibility report for implementation of rural transport services in Alwar, Dholpur, Bharatpur, Dausa, and Karauli Districts and Kotputli Tehsil. The feasibility report included detailed report about cluster formation, preparation

of bus operation plan, cost estimates and financial analysis, project implementation strategy and bid process management.

The Consultant submitted the concept paper (July 2011) and feasibility report (February 2012) to the Corporation. The feasibility report suggested that the bus operator would buy, own, operate and maintain the midi buses for each cluster for a pre-determined period of six years, collect and retain the fare and advertisement revenues and pay to the Corporation or ask to be paid fixed viability gap for each cluster. The viability gap represented the excess of expenditure incurred over revenue earned by the bus operator in operation of buses. The viability gap payable to the bus operators was to be funded by the State Government.

**The State Government citing various irregularities in implementation of the Scheme did not give (December 2016) permission for inviting fresh tenders and finally discontinued the Scheme from 1 April 2017. The viability gap payable to the bus operators upto 31 March 2017 was, however, allowed.**

The present audit was conducted to assess whether the Corporation implemented the Scheme as per the budget announcement and achieved the desired results. As on March 2017, the Scheme was being implemented by the Corporation in 23 out of 49 operational<sup>31</sup> depots located in 19 Districts of the State. We reviewed the implementation of Scheme in four (Jaipur, Dausa, Karauli and Hanumangarh) out of 23 depots. The depots were selected on the basis of highest viability gap amount paid by the Corporation upto 2015-16.

Audit scrutiny (February to April 2017) involved review of records at the Head office and selected depots. The paragraph also includes financial impact in respect of other depots where the Corporation provided adequate information.

The Paragraph has been finalised considering replies (August 2017) of the Corporation. The Government endorsed (September 2017) the reply of the Corporation.

### **3.9.1 Achievement of objectives of the scheme**

The Consultant envisaged that the State of Rajasthan had 9,192 *gram panchayats* in 33 Districts of the State as of January 2009. The Corporation was providing bus services in 3,615 *gram panchayats* while four *gram panchayats* were not connected with roads. The Corporation was, therefore, required to implement the Scheme in 5,573 *gram panchayats*. The Consultant envisaged requirement of approximately 2,000 midi buses (with 20 per cent variation subject to field survey) for providing bus connectivity to 9,188 *gram panchayats*.

The Corporation initially implemented the Scheme in 30 depots of 23 Districts. However, as on March 2017, the Scheme was being implemented in 23 depots of 19 Districts only. This indicates that the Corporation failed to achieve the objective of providing bus connectivity in all the rural areas of the State.

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31 Excluding workshops, deluxe depot and depots located outside the State.

### 3.9.2 Audit limitations in analysis of implementation of the Scheme

The Transport Department had major role in implementation of the Scheme as it was authorised to notify the routes, issue registration certificate and route permits. The Corporation and Transport Department, however, did not provide district wise information/records relating to *gram panchayats* and clusters where bus connectivity under the Scheme was planned, records relating to tenders invited at first instance during February 2012, number of routes notified for enhancing rural connectivity, operation of buses on the notified routes/clusters, *gram panchayats* covered under the Scheme, *etc.* despite various requests and reminders issued between February 2017 and April 2017.

The reply of the Corporation did not address this issue.

The shortcomings noticed in implementation of the Scheme in selected depots based upon the information provided to Audit are discussed below:

### 3.9.3 Improper fixation of the rate of viability gap

The Corporation invited (February 2012) tenders for operation of buses in identified clusters of 11<sup>32</sup> Districts of the State based upon Request for Proposal (RFP) document and feasibility report prepared by the Consultant. Clause 1.7 (bidding process) of the RFP provided that the bidders shall submit financial proposal in either of the following forms:

- premium per kilometer that the bidder would pay to the Corporation for the cluster or
- the viability gap per kilometer that the bidder proposed to demand from the Corporation for the cluster.

The Form F1 (Price Proposal Format) enclosed with the RFP document also directed the bidders to submit bids quoting premium or viability gap.

The Corporation received bids from two (Star Rural Bus Links, New Delhi and Karauli Parivahan Sahakari Samiti Limited) firms for three Districts (Alwar, Dausa and Karauli) only. Star Rural Bus Links (Star Links) offered to operate buses in the clusters of Alwar and Dausa Districts on payment of viability gap at the rate of ₹ 9.50 per Kilometer (Km) while Karauli Parivahan Sahakari Samiti Limited (Karauli Parivahan) demanded viability gap at the rate of ₹ 25 per Km for clusters of Karauli District.

The Corporation negotiated (May and June 2012) with the bidders considering the wide gap between the rate (₹ 4.48 per Km) of VGF worked out by the Consultant and rates offered by the bidders. During negotiation, Star Links reduced its rate to ₹ 9.35 per Km but Karauli Parivahan refused to reduce its quoted rate. The Corporation asked the Consultant to analyse (June 2012) the revised financial plan submitted by Star Links. The Consultant recommended (June 2012) that the Corporation may award the contract to Star Links at reduced rate for the clusters of Alwar and Dausa Districts. It was also recommended that the rate could be further reduced by ₹ 0.05 per Km after considering revenue from advertisement. However, Star Links finally agreed (June 2012) to the rate of ₹ 9.32 per Km. The cost of operation of buses,

32 Alwar, Dausa, Karauli, Bharatpur, Dholpur, Udaipur, Dungarpur, Banswara, Chittorgarh, Rajasmand and Pratapgarh.

earnings and passenger load factor considered in deciding the rate of viability gap for a period of six years was as follows:

Passenger load factor considered (In per cent)					
1 <sup>st</sup> year	2 <sup>nd</sup> year	3 <sup>rd</sup> year	4 <sup>th</sup> year	5 <sup>th</sup> year	6 <sup>th</sup> year
42	45	50	53	58	65
Average estimated cost of operation (In ₹ per Km)					19.79
Average estimated revenue (In ₹ per Km)					10.47
Viability gap (In ₹ per Km)					9.32

The Finance Department (Government of Rajasthan) approved the rate of viability gap funding of ₹ 9.32 per Km. Subsequently, Karauli Parivahan also agreed (July 2012) to operate buses at the rate accepted by Star Links. Accordingly, the Corporation executed (October and November 2012) agreements with the bidders for operation of buses in the selected clusters of Alwar, Dausa and Karauli Districts.

We noticed that the Corporation adopted the rate of ₹ 9.32 per Km as model rate of viability gap based upon the financial plan submitted by Star Links. This rate was offered as the maximum rate for each cluster for a period of six years in the subsequent tenders invited during 2012-13 and 2013-14. Even clause 1.1 of Article-1 (Authorisation) of these tenders categorically mentioned that the bus operator would receive a maximum viability gap of ₹ 9.32 per Km from the Corporation as per terms and conditions of the RFP.

We further noticed that the bus operators quoted their rate in form F1 without any supporting financial plan considering the maximum rate (₹ 9.32 per Km) offered by the Corporation. The Corporation decided the tenders in favour of lowest bidders for a period of six years ignoring the element of premium that would accrue to the bus operators after achieving the envisaged passenger load factor considered in fixing the maximum rate of viability gap.

We observed that:

- the Corporation did not prepare financial plans indicating likely revenue and expenditure for each cluster to work out the most feasible rate for each cluster
- Clause 1.7 of the RFP required the bidders to submit financial plan but none of the bidders submitted plan indicating likely revenue, expenditure, load factor and premium/viability gap for each cluster for a period of six years. The Corporation also did not obtain the financial plans at the time of evaluation of bids justifying the rate quoted by the bidders and
- the Corporation ignored the recommendation of the Consultant that payment of viability gap was directly linked with the passenger load factor.

The maximum rate of viability gap fixed by the Corporation was, therefore, not based on any reliable data of revenue and expenditure of the clusters for which the tenders were invited, location of the cluster and other vital factors like passenger load factor on the cluster and availability of other means of transport to the people.

The Corporation also provided an opportunity to the bus operators to receive viability gap in all conditions for every cluster of each District of the State. This gets established from the fact that none of the bus operators quoted premium for any cluster and the Corporation had to pay viability gap in respect of all the tenders finalised during 2012-13 and 2013-14. In selected Districts, the Corporation awarded tenders for 19 out of 27 clusters at rates ranging between ₹ 6.88 and ₹ 9.21 per Km.

We further observed that the Corporation did not incorporate adequate clauses in the RFP/Notice Inviting Tender to safeguard its financial interests in the event of the bus operators earning more revenue because of higher load factor as compared to the factor estimated by the Corporation. The payments for viability gap were released to the bus operators as per Clause 7.2.1 of the RFP which allowed payment on the basis of daily vehicle utilisation (in kilometers) multiplied by the rate of viability gap accepted by the Corporation.

The Finance Department directed (January 2014) the Corporation to prepare a work plan for elimination of viability gap by gradual reduction in the amount payable to bus operators. The Corporation replied (February 2014) that there was no possibility of reduction in viability gap as the calculation had been made considering revenue and expenditure during the period of six years.

Scrutiny of records disclosed that the actual average load factor achieved by the bus operators in various depots was much higher (more than double in Shrimadhapur depot) compared to the load factor envisaged in deciding the rate of viability gap. The actual average load factor achieved by the bus operators in selected<sup>33</sup> depots was as follows:

Name of depot	Name of bus operator	Actual average passenger load factor in per cent			
		1 <sup>st</sup> year	2 <sup>nd</sup> year	3 <sup>rd</sup> year	4 <sup>th</sup> year
<b>Load factor considered by the Corporation for deciding the rate of viability gap (per cent)</b>		<b>42</b>	<b>45</b>	<b>50</b>	<b>53</b>
Jaipur	Know Well India Tours Private Limited	69.00	71.25	70.17	-
Dausa	Prashant Electronics	42.83	-	50.86	-
	Star Links	57.00	61.50	57.10	55.00
Hanumangarh	Gurjeet Singh	64.75	66.83	67.26	-
	Bhagirath Doodhwal	64.42	64.25	80.17	-
	Sitaram Pratap Singh	46.08	52.18	-	-

The Corporation made excess payment of viability gap of ₹ 13.26 crore during 2013-14 to 2015-16 in 12<sup>34</sup> depots by ignoring higher load factor achieved by the bus operators. This needs to be recovered as the bus operators were compensated for all the expenditure incurred by them at the break-even point considered for deciding the rate of viability gap. Besides, it had put extra

33 The Corporation did not provide the information regarding Karauli depot.

34 Jaipur (₹ 5.17 crore), Dausa (₹ 2.79 crore), Hanumangarh (₹ 0.53 crore), Srimadhapur (₹ 1.00 crore), Nagaur (₹ 0.15 crore), Khetri (₹ 1.46 crore), Matsya Nagar (₹ 0.28 crore), Ganganagar (₹ 0.30 crore), Beawar (₹ 0.44 crore), Anoopgarh (₹ 0.79 crore), Alwar (₹ 0.32 crore) and Abu Road (₹ 0.03 crore). The load factor of remaining depots was not provided to Audit.

burden on the exchequer as the Scheme was financed by the State Government.

The Corporation stated that the detailed financial report submitted by Star Links was analysed by the Consultant and after detailed analysis it recommended the average rate of VGF. The Corporation further stated that the rate of VGF was decided after detailed examination and negotiation for the contract period. The fact remained that the maximum rate of viability gap fixed by the Corporation was not based on any data of revenue and expenditure of the clusters for which the tenders were invited, location of the cluster and other vital factors like passenger load factor, available means of transport, *etc.*

### **3.9.4 Collection of Human Resource Surcharge and Accidental Compensation Surcharge by the bus operators**

Clause 3.1 of the RFP stipulated that the bus operators would collect fare from the passengers as per the fare notified by the Corporation/Transport Department from time to time for rural routes. We noticed that the Corporation/Transport Department did not notify route wise fare list and instead the Corporation annexed Schedule C<sup>35</sup> with RFP which provided tariff structure for different types of buses (ordinary, express, deluxe, *etc.*) operated by it.

Review of Schedule C disclosed that it allowed the bus operators to collect Human Resource Surcharge (HRS) and Accidental Compensation Surcharge (ACS) from the passengers along with base fare of ₹ 0.58 per Km.

The bus operators should not have been allowed to collect ACS and HRS from the passengers because the State Government notified these schemes in the year 2000 and 2001 respectively to meet specific objectives of the Corporation like pension, gratuity and other post retirement benefits for the employees of the Corporation, employee health and medical check-up, long term skill development of operational staff, compensation to the passengers in case of accident of Corporation's buses, *etc.* The State Government did not authorise the Corporation to allow private bus operators to recover HRS and ACS from the passengers. Further, the rate of viability gap decided by the Corporation also considered only recovery of base fare from the passengers. The HRS and ACS were not part of the revenue considered in deciding the rate of viability gap payable to the bus operators.

The Corporation should recover the amount of HRS and ACS from the bus operators as they were not authorised to charge the same from the passengers. We noticed that the bus operators collected an amount of ₹ 7.68 crore towards HRS and ACS from the passengers in 14 depots (including 2 clusters of Karauli depot) during 2012-13 to 2015-16. The collection by the bus operators in remaining depots towards HRS and ACS could not be ascertained due to lack of information from the Corporation.

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35 Schedule C provided directions to the depots for calculation of total fare for different type of buses. The total fare included base fare per Km plus several other charges like HRS, ACS, toll, *etc.*

The Corporation's failure in notifying separate fare for rural areas led to unauthorised collection of HRS and ACS by the bus operators from the passengers.

The Corporation stated that the issue was being examined and appropriate action would be taken in the event of unauthorised collection by the bus operators.

### **3.9.5 Irregular payment towards traffic challan, fine and penalties**

The Corporation adopted the financial plan submitted by Star Links as model plan for whole of the State. Review of the financial plan disclosed that the cost of operation included the element of traffic challan, fine and penalties which was not excluded by the Corporation in deciding the rate of viability gap payable to bus operators.

We observed that consideration of traffic challan, fine and penalties as part of cost of operation was not in consonance with Clause 8 of Article VII of the RFP which stipulated that any fines levied by traffic police or any competent authority would be borne by the operator directly and Corporation claims no liability for such incidences.

As of March 2016, the Corporation had made irregular payment of ₹ 1.41 crore<sup>36</sup> to the bus operators towards traffic challan, fine and penalties in respect of 20 depots which needs to be recovered as per Clause 8 of Article-VII of the RFP. The irregular payment towards traffic challan, fine and penalties in respect of remaining depots could not be ascertained due to lack of information from the Corporation.

The Corporation stated that reports were sought from the concerned depots in which they had mentioned that no direct payment was made under these heads. The reply was not convincing because the calculation of the rate of VGF included element of traffic challan, fine and penalties.

### **3.9.6 Non-recovery of penalty for non-furnishing of ETIMs data**

Article IV (ix) of the RFP stipulated that the bus operators would provide data of Electronic Ticketing Issuing Machines (ETIMs) to the Corporation on daily basis, failing which penalty at the rate of ₹ 100 per day would be levied.

We noticed that the bus operators neither provided data of ETIMs on daily basis nor the Corporation asked for the same. The Corporation, therefore, could not monitor the fare charged by the bus operator from the passengers on different routes. Besides, the Corporation also did not recover penalty of ₹ 1.53 crore<sup>37</sup> from the bus operators in selected depots for not providing data of ETIMs on daily basis.

The Corporation stated that the issue was being examined and appropriate action would be initiated for non furnishing of ETIMs data.

36 6.13 crore Km X ₹ 0.23 per Km.

37 Dausa (₹ 0.59 crore), Jaipur (₹ 0.42 crore), Karauli (₹ 0.44 crore) and Hanumangarh (₹ 0.08 crore).

### **3.9.7 Incorrect reporting to the State Government**

The Finance Department directed (September 2013) the Corporation to submit claims for payment of viability gap along with a certificate from Financial Advisor. The Financial Advisor had to certify that claims for viability gap were calculated on the basis of actual operational figures and as per the operational agreement executed with the bus operator.

The Corporation lodged claims under the certificate of Financial Advisor. In selected depots, we noticed that there was wide variation between the operated kilometers reported to the State Government and the kilometers based on which payment of viability gap was made to the bus operators. The operated kilometers intimated to the State Government did not even tally with the scheduled kilometers of the clusters. This resulted into excess claim of ₹ 6.80 crore from the State Government compared to the actual viability gap paid to the bus operators during 2013-16 as shown in **Annexure 10**.

We observed that non-availability of accurate information with the Corporation at the time of lodging claims was not a reason for variation between actual and reported figures because the claims were lodged with the State Government one to three months after the actual operation of the buses. By this time the Corporation had the data of operated kilometers claimed by the bus operators as the bills were raised on fortnightly basis. Further, the payment of viability gap was based on lowest of the scheduled kilometers mentioned in the operational agreement or operated kilometers recorded by Vehicle Tracking System (VTS) or operated kilometers claimed by the bus operators in the bills.

The Corporation stated that excess amount of VGF, if any, received from the State Government would be utilised as per norms.

### **3.9.8 Non-invoking of bank guarantees**

The Alwar depot of the Corporation entered (November 2012) into operational agreements with Star Links (Operator) for operation of 100 buses in nine clusters of the District. As per operational agreement, the operator submitted nine bank guarantees (BGs) amounting to ₹ 15 lakh with validity up to 23 November 2015. The Corporation terminated (July 2015 to January 2016) all the agreements due to non-adherence to terms and conditions of RFP/operational agreements. The Corporation also levied (14 September 2016) penalty of ₹ 2.82 crore after adjusting the viability gap payable to the Operator. The Operator did not deposit (April 2017) the penalty and the matter was pending (April 2017) with the High Court (Jaipur).

We observed that the Corporation neither worked out the penalty after termination (July 2015) of the first agreement (cluster number 5 and 6 of Alwar depot) nor invoked the BGs during their period of validity. The Corporation had written a letter to the Bank for invoking BGs on the last date (23 November 2015) of validity of BGs. The Bank neither replied to the Corporation nor revoked the BGs. Further, the Operator had submitted (9 September 2013) one more BG of ₹ 45,000 for cluster number 4 with validity up to 8 September 2016 but the same was also not invoked by the Corporation despite availability of sufficient time and huge penalty recoverable from the Operator. Besides, the Alwar depot deducted ₹ 0.39 lakh

less TDS (Tax Deducted at Source) from the payments released to the Operator during May 2013 to February 2014.

The Corporation did not submit any specific reply about non-invoking of bank guarantees.

### **3.9.9 Non-reconciliation of the viability gap fund account**

We observed that the Corporation never reconciled the funds received from the State Government and payments made to bus operators towards viability gap. The Corporation received funds of ₹ 56.33 crore<sup>38</sup> from the State Government during 2013-16 out of which ₹ 42.37 crore were disbursed to the bus operators as of March 2016. The Corporation, therefore, should have unutilised funds of ₹ 13.96 crore. However, as per budget section, the available funds were ₹ 7.20 crore while the financial statements depicted balance of ₹ 1.99 crore as on 31 March 2016. Further, the consolidated statement of viability gap fund maintained at the Head Office of the Corporation depicted net payment of ₹ 48.47 crore<sup>39</sup> during 2014-16. No payment was reported to be made during 2013-14 despite the traffic section issuing sanctions for payment of ₹ 6.67 crore.

The Corporation accepted the facts and stated that actual position of payment and balance amount was being compiled.

### **3.9.10 Operation of buses inconsistent with the RFP and route permits**

Clause 4.1 of Article IV of the RFP provided that the operator would operate specified number of buses under the control and supervision of the Corporation only on the allotted routes and as per timings and frequency specified from time to time. Further, as per Clause 6.3, the issues relating to modification/alteration of routes were to be addressed by a Committee<sup>40</sup> formed for each cluster. The Committee was authorised to increase or modify any route in the cluster upto 10 *per cent* of the original length in single stage and upto maximum of four times in a year. The approval of the Managing Director was required for modification/alteration of routes beyond the stipulated limits. The financial implication due to modification of routes had to be worked out on mutual consent of both the parties and the amount of viability gap was to be adjusted accordingly.

Review of records in the selected depots disclosed that the route, route length and number of trips per day as envisaged in the RFP were changed by the Corporation in most of the cases prior to the operation of buses. Besides, the depots also made changes in the approved routes and number of trips per day on the requests of bus operators.

The details of Committees authorised to make changes in the specified routes were not available in any of the selected depot. Further, the Corporation did not make any adjustment in the viability gap due to modification/alteration of the specified routes.

38 2013-14 (₹ 5.63 crore), 2014-15 (₹ 29.85 crore) and 2015-16 (₹ 20.85 crore).

39 ₹ 30.68 crore during 2014-15 and ₹ 18.70 crore during 2015-16 less penalties of ₹ 0.91 crore during 2015-16.

40 Chief Manager of the concerned depot, District Transport Officer and representative of the operator.

The officials of the Corporation during discussion with audit stated that the routes were changed after joint survey conducted by the Corporation, Transport Department and representative of the operator. The routes were also changed due to non-issue of permits by the Transport Department for the routes specified in the RFP. The refusal from Transport Department for issue of permits and the joint survey reports, even for a single case was, however, not available with the Corporation. Further, the Transport Department also did not provide any such record to the Audit. The requirement for change in the routes specified in RFP on the requests of bus operators, therefore, could not be ascertained.

A test check of 48 buses operated (15 November 2015 to 30 November 2015) in Jaipur depot disclosed that 45 buses deviated from their approved routes. The actual trip kilometers recorded by VTS in respect of these buses on daily basis were less than the allotted kilometers. We noticed 1,330 deviations by these buses during the period of 15 days with maximum deviation of 98 times by one bus.

The bus operators were liable to pay penalty of ₹ 200 for each deviation but the Corporation did not impose any penalty despite large number of deviations in the approved route length and number of trips.

The Corporation, without specifying the details, stated that penalties were imposed and deductions were made for deviations in routes. The Corporation further stated that action would be taken as per norms if any further deviations would come to the notice of Corporation.

### **3.9.11 Lack of internal control, monitoring and shortcomings in contract management**

The review of RFP, operational agreements executed with the bus operators and other records at selected depots disclosed following shortcomings in contract management and lack of internal control and monitoring on the part of Corporation.

- The earnest money deposit for each cluster for the contract period of six years was kept at ₹ 5,000 only without ascertaining the estimated value of contract. This violated Rule 42 of the Rajasthan Transparency in Public Procurement Rules (RTPP) 2013 and Rule 57 of General Financial and Accounts Rules (GF&AR) which stipulates that EMD be obtained at the rate of two *per cent* of the estimated value of subject matter. The Corporation could have estimated the contract value by multiplying the rate of viability gap offered to the bidders with scheduled kilometers during the contract period.
- The performance security was kept on lower side (₹ 15,000/₹ 25,000 per bus) in violation of Rule 75 of the RTPP Rules 2013 and Rule 57 of the GF&AR which provides that performance security should be at least five *per cent* of the value of order.

The Corporation stated that earnest money and performance security was demanded as per the RFP/tender documents. The fact remained that the Corporation did not fix and obtain the earnest money and performance security deposit as per RTPP Rules.

- The operational agreement and other documents in case of Karauli Parivahan Sahkari Samiti Limited (Karauli Parivahan) were signed by the manager. However, the Corporation did not obtain documents relating to registration of Karauli Parivahan under Co-operative Societies Act, list of the members of Society and authorisation from office bearers of society for signature. Further, in case of private limited companies, the Corporation did not obtain power of attorney or board resolution for authorising signature on behalf of the company to ensure that the person executing agreement was authorised to do so.

The Corporation accepted the facts stated that the depots were being instructed to collect the relevant documents from the operators.

- The bus operators were required to procure global positioning system (GPS) and hand-held machines for issue of tickets from the specified agencies as per Article-II of the operational agreements. No records were, however, available at the selected depots and the Head office specifying the vendors and procurement of GPS and hand-held machines by the bus operators from the specified vendors.

The Corporation stated that it did not issue any direction for use of any specific ETIMs and GPS system. The reply was not correct in the light of the fact that Article-II of the operational agreement required the bus operators to procure ETIMs and GPS machines from specified agencies. The Corporation being the nodal agency was required to specify agencies for procurement of these machines.

- Each party was required to issue 'Certificate of Compliance' to other party on satisfaction of conditions applicable for the party as per Article-II of the operational agreement. No such certificates were, however, found issued by the Corporation and bus operators at the selected depots.

The Corporation stated that the concerned depots were being instructed to collect relevant documents from the operators.

- The bus operators were required to provide bus service without any curtailment and shortfall in service as per Clause 4.1 (b) (vi) of Article IV of the operational agreements. Otherwise, the operators were liable for penalty as well as re-adjustment of viability gap as determined by the Corporation. We noticed that the Corporation changed the scheduled kilometers and there was also variation between operated kilometers on the same route in different time periods. The Corporation, however, neither levied penalty nor adjusted the viability gap as per Clause of the operational agreements.

The Corporation, without specifying the details and documentary proof, stated that penalties were imposed on the operators for curtailment in routes.

- The depots did not obtain copy of Registration Certificate (RC), Insurance, Permit and tax deposit receipts from the operators on regular basis. We obtained copies of few RCs from the Transport Department in order to test check the legitimacy of the vehicle ownership and pendency of Government levies. It was observed that the RCs were in the name of persons other than the bus operators which had executed operational

agreements with the Corporation. The ownership of vehicles deployed by all the bus operators, therefore, could not be verified.

The Corporation stated that the concerned depots were being instructed to collect relevant documents from the operators.

- As per Article VI of the operational agreement, a Monitoring Committee (Committee) was required to review the performance of bus operators on 13 parameters like sharing of data of ETIMs, satisfactory working of GPS, use of specified ticket vending machines, *etc.* The bus operators were liable to pay penalty of approximately ₹ 2,000 per bus per day for non-adherence to the parameters (Clause 6.2). The depots, however, did not form Committees to review the performance of bus operators despite complaints from people against the bus operators. The Corporation also could not levy penalty against the bus operators in absence of performance review.

The Corporation, without submitting any documentary proof, stated that specified penalties were imposed on the operators for non-adherence to the performance parameters. The Corporation also stated that the concerned depots were being instructed to further examine this matter.

- Article IX of the operational agreements required the bus operators to submit returns on capital and revenue expenditure, receipts and passenger volume in the form and at intervals prescribed by Corporation, audited annual accounts within 90 days of the end of financial year, operation and maintenance plan on quarterly basis and any other information desired by the Corporation to monitor the performance of the project. The Corporation neither sought the stipulated information nor did the bus operators submit the information to the corporation.

The Corporation accepted the facts but stated that absence of this information did not affect the calculation of VGF amount.

- The passenger load factor (PLF) provided by the Corporation in respect of cluster number 1 and 2 of Karauli depot disclosed that the PLF ranged between 13 and 31 *per cent* during December 2012 to May 2016 (except 45 *per cent* in January 2014). The PLF was much below the PLF (42 to 53 *per cent*) considered in deciding the model rate of viability gap. The bus operator was continuing operation of buses at such low PLF since last four years which does not seem feasible. The Corporation, however, never reviewed the case despite complaints against the bus operator. Audit also could not assess the actual load factor in absence of the data of ETIMs. The Corporation did not provide PLF of other clusters of Karauli depot for comparison and assessment of the accuracy of cluster 1 and 2.

The Corporation stated that information was being collected from the concerned depot.

- The Finance Department directed (January 2014) the Corporation to intimate load factor of each route and the reasons for decrease in load factor. We noticed that the load factor (for the quarter ending December 2013) intimated (February 2014) to the State Government did not match with the record of depots. The maximum difference was noticed in

Karauli depot where the Corporation intimated load factor of 66, 74 and 63 *per cent* as against load factor of 30, 31 and 31 *per cent* in the months of October, November and December 2013 respectively.

The Corporation stated that information was being collected from the concerned depot.

*Conclusion and recommendations*

**The Corporation failed to provide bus connectivity in all the rural areas of the State as the Scheme was only implemented in 23 depots of 19 Districts. The rate of viability gap was fixed without preparation or obtaining financial plan from the bus operators for each cluster. The Corporation made excess payment of viability gap to the bus operators by ignoring higher load factor achieved by them. The Corporation's failure in notifying separate fare for rural areas led to unauthorised collection of surcharges by the bus operators. Further, irregular payment was also made towards traffic challan, fine and penalties. The Corporation also did not recover penalty from the bus operators for not providing data of ETIMs. In absence of ETIMs data the Corporation could not monitor the fare charged by the bus operator. Further, the Corporation did not reconcile the funds received from the State Government and payments made to bus operators. There was lack of internal control and monitoring of the Scheme as documents required from bus operators as per agreement were not received by the Corporation.**

**We recommend that the Corporation recover excess payment made to the bus operators against viability gap funding. The Corporation should also assess and recover penalties from the bus operators for violation of conditions of RFP and agreement. Further, the Corporation should reconcile funds received from the State Government and payments made to bus operators.**

**Rajasthan Tourism Development Corporation Limited**

**3.10 Default in deposit of provident fund dues**

**The Company defaulted in depositing provident fund dues of ₹ 12.35 crore during the period from July 2015 to August 2017 and therefore runs the risk of penalty damages of ₹ 4.05 crore as per Clause 32 A of the Employees' Provident Fund Scheme, 1952 besides payment of interest under Section 7(Q) of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952.**

Section 6 of 'the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (Act) makes it obligatory for an employer<sup>41</sup> to contribute employer's contribution at the rate of 12 *per cent* of the basic wages, dearness allowance and retaining allowance, if any, for the time being payable, towards provident fund in respect of each of the employees whether employed by him directly or through a contractor. Further, the employee's contribution shall be equal to employer's contribution or an amount, if any employee so desires, exceeding 12 *per cent* of his basic wages, dearness allowance and retaining allowance if any, subject to the condition that the employer shall not be under an obligation to pay any contribution over and above his contribution payable under this section.

The employer is required to deposit the employer's contribution along with employee's contribution within 15 days of the close of every month as per Clause 38 of the Employees' Provident Fund Scheme, 1952 (EPF Scheme). The Act and EPF Scheme has treated non-deposit of provident fund dues as a punishable offence under Section 14 and Clause 76 respectively. The employer could be imprisoned for a term which may extend to one year or with fine of five thousand rupees or with both. Further, the employer may also be liable to pay penalties in the form of interest and damages for default in payment of any contribution as stated below:

- simple interest at the rate of 12 *per cent* per annum or at such higher rate as may be specified in the scheme on any amount due under this Act from the date on which the amount has become due till the date of its actual payment (Section 7 (Q) of the Act) and
- penalty damages at the rate of 37 *per cent* per annum of the arrears in case the period of default is six months or more (by issuing notification in the Official Gazette as per Clause 32 A of the EPF Scheme).

We noticed that Rajasthan Tourism Development Corporation Limited (Company) deducted employees' contribution at the time of payment of wages/salary but did not deposit it regularly in the provident fund along with employer's share since July 2015. The amount of employees' contribution was utilised for other operating activities. As a result, the provident fund dues accumulated to ₹ 9.31 crore up to January 2017. The Company cited paucity of funds due to huge losses as the reason for not depositing the provident fund dues. The Company belatedly deposited ₹ 4.36 crore towards provident fund dues pertaining to the period from July 2015 to March 2016. As on September

41 As defined under Section 2 (e) of the Act.

2017, an amount of ₹ 7.99 crore was still pending towards provident fund dues.

The Company by defaulting in the payment of provident fund dues runs the risk of penalty damages of ₹ 4.05 crore upto August 2017 as per Clause 32 A of the EPF Scheme besides payment of interest under Section 7 (Q) of the Act.

The Company accepted the facts and stated (August 2017) that provident fund dues could not be deposited due to critical financial position of the Company. Further, the Company had not received any notice for penalty and interest regarding delay in payment of provident fund dues.

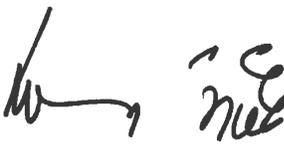
We observed that the Company was legally bound to deposit the provident fund dues in time to avoid penalties under the provisions of the Act and EPF Scheme. The Government of India has incorporated stringent provisions in the Act and EPF Scheme to safeguard the social security needs of the employees which cannot be forfeited by any organization citing shortage of funds. The Company is required to manage the funds giving due priority to the payment of statutory dues.

**JAIPUR**  
The

  
**(ANADI MISRA)**  
Accountant General  
(Economic and Revenue Sector Audit), Rajasthan

Countersigned

**NEW DELHI**  
The

  
**(RAJIV MEHRISHI)**  
Comptroller and Auditor General of India



# ANNEXURES



**Annexure-1**  
**(Referred to in paragraph 1.11 at page no. 8)**

**Statement showing investments made by State Government in working 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 2016-17 for which accounts are in arrears					Total
				Year	Equity	Loans	Subsidy	Loans repayment written off	
1	Rajasthan State Road Transport Corporation	2015-16	638.96	2016-17	-	150.00	60.00	-	210.00

**Annexure – 2**

**(Referred to in paragraph 1.15, 1.16 and 1.19 at page no. 9, 10 and 12 respectively)**

**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(-)				Turnover	Impact of accounts Comments <sup>y</sup>	Paid up capital	Accumulated Profit (+)/ Loss (-)	Capital employed <sup>z</sup>	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
<b>A. Working Government Companies</b>														
<b>AGRICULTURE &amp; ALLIED SECTOR</b>														
1	Rajasthan State Seeds Corporation Limited	2016-17	2017-18	27.62	1.53	2.52	23.57	219.34	-	7.59	117.19	124.78	25.10	20.12
<b>Sector wise total</b>				<b>27.62</b>	<b>1.53</b>	<b>2.52</b>	<b>23.57</b>	<b>219.34</b>		<b>7.59</b>	<b>117.19</b>	<b>124.78</b>	<b>25.10</b>	
<b>FINANCE SECTOR</b>														
2	Rajasthan Rajya Vidyut Vitran Vitta Nigam Limited	2016-17	2017-18	-	-	-	-	-	-	-	-0.01	-0.01	-	-
3	Rajasthan Small Industries Corporation Limited	2016-17	2017-18	4.07	0.52	0.64	2.91	117.10	Decrease in profit by ₹ 0.06 crore	6.96	-17.29	2.22	3.43	154.50
4	Rajasthan State Handloom Development Corporation Limited	2016-17	2017-18	0.55	0.01	0.05	0.49	16.25	-	46.06	-45.53	4.05	0.50	12.35
5	Rajasthan State Power Finance & Financial Services Corporation Limited	2016-17	2017-18	6.26	-	0.01	6.25	7.04	-	90.00	11.26	101.26	6.25	6.17
<b>Sector wise total</b>				<b>10.88</b>	<b>0.53</b>	<b>0.70</b>	<b>9.65</b>	<b>140.39</b>		<b>143.02</b>	<b>-51.57</b>	<b>107.52</b>	<b>10.18</b>	
<b>INFRASTRUCTURE SECTOR</b>														
6	Rajasthan Police Housing & Construction Corporation Limited	2016-17	2017-18	-0.25	-	-	-0.25	0.01	-	0.50	-0.3	0.2	-0.25	-125.00
7	Rajasthan State Industrial Development and Investment Corporation Limited	2015-16	2016-17	354.19	3.58	1.03	349.58	897.75	-	210.19	1560.05	1770.23	353.16	19.95
8	Rajasthan State Road Development and Construction Corporation Limited	2016-17	2017-18	398.16	241.38	133.68	23.10	1044.10	-	100.00	93.34	2320.63	264.48	11.40

Sl. No.	Sector & Name of the Company	Period of accounts	Year in which finalised	Net profit(+) / Loss(-)				Turnover	Impact of accounts Comments <sup>y</sup>	Paid up capital	Accumulated Profit (+)/ Loss (-)	Capital employed <sup>ii</sup>	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 Drinking Water Sewerage and Infrastructure Corporation Limited	2015-16	2016-17	3.17	-	0.29	2.88	109.60	Increase in profit by ₹ 0.05 crore	48.67	20.60	643.28	2.88	0.45
<b>Sector wise total</b>				<b>755.27</b>	<b>244.96</b>	<b>135.00</b>	<b>375.31</b>	<b>2051.46</b>		<b>359.36</b>	<b>1673.69</b>	<b>4734.34</b>	<b>620.27</b>	
<b>MANUFACTURE SECTOR</b>														
10	Barmer Lignite Mining Company Limited (Subsidiary Joint Company of Sl. No. A(14))	2016-17	2017-18	86.04	49.68	27.55	8.81	813.41	-	20.00	-26.33	1511.37	58.49	3.87
11	Rajasthan State Beverages Corporation Limited	2016-17	2017-18	28.93	-	0.26	28.67	4962.29	-	2.00	32.59	34.59	28.67	82.89
12	Rajasthan State Ganganagar Sugar Mills Limited	2016-17	2017-18	84.93	-	28.24	56.69	1037.88	-	181.20	96.27	277.97	56.69	20.39
13	Rajasthan State Gas Limited	2016-17	2017-18	-2.15	-	0.42	-2.57	3.09	Increase in loss by ₹ 0.09 crore	34.02	-1.29	32.72	-2.57	-7.85
14	Rajasthan State Mines and Minerals Limited (Government Company since December 1974)	2015-16	2016-17	249.10	7.00	41.77	200.33	948.90	Decrease in profit by ₹ 22.18 crore	77.55	1870.37	1947.92	207.33	10.64
15	Rajasthan State Petroleum Corporation Ltd. (Subsidiary of Sl. No. A(14))	2016-17	2017-18	0.02	-	-	0.02	-	-	11.10	-0.82	10.28	0.02	0.19
<b>Sector wise total</b>				<b>446.87</b>	<b>56.68</b>	<b>98.24</b>	<b>291.95</b>	<b>7765.57</b>		<b>325.87</b>	<b>1970.79</b>	<b>3814.85</b>	<b>348.63</b>	
<b>POWER SECTOR</b>														
16	Ajmer Vidyut Vitran Nigam Limited	2016-17	2017-18	1423.46	1288.80	471.35	-336.69	9596.79	Increase in loss by ₹ 15.23 crore	7854.85	-30684.44	789.12	952.11	120.65
17	Banswara Thermal Power Company Limited (Subsidiary of Sl. A (29))	2016-17	2017-18	-0.24	-	0.02	-0.26	-	-	0.05	-9.09	-9.04	-0.26	-
18	Barmer Power Transmission Service Limited (Subsidiary of Sl. A (29))	2016-17	2017-18	-0.01	-	-	-0.01	-	-	0.05	-0.01	0.04	-0.01	-25.00
19	Barmer Thermal Power Company Limited (Subsidiary of Sl. No. A(29))	2016-17	2017-18	-0.02	1.77	-	-1.79	-	-	0.05	-13.54	-13.49	-0.02	-
20	Chhabra Power Limited (Subsidiary of Sl. A (30))	2016-17	2017-18	-	-	-	-	-	-	0.05	-0.03	0.02	-	-

Audit Report No. 4 (Public Sector Undertakings) for the year ended 31 March 2017

Sl. No.	Sector & Name of the Company	Period of accounts	Year in which finalised	Net profit(+) / Loss(-)				Turnover	Impact of accounts Comments <sup>y</sup>	Paid up capital	Accumulated Profit (+)/ Loss (-)	Capital employed <sup>ii</sup>	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
21	Dholpur Gas Power Limited (Subsidiary of Sl. A (30))	2016-17	2017-18	-	-	-	-	-	-	0.05	-0.04	0.01	-	-
22	Giral Lignite Power Limited (Subsidiary of Sl. A (30))	2016-17	2017-18	-5.06	153.37	77.54	-235.97	11.05	-	370.05	-699.19	714.48	-82.60	-11.56
23	Hadoti Power Transmission Service Limited (Subsidiary of Sl. A (29))	2016-17	2017-18	-0.01	-	-	-0.01	-	-	0.05	-0.01	0.04	-0.01	-25.00
24	Jaipur Vidyut Vitran Nigam Limited	2016-17	2017-18	1769.93	1627.65	758.03	-615.75	13682.36	Decrease in loss by ₹ 12.94 crore	8463.06	-32909.75	1375.97	1011.90	73.54
25	Jodhpur Vidyut Vitran Nigam Limited	2016-17	2017-18	1059.90	1552.04	536.54	-1028.68	11138.63	Decrease in loss by ₹ 3.88 crore	7829.04	-31042.87	108.23	523.36	483.56
26	Keshoraipatan Gas Thermal Power Company Limited (Subsidiary of Sl. No. A(29))	2016-17	2017-18	-0.01	-	-	-0.01	-	-	0.05	-2.03	-1.98	-0.01	-
27	Lake City Transmission Service Company Limited (Subsidiary of Sl. No. A(29))	2016-17	2017-18	-	-	-	-	-	-	0.30	-0.30	-	-	-
28	Pink City Transmission Service Company Limited (Subsidiary of Sl. No. A(29))	2016-17	2017-18	-	-	-	-	-	-	0.26	-0.26	-	-	-
29	Rajasthan Rajya Vidyut Prasaran Nigam Limited	2016-17	2017-18	1627.47	878.41	734.53	14.53	2451.71	-	4020.72	-1300.04	12896.72	892.94	6.92
30	Rajasthan Rajya Vidyut Utpadan Nigam Limited	2016-17	2017-18	3954.51	2453.70	1149.01	351.80	11760.03	-	9425.17	-4792.80	37248.99	2805.50	7.53
31	Rajasthan Renewable Energy Corporation Limited	2016-17	2017-18	41.28	0.55	11.89	28.84	108.93	Decrease in profit by ₹ 0.23 crore	12.94	148.77	161.71	29.39	18.17
32	Rajasthan Solarpark Development Company Limited (Subsidiary of Sl. No. A(31))	2016-17	2017-18	13.29	-	1.87	11.42	10.38	-	0.05	66.29	66.34	11.42	17.21
33	Rajasthan Urja Vikas Nigam Limited	2016-17	2017-18	-	-	-	-	9.07	-	50.00	-	50.00	-	-
34	Thar Power Transmission Service Limited (Subsidiary of Sl. A (29))	2016-17	2017-18	-0.01	-	-	-0.01	-	-	0.05	-0.01	0.04	-0.01	-25.00
<b>Sector wise total</b>				<b>9884.48</b>	<b>7956.29</b>	<b>3740.78</b>	<b>-1812.59</b>	<b>48768.95</b>		<b>38026.84</b>	<b>-101239.35</b>	<b>53387.20</b>	<b>6143.70</b>	
<b>SERVICE SECTOR</b>														

Sl. No.	Sector & Name of the Company	Period of accounts	Year in which finalised	Net profit(+) / Loss(-)				Turnover	Impact of accounts Comments <sup>y</sup>	Paid up capital	Accumulated Profit (+)/ Loss (-)	Capital employed <sup>ii</sup>	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
35	Jaipur Metro Rail Corporation Limited	2016-17	2017-18	27.68	24.31	73.17	-69.80	9.72	-	1694.04	-180.25	2079.92	-45.49	-2.19
36	RajCOMP Info Services Limited	2016-17	2017-18	19.92	0.04	0.53	19.35	82.61	Increase in profit by ₹ 1.09 crore	5.00	46.79	51.79	19.39	37.44
37	Rajasthan Ex-Servicemen Corporation Limited	2016-17	2017-18	2.46	0.01	0.03	2.42	89.12	-	5.00	5.74	10.74	2.43	22.63
38	Rajasthan Medical Services Corporation Limited	2016-17	2017-18	19.31	3.88	2.77	12.66	526.86	-	5.00	19.22	50.36	16.54	32.84
39	Rajasthan Skill and Livelihoods Development Corporation	2016-17	2017-18	2.58	0.05	0.29	2.24	74.20	-	0.05	-8.00	-7.95	2.29	-
40	Rajasthan State Food & Civil Supplies Corporation Limited	2015-16	2017-18	15.98	6.39	0.17	9.42	561.77	Increase in profit by ₹ 2.77 crore	50.00	32.88	82.88	15.81	19.08
41	Rajasthan State Hotels Corporation Limited	2014-15	2015-16	-1.14	0.04	0.08	-1.26	1.47	Increase in loss by ₹ 2.12 crore	2.16	-8.51	-0.35	-1.22	-
42	Rajasthan Tourism Development Corporation Limited	2014-15	2015-16	-18.57	0.22	3.75	-22.54	78.26	Increase in loss by ₹ 0.09 crore	21.95	-125.06	-93.74	-22.32	-
<b>Sector wise total</b>				<b>68.22</b>	<b>34.94</b>	<b>80.79</b>	<b>-47.51</b>	<b>1424.01</b>		<b>1783.20</b>	<b>-217.19</b>	<b>2173.65</b>	<b>-12.57</b>	
<b>Total A (All sector wise working companies)</b>				<b>11193.34</b>	<b>8294.93</b>	<b>4058.03</b>	<b>-1159.62</b>	<b>60369.72</b>		<b>40645.88</b>	<b>-97746.44</b>	<b>64342.34</b>	<b>7135.31</b>	
<b>B. Working Statutory corporations</b>														
<b>FINANCE SECTOR</b>														
1	Rajasthan Financial Corporation	2016-17	2017-18	39.23	36.30	0.25	2.68	73.94	-	160.73	-122.85	663.54	38.98	5.87
<b>Sector wise total</b>				<b>39.23</b>	<b>36.30</b>	<b>0.25</b>	<b>2.68</b>	<b>73.94</b>		<b>160.73</b>	<b>-122.85</b>	<b>663.54</b>	<b>38.98</b>	
<b>SERVICE SECTOR</b>														
2	Rajasthan State Road Transport Corporation	2015-16	2016-17	-335.01	90.17	67.23	-492.41	1661.89	Increase in loss by ₹ 1658.39 crore	638.96	-3469.51	-1666.36	-402.24	-
3	Rajasthan State Warehousing Corporation	2016-17	2017-18	48.98	6.21	7.94	34.83	80.88	-	7.85	158.67	383.84	41.04	10.69
<b>Sector wise total</b>				<b>-286.03</b>	<b>96.38</b>	<b>75.17</b>	<b>-457.58</b>	<b>1742.77</b>		<b>646.81</b>	<b>-3310.84</b>	<b>-1282.52</b>	<b>-361.20</b>	
<b>Total B (All sector wise working Statutory corporations)</b>				<b>-246.80</b>	<b>132.68</b>	<b>75.42</b>	<b>-454.90</b>	<b>1816.71</b>		<b>807.54</b>	<b>-3433.69</b>	<b>-618.98</b>	<b>-322.22</b>	
<b>Grand Total (A + B)</b>				<b>10946.54</b>	<b>8427.61</b>	<b>4133.45</b>	<b>-1614.52</b>	<b>62186.43</b>		<b>41453.42</b>	<b>-101180.13</b>	<b>63723.36</b>	<b>6813.09</b>	
<b>C. Non working Government companies</b>														

Audit Report No. 4 (Public Sector Undertakings) for the year ended 31 March 2017

Sl. No.	Sector & Name of the Company	Period of accounts	Year in which finalised	Net profit(+) / Loss(-)				Turnover	Impact of accounts Comments <sup>¥</sup>	Paid up capital	Accumulated Profit (+)/ Loss (-)	Capital employed <sup>μ</sup>	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
<b>AGRICULTURE &amp; ALLIED SECTOR</b>														
1	Rajasthan State Agro Industries Corporation Limited	2013-14	2016-17	-0.14	1.30	-	-1.44	-	-	6.01	-53.21	-2.11	-0.14	-
<b>Sector wise total</b>				<b>-0.14</b>	<b>1.30</b>	<b>-</b>	<b>-1.44</b>	<b>-</b>		<b>6.01</b>	<b>-53.21</b>	<b>-2.11</b>	<b>-0.14</b>	
<b>SERVICE SECTOR</b>														
2	Rajasthan Civil Aviation Corporation Limited	2016-17	2017-18	0.06	-	-	0.06	-	-	4.49	-6.32	-1.82	0.06	-
				<b>0.06</b>	<b>-</b>	<b>-</b>	<b>0.06</b>	<b>-</b>		<b>4.49</b>	<b>-6.32</b>	<b>-1.82</b>	<b>0.06</b>	
<b>MISC SECTOR</b>														
3	Rajasthan Jal Vikas Nigam Limited	2016-17	2017-18	0.03	-	-	0.03	-	-	1.27	-2.09	-0.82	0.03	-
<b>Sector wise total</b>				<b>0.03</b>	<b>-</b>	<b>-</b>	<b>0.03</b>	<b>-</b>		<b>1.27</b>	<b>-2.09</b>	<b>-0.82</b>	<b>0.03</b>	
<b>Total C (All sector wise non-working Government Companies)</b>				<b>-0.05</b>	<b>1.30</b>	<b>-</b>	<b>-1.35</b>	<b>-</b>		<b>11.77</b>	<b>-61.62</b>	<b>-4.75</b>	<b>-0.05</b>	<b>-</b>
<b>Grand Total (A + B + C)</b>				<b>10946.49</b>	<b>8428.91</b>	<b>4133.45</b>	<b>-1615.87</b>	<b>62186.43</b>		<b>41465.19</b>	<b>-101241.75</b>	<b>63718.61</b>	<b>6813.04</b>	<b>10.69</b>

¥ Includes the net impact of comments of Statutory Auditors and CAG.

μ Capital employed represents the sum of shareholders' funds and long term borrowings.

**Annexure –2A**  
**(Referred to in paragraph 1.19 at page no. 12)**  
**Statement showing public sector undertakings (Power sector) whose net worth has eroded**

(*₹ in crore*)

Sl. No.	Name of the Public Sector Undertaking	Paid up capital	Accumulated Profit (+)/ Loss (-)	Net worth
<b>Power sector</b>				
1	Ajmer Vidyut Vitran Nigam Limited	7854.85	-30684.44	-22829.59
2	Banswara Thermal Power Company Limited	0.05	-9.09	-9.04
3	Barmer Thermal Power Company Limited	0.05	-13.54	-13.49
4	Giral Lignite Power Limited	370.05	-699.19	-329.14
5	Jaipur Vidyut Vitran Nigam Limited	8463.06	-32909.75	-24446.69
6	Jodhpur Vidyut Vitran Nigam Limited	7829.04	-31042.87	-23213.83
7	Keshoraipatan Gas Thermal Power Company Limited	0.05	-2.03	-1.98
8	Lake City Transmission Service Company Limited	0.30	-0.30	0.00
9	Pink City Transmission Service Company Limited	0.26	-0.26	0.00
<b>Sector wise total</b>		<b>24517.71</b>	<b>-95361.47</b>	<b>-70843.76</b>

**Annexure –2B**  
**(Referred to in paragraph 1.19 at page no. 12)**  
**Statement showing public sector undertakings (other than power sector) whose net worth has eroded**

(₹ in crore)

Sl. No.	Name of the Public Sector Undertaking	Paid up capital	Accumulated Profit (+)/ Loss (-)	Net worth
<b>Service sector</b>				
1	Rajasthan Skill and Livelihoods Development Corporation	0.05	-8.00	-7.95
2	Rajasthan State Hotels Corporation Limited	2.16	-8.51	-6.35
3	Rajasthan Tourism Development Corporation Limited	21.95	-125.06	-103.11
4	Rajasthan State Road Transport Corporation	638.96	-3469.51	-2830.55
5	Rajasthan Civil Aviation Corporation Limited	4.49	-6.32	-1.83
<b>Sector wise total</b>		<b>667.61</b>	<b>-3617.40</b>	<b>-2949.79</b>
<b>Agriculture &amp; Allied sector</b>				
6	Rajasthan State Agro Industries Corporation Limited	6.01	-53.21	-47.20
<b>Sector wise total</b>		<b>6.01</b>	<b>-53.21</b>	<b>-47.20</b>
<b>Finance sector</b>				
7	Rajasthan Rajya Vidyut Vitran Vitta Nigam Limited	-	-0.01	-0.01
8	Rajasthan Small Industries Corporation Limited	6.96	-17.29	-10.33
<b>Sector wise total</b>		<b>6.96</b>	<b>-17.30</b>	<b>-10.34</b>
<b>Manufacture sector</b>				
9	Barmer Lignite Mining Company Limited	20.00	-26.33	-6.33
<b>Sector wise total</b>		<b>20.00</b>	<b>-26.33</b>	<b>-6.33</b>
<b>Miscellaneous sector</b>				
10	Rajasthan Jal Vikas Nigam Limited	1.27	-2.09	-0.82
<b>Sector wise total</b>		<b>1.27</b>	<b>-2.09</b>	<b>-0.82</b>

## Annexure-3

(Referred to in paragraph 2.12.2 at page no. 29)

## Statement showing tenders awarded at higher rates than the estimated rates

Nomenclature of material	Lowest price received in the tender (In ₹ per unit)	Updated price worked out by the Company based on previous tender/latest tender awarded by other DISCOMs (in ₹)	Price at which purchase order was awarded	Quantity procured (in Units)	Estimated savings (In ₹)
(1)	(2)	(3)	(4)	(5)	(6) = [(4) – (3)] X (5)
<b>TN 2181 (Purchase of single phase copper wound distribution transformers of various ratings)</b>					
10 KVA	34935.53	33683.95	34500	875	714043.75
25 KVA	64665.99	60342.65	63200	2000	5714700.00
<b>TN 4364 (Purchase of galvanized steel stay sets)</b>					
16 X 1800	529.96	450.23	490.10	200770	8004699.90
20 X 2400	920.05	787.06	853.56	11052	734958.00
<b>TN 2169 (Purchase of 12 KV outdoor VCB kiosks)</b>					
12 kV VCB Kiosks	264817.60	249607.59	259000	3971	37297260.11
<b>TN 4377 (Purchase of LT XLPE armour power cable of different size)</b>					
2C X 4 sq mm	28999.95	26117.22	27558.59	4000	5765480.00
<b>TN 2163 (Purchase of 11 kV CT-PT sets of various ratios)</b>					
50/5	33945.62	30741.66	33945.62	200	640792
15/5	36329.45	36243.43	36329.45	400	34408.00
<b>TN- 2218 (Purchase of 25 KVA and 40 KVA Three phase Aluminum wound distribution transformers having meter protection box)</b>					
25 KVA	43699.00	42416.47	42623.80	14957	3101034.81
<b>TN 2180 (Purchase of 315 KVA and 500 KVA three phase copper wound distribution transformers)</b>					
315 KVA	394795	386981.06	390888.03	1166	4555527.02
500 KVA	596000	564409.47	584621.83	12	242548.32

Nomenclature of material	Lowest price received in the tender (In ₹ per unit)	Updated price worked out by the Company based on previous tender/latest tender awarded by other DISCOMs (in ₹)	Price at which purchase order was awarded	Quantity procured (in Units)	Estimated savings (In ₹)
(1)	(2)	(3)	(4)	(5)	(6) = [(4) – (3)] X (5)
<b>TN 2176 (Purchase of 40 KVA, three phase three star rating, aluminium wound distribution transformers with meter and protection box)</b>					
40 KVA (Double meter)	59300.00	51998.86	59200	1380	9937573.20
<b>TN 4407 (Purchase of galvanised steel wire of size 7/10 and 7/8)</b>					
7/10	68460.00	60838.99	68443.27	2100	15968988.00
7/8	67934.88	60764.70	67829.10	480	3390912.00
<b>Total probable savings (In ₹)</b>					<b>96102925.11</b>

**Annexure-4**  
**(Referred to in paragraph 2.19 at page no. 52)**

**Statement showing surplus material accepted from the turnkey contractors**

***Case-1: Cables of various sizes***

1. The Company short closed all the work orders under TN 164 (replacement of old energy meters and defective service lines of the consumers) and accepted (2010-11) various types of surplus cables from the contractors. The details of material accepted and its utilization as on March 2017 is detailed below.

Type of cable	Material accepted (KM)	Material lying in ACOS (KM)	Value of material lying in ACOS (₹ in crore)
2C X 6 sqm	437.832	395.38	1.80
4C X 10 sqm	84.390	60.368	0.22

We noticed that the cables were procured by the contractors during 2008-11 and deposited with the ACOS. However, the same could not be utilised merely because the turnkey wing never directed the ACOS to issue these cables to field offices. There are all possibilities of deterioration in the quality of cables as the guarantee period had expired. In respect of 2C X 6 sqm type of cable, it was noticed that the contractor was allowed (March 2008) to use this cable in place of 2C X 4 sqm cable despite the Company not using this type of cable for any work. Further, the Company never procured 2C X 6 sqm type cable after accepting it from the contractor.

2. The Company awarded (February 2008) the work of renovation of twenty 11 kV feeders of CD-VII under JCC to Oriental Sales Corporation (Contractor). The Contractor completed (15 February 2012) the work and Superintending Engineer (JCC) furnished (3 September 2014) the final closure documents. The final bill of quantity (BOQ) was 14.98 and 43.13 *per cent* below the estimated BOQ of Lot-I and Lot-II respectively. Resultantly, the CLPC accepted (January 2016) the surplus material of ₹ 73 lakh procured by the contractor. The material mainly included AB cable (74.98 KM) valuing ₹ 60.59 lakh and 11 kV armoured cable (1.514 KM) valuing ₹ 9.93 lakh. The JCC ACOS intimated (26 December 2016) to the Superintending Engineer (TW) that material was deposited by contractor during 2008-09 and was now getting damaged. However, the Superintending Engineer (TW) did not issue (May 2017) directions for utilisation of material on other works. The guarantee period of the material had already expired.

***Case-2: Material seized and deposited by contractors***

The Company awarded (April 2008) work order (TN 18) to Dee Control Private Limited (Firm) under 'Loss Reduction Programme' for Dholpur city. The same firm was also awarded (May 2008) the work (TN 173) of providing rural electricity infrastructure and household electrification in Dholpur district under RGGVY on turnkey basis.

We noticed that the firm was blacklisted (April 2011) for various irregularities relating to execution of RGGVY works. The remaining works were awarded (4 July 2011) to Ishwar Metal Industries. After termination, the Company seized the material from the store of the Firm and deposited it with ACOS Dholpur. The Superintending Engineer (TW) intimated (3 June 2011) the Superintending Engineer (O&M) that the material seized from the Firm and after CTL testing should be utilised on remaining works. The tested and cleared material seized from the Firm and passed in CTL testing was valued at ₹ 42.57 lakh.

The Company, however, did not utilise (May 2017) the material and it was lying with Dholpur ACOS. Similarly, the Company accepted surplus material of ₹ 2.55 crore under TN 7 (Crompton Greaves Limited) and TN 18 (Firm). This material was also lying (May 2017) with Dholpur ACOS for want of closure of the works against which the material was received.

**Case-3: Meter protection boxes**

The Company awarded (November 2006) the work (TN 141) of renovation of 53 feeders (11 kV) of district division of Kota circle to A2Z Maintenance Limited (Firm). The Company cancelled the work of six feeders and executed it on CLRC<sup>1</sup> basis. The CLPC revised (October 2012) the BOQ. We noticed that the Firm deposited (June 2013 to March 2014) 1274 meter protection boxes valuing ₹ 70.33 lakh with ACOS Kota. The Committee for verification of surplus material pointed out (May 2014) that the meter protection boxes were not in usable condition. The boxes were in rusted condition from inside; bakelite sheet was not provided; glasses were broken; gasket was not available; etc. The ACOS intimated (April 2015) the Superintending Engineer (TW) that boxes were not fit for use. It further stated that MM wing was purchasing distribution transformers along with meter protection box and thus there was no possibility of utilization of these boxes in future.

The Firm repaired 1144 boxes as per the directions (August 2015) of Superintending Engineer (TW). The remaining boxes were beyond repair. However, the repaired boxes were not utilised because the new distribution transformers were already fitted with the meter protection boxes. As of March 2017, all the boxes were lying with ACOS.

The decision of accepting 1,144 meter protection boxes valuing ₹ 63.15 lakh was, therefore, not justified.

**Case-4: Galvanized iron wire**

The Company made last purchase of galvanised iron (GI) wire under TN 4086 (May 2005). Separate purchase of GI wire was stopped because it came along with the AB cable. The DCF, therefore, directed (August 2010) the DISCOMs for not accepting GI wire as surplus material from the contractors. We noticed that the ACOS did not give cognizance to the directions and accepted GI wire from the contractors due to short closure of contracts. As of March 2017, the ACOS had stock of 963 MT (8SWG) and 123.90 MT (6SWG) GI wire valuing ₹ 3.82 crore and ₹ 42.75 lakh respectively. The GI wire accepted from turnkey contractors could not be ascertained in absence of information from the Company. We, however, noticed that the two selected ACOS (Kota and JPDC) accepted (after August 2010) GI wire (8SWG) of 150.43 MT valuing ₹ 0.60 crore in violation of the directions of DCF.

**Case-5: Switch fuse units**

The Superintending Engineer (TW) issued (5 April 2007) orders to the turnkey contractors for not using Switch Fuse Units (SFUs) under the FRP works. The Company reviewed its decision on the representation of contractors and allowed (20 April 2007) them to use three phase SFUs for the FRP works. The contractors were, however, directed (April 2007) that supply of three phase SFUs should be limited to the quantities indicated in the work order or as per revised BOQ. The Company also stopped using SFUs as per the recommendation (August 2007) of technical committee.

The SFUs procured by turnkey contractors were not installed in some contracts and, therefore, became surplus. The matter was referred to the technical committee at the time of closure of contracts under FRP works. The technical committee recommended (June 2013) to use the 11 kV three phase SFUs in urban and municipal town feeders having 24 hours supply and 11 kV single phase SFUs in abadi area only.

We noticed that the Company accepted 3672 three phase SFUs valuing ₹ 6.06 crore and 638 single phase SFUs valuing ₹ 26.93 lakh at the time of closure of 27 turnkey works. The single phase SFUs were accepted despite the Company allowing the contractors to use only three phase SFUs. As of March 2017, the ACOS had stock of 430 single phase (₹ 18.15 lakh) and 631 three phase (₹ 1.04 crore) SFUs. The remaining SFUs were issued to the sub-divisional stores. The utilisation of SFUs by the field offices, however, could not be ensured due to lack of data. Upto March 2017, the ACOS issued 162 single phase and 410 three phase SFUs to the 21 test checked sub-divisional stores. However, these sub-divisions utilised only 118 single phase and 357 three phase SFUs upto March 2017.

1 Central Labour Rate Contract.

**Annexure-5**  
**(Referred to in paragraph 2.21 at page no. 55)**

**Statement showing idle inventory due to excess procurement**

**33 kV cable**

**(Case 1)** The Kota ACOS issued (March to July 2011) 58.82 KM (₹ 7.21 crore) and 24.17 KM (₹ 2.96 crore) 33 kv 300 square meter cable (Cable) to Assistant Engineer (HTM<sup>1</sup>-I) and (HTM-II) respectively. However, both the sub-divisions utilized only 28.58 KM Cable till August 2016. The material lying in stores of HTM-I and II was transferred (February to March 2017) to HTM-III due to allotment of Kota city distribution network to a private firm. The excess cable (19.79 KM) with HTM-I, HTM-II and HTM-III was deposited with the ACOS Kota and diverted to other ACOSs. The remaining 32.86 KM Cable valuing ₹ 4.03 crore was lying with HTM-III Kota as on 31 March 2017.

This indicates poor inventory management on the part Assistant Engineers (HTM-I and HTM-II) as 54.41 KM Cable valuing ₹ 6.67 crore was lying unutilized in the stores since July 2011 while the Company subsequently procured the same item under TN 4375 and 4400 during 2012-14. The Superintending Engineer (O&M) also failed to monitor the stores under its jurisdiction as a high value item remained un-utilized for a period of around six years. Non-utilization of Cable not only resulted in blockage of funds but also lapse of guarantee period and deterioration of the quality of Cable.

The Government stated that cable was purchased for RAPDRP works. However, later on 33 kV work was excluded from the scope of the work. The fact remains that the material was lying in sub divisional stores for more than six years.

**Vacuum auto reclosers**

**(Case 2)** Andrew Yule and Company Limited, Kolkata (Firm) as part of last consignment supplied (2007) 21 and 20 number of 'Vacuum Auto Recloser<sup>2</sup>' (Recloser) to JPDC (April and October 2007) and Alwar (January and April 2007) ACOS respectively. Clause 6 (B) of the purchase order (TN 1853) awarded (April 2004) to the Firm provided that the guarantee period of the material was 12 months from the date of commissioning or 18 months from the date of receipt of last consignment, whichever was earlier.

As of March 2017, the Reclosers were lying unutilized at JPDC while Alwar ACOS issued 16 out of 20 Reclosers to the field offices. The guarantee period of the Reclosers expired in April 2009. Excess purchase of Reclosers, therefore, not only blocked the funds of ₹ 51.82 lakh (25 Reclosers) but the guarantee period of the material also expired without utilisation.

The Government stated that the material was purchased as per the requirement by the field and on successful performance of the trial equipment. The reply was not convincing as the material had not been utilized by the Company.

**Distribution kiosks for underground cabling**

**(Case 3)** The Alwar ACOS received 454 distribution kiosks valuing ₹ 68.23 lakh during 2012-13 to 2013-14 against supplies under TN 2118. Similarly, the Kota ACOS received supplies (TN 2216) of 1,162 distribution kiosks valuing ₹ 1.52 crore during 2014-16. The material was lying un-utilized with both the ACOS as on 31 March 2017.

The Government stated that the item was purchased in a phased manner as per field requirements and the supplied quantities have been utilized in most of the circles under RAPDRP works. The reply was not convincing as the kiosks pointed out in audit observation were still lying in the stores of the Company.

1 HTM stands for high tension maintenance.

2 11 kV 400 Ampere Pole Mounted Vacuum Auto Reclosers

***Moulded case circuit breakers***

**(Case 4)** The Company procured (2004) Moulded Case Circuit Breakers (MCCB) of 40 and 60 ampere ratings from Havell's India Limited, Delhi. The Alwar ACOS received supply of 2,212 and 1,318 MCCB boxes of 40 and 60 ampere ratings respectively. The Alwar ACOS, however, issued only 434 (40 ampere) and 387 (60 ampere) MCCBs upto March 2017. As of March 2017, the remaining MCCBs (1,778 boxes of 40 ampere and 931 boxes of 60 ampere) valuing ₹ 38.67 lakh were lying idle with the ACOS. Similarly, stock of 844 MCCBs (60 ampere) and 1,185 MCCBs (40 ampere) valuing ₹ 12.61 lakh and ₹ 16.51 lakh respectively were lying unutilized with JPDC ACOS as on 31 March 2017.

The Government accepted the facts and stated that utilisation of these MCCB would be explored and in case material is not likely to be used, it would be disposed off.

***Potential transformers***

**(Case 5)** The Company purchased (2005-06 and 2008-09) Potential Transformers (PTs) under TN 1912 and 1990 respectively. As of March 2017, 242 PTs valuing ₹ 40.62 lakh procured under these tenders were lying idle in JPDC (91), Dausa (47), Alwar (54), Bharatpur (25), Sawaimadhopur (20), Tonk (3), and JCC (2) ACOS. The guarantee period of these PTs had also expired. Further, there is change in technology and the Company is now procuring current and potential transformers as one unit. The number of PTs lying with the sub-divisional stores was not available with the Company.

The Government stated that PTs were purchased as per actual requirement received from the field and protection CTs and PTs are still being utilized as separate units. The fact remains that the material had not being utilized since long and the possibilities of its utilisation seems bleak in wake of the Company now procuring CTs and PTs as one unit.

**Annexure-6**  
**(Referred to in paragraph 3.7.2 at page no. 83)**

**Statement showing delay in initiating tender process**

Name of the road	Last date of ongoing tender	Traffic census commenced	Tender process commenced prior to closing of ongoing tender (days)	Date of award of new contract	Delay in finalization of tenders (days)
Pali-Nadol	31 January 2015	29 October 2014	94	31 January 2015	-
	31 January 2017	28 November 2016	64	31 January 2017	-
Hindaun-Karoli	23 October 2014	18 September 2014	35	6 January 2015	75
	21 January 2016	25 October 2015	88	5 January 2016	-
	22 January 2017	6 November 2016	77	3 February 2017	12
Bharatpur-Deeg-Alwar	29 January 2016	2 November 2015	88	8 January 2016	-
Merta-Ras	7 October 2014	22 July 2014	77	19 November 2014	43
	4 December 2016	2 November 2016	32	8 February 2017	66
Kotpulti-Sikar-Kuchaman	7 July 2015	24 April 2015	74	23 June 2015	-
Alwar-Behror-Narnaul	21 September 2014	30 July 2014	53	16 October 2014	25
Banswara-Ratlam	8 December 2016	October 2016	68	21 December 2016	13
Jahajpur-Mandalgarh	1 May 2014	24 March 2014	38	17 June 2014	47
	1 August 2015	4 May 2015	89	12 August 2015	11
Mangalwar-Nimbahera, Fatehnagar-Dariba	30 September 2016	17 July 2016	75	27 September 2016	-
Chechat-Morak-Ramganjmandi	20 February 2016	17 December 2015	65	16 February 2016	-
	20 February 2017	21 November 2016	91	3 February 2017	-
Suket-Pipaliya-Bhawanimandi	26 February 2017	6 January 2017	51	Not finalised upto 15 March 2017	NA
Jodhpur-Osiyan-Phalodi	29 December 2015	29 September 2015	91	10 December 2015	-
Bari-Bayana-Kherli	9 December 2016	23 September 2016	77	Not finalised upto 15 March 2017	NA
Bikaner Bye pass	3 August 2014	13 May 2014	82	1 September 2014	29
Hanumangarh-Suratgarh	9 May 2014	24 February 2014	74	8 July 2014	60

**Annexure-7**  
**(Referred to in paragraph 3.7.6 at page no. 86)**

**Statement showing delay in finalization of first tender of newly constructed roads due to improper fixation of reserve price**

Name of the road	Time period	Reserve price recommended by the Project Director based on traffic	Reserve Price finalised by the Committee based on DPR	No. of times tenders invited	Final reserve price	Opportunity loss <sup>1</sup> (₹ in crore)
Dabok-Mavli-Fatehnagar-Chittorgarh	2011-12	26.64 (one year)	31.66 (one year)	4	20.50 (one year)	1.74
Bharatpur-Deeg-Alwar	2013-14	9.15 (one year)	11.62 (one year)	2	10.00 (one year)	5.00
Merta-Ras	2013-14	4.56 (one year)	6.70 (one year)	2	5.15 (one year)	1.49
Alwar-Behror-Narnaul	2013-14	8.21 (one year)	9.10 (one year)	2	8.21 (one year)	2.25
Kota-Dharnawada	2015-16	4.50 (one year)	8.99 (one year)	2	3.26 (one year)	1.60
Kishangarh Bas-Khairthal	2014-15	14.24 (two years)	26.96 (two years)	4	7.18 (one year)	2.63
Jahajpur-Mandalgarh	2012-13	4.50 (one year)	6.75 (one year)	2	4.50 (one year)	0.75
Banswara-Ratlam	2013-14	0.83 (one year)	7.61 (one year)	3	4.12 (two years)	4.81
Chechat-Morak	2014-15	6.60 (two years)	11.72 (two years)	2	3.04 (one year)	0
Suket-Pipaliya	2014-15	15.31 (two years)	16.82 (two years)	2	7.46 (one year)	4.35
Bari-Bayana	2015-16	1.24 (One year)	3.15 (one year)	4	0.73 (one year)	0.46
Gotan-Sojat	2012-13	11.27 (one year)	24.02 (two years)	2	20.20 (two years)	0
Debari-Kurawar	2014-15	1.14 (5 months)	2.21 (5 months)	5	7.17 (22 months)	2.81
Jaipur-Jobner	2013-14	9.04 (one year)	16.92 (One year)	2	9.27 (one year)	3.39
Hanumangarh-Suratgarh	2011-12	13.64 (one year)	15.99 (one year)	3	24.20 (two years)	1.99
Nasirabad-Kekri	2013-14	4.30 (6 months)	4.90 (6 months)		5.51 (six months)	0
Mangalwar, Fatehpur-Dariba & Salumbar-Keer ki choki	2013-14	10.38 (one year)	13.75 (one year)	2	10.38 (one year)	0
<b>Total</b>						<b>33.27</b>

1 Based upon the tender finalised.

**Annexure-8**  
(Referred to in paragraph 3.7.7 at page no. 87)

**Statement showing improper fixation of reserve price on ongoing toll contracts**

*(Amount: ₹ in crore)*

Name of the road	Reserve price based on traffic census		Reserve price approved by competent authority		Basis for fixing reserve price by competent authority	Variation between traffic census and reserve price fixed (in per cent)	First NIT issued	No. of times reserve price revised	Final reserve price and its basis	Total attempts for awarding tender	Month in which tender was finalised	Time period involved between inviting first tender and awarding of tender (days)
	Amount	Period	Amount	Period								
Pali-Nadol	2.10 (One year)	July 2013	2.26 (One year)	July 2013	10 per cent growth in contract value	7.62	26 July 2013	-	RP was not revised	3	29 January 2014	187
	10.00 (Two years)	November 2014	11.96 (Two years)	November 2014	10 per cent growth in contract value	19.60	29 November 2014	1	8.21 (Revised census)	3	31 January 2015	63
Mahua-Hindaun-Karoli	14.21 (Two years)	September 2014	19.38 (Two years)	October 2014	10 per cent growth in contract value	36.38	17 October 2014	2	6.03 (One year) (revised census)	3	6 January 2015	97
Merta-Ras	10.78 (Two years)	July 2014	12.73 (Two years)	August 2014	five per cent annual growth of traffic and five per cent increase in the previous toll rate	18.09	5 August 2014	1	10.78 (proposed by PD)	3	21 November 2014	108
Alwar-Behror-Narnaul	14.78 (Two years)	August 2014	20.81 (Two years)	August 2014	Recommendation of PD and 10 per cent increase in contract value	40.80	14 August 2014	1	13.22 (Revised traffic census)	2	16 October 2014	63
Chechat-Ranganjmandi	2.58 (One year)	December 2015	4.08 (One year)	January 2016	five per cent annual growth of traffic and five per cent increase in the previous toll rate	58.14	7 January 2016	1	2.58 (One year) (Proposed by PD)	2	16 February 2016	40
Jodhpur-Osiyan-Phalodi	14.37 (731 days)	October 2015	15.45 (731 days)	October 2015	6 per cent increase in traffic growth	7.52	2 November 2015	1	14.37 (Traffic census)	2	10 December 2015	38

**Annexure 9**  
(Referred to in paragraph 3.7.9 at page no. 88)

**Statement showing delay in execution of agreements on newly constructed roads**

Name of the road	Date of finalization of tender	Date of execution of agreement with the bidder	Date of commencement of toll	Delay in execution of agreement (in days)	Opportunity loss <sup>1</sup> (₹ in crore)
Gotan-Sojat	1 January 2013	11 July 2013	12 July 2013	191	4.98
Pali-Nadol	12 July 2012	18 September 2012	23 September 2012	68	0.30
Mahua-Hindaun-Karoli	17 July 2012	11 January 2013	24 January 2013	178	0.52 <sup>2</sup>
Nasirabad-Kekri-Deoli	24 February 2014	15 April 2014	6 May 2014	50	1.10
Jaipur-Jobner-Kuchaman-Nagaur	2 July 2014	1 December 2014	1 December 2014	152	5.08
Jodhpur-Osiyan-Phalodi	24 February 2014	30 December 2014	30 December 2014	309	5.08
Bari-Bayana-Kherli	18 September 2014	1 December 2014	10 December 2014	74	1.02
<b>Total</b>					<b>18.08</b>

- 1 Opportunity loss has been calculated considering a margin of 14 days for execution of agreement by the Project Directors. The price at which tender was awarded has been considered for calculation of opportunity loss.
- 2 In case of Mahua-Hindaun-Karoli road, opportunity loss was calculated for 23 days only because the District Collector allowed the Company to recover toll from 1 January 2013.

**Annexure-10**  
(Referred to in paragraph 3.9.7 at page no. 100)

**Statement showing excess claim of viability gap from the State Government in respect of selected depots**

<b>Year</b>	<b>Operated kilometres reported to the State Government</b>	<b>Operated Kilometres as per payment released to bus operators</b>	<b>Excess kilometres claimed</b>	<b>Excess viability gap claimed (in ₹)</b>
2013-14	8729014	8306980	422034	4045660
2014-15	17186976	14929177	2257799	19921358
2015-16	17613404	12779767	4833637	43985131
<b>Total</b>	<b>43529394</b>	<b>36015924</b>	<b>7513470</b>	<b>67952149</b>

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