Press Brief

Report No. 4 of the Comptroller and Auditor General of India for the year ended 31 March 2019 (Public Sector Undertakings) - Government of Rajasthan

The Report No. 4 of the Comptroller and Auditor General of India for the year ended 31 March 2019 (Public Sector Undertakings)-Government of Rajasthan was placed before the State Legislature on 21 August 2020. The Audit Report upon its placement to the Legislature is a public document. Some of the salient points brought out in the Report are mentioned below:

This Report deals with the functioning of 43 Public Sector Undertakings of the State. It contains one Performance Audit and ten compliance audit paragraphs on important audit findings noticed during test check of transactions of the State Government Companies and Statutory Corporations

Functioning of Public Sector Undertakings

Audit of Government Companies is governed by Sections 139 and 143 of the Companies Act, 2013.

As on 31 March 2019, Rajasthan had 43 State Public Sector Undertakings (PSUs) consisting of three Statutory Corporations and 40 Government Companies (including three inactive government companies) under the audit jurisdiction of the Comptroller & Auditor General of India. The working PSUs registered a turnover of ₹ 75179.32 crore during 2018-19 as per their latest finalised accounts. This turnover was equal to 8.09 *per cent* of the Gross State Domestic Product (GSDP) of Rajasthan. As on 31 March 2019, the investment (equity and long term loans) in 43 PSUs was ₹ 124266.77 crore. The power sector received 86.42 *per cent* (₹ 19974.86 crore) of total investment (₹ 23114.61 crore) made during the period from 2014-15 to 2018-19.

(Introduction)

Functioning of Power Sector Undertakings

Formation of Power Sector Undertakings

The State Government enacted (January 2000) the Rajasthan Power Sector Reforms Act 1999 (RPSRA 1999) which *inter alia* provided for re-organisation of electricity industry and preparation of a scheme for transferring the powers, duties and functions of Rajasthan State Electricity Board (RSEB) to one or more power sector companies of the State Government. The State Government accordingly formulated (19 July 2000) the Rajasthan Power Sector Reforms Transfer Scheme 2000 (RPSRT Scheme 2000) for unbundling of RSEB and transfer of assets, properties, liabilities, obligations, proceedings and personnel of RSEB to power sector companies.

The State had 15 Power Sector companies as on 31 March 2019. Audit of these power sector companies is governed by Sections 139 and 143 of the Companies Act, 2013.

Of these 15 companies, six companies did not commence any commercial activities till 2018-19. One of these six companies namely *Keshoraipatan Gas Thermal Power Limited* closed (15 February 2019) its operation during 2018-19. The purpose of incorporation of these companies was, therefore, defeated. The Government should take appropriate action to commence business activities of these companies.

The Power Sector Undertakings registered a turnover of ₹ 60355.46 crore during 2018-19 as per their latest finalised accounts. This turnover was equal to 6.50 *per cent* of the GSDP of Rajasthan indicating the important role played by the Power Sector companies in the economy of the State.

Stake of Government of Rajasthan

As on 31 March 2019, the total investment (equity and long term loans) in 15 power sector undertakings was ₹ 111778.38 crore. The investment consisted of 40.88 *per cent* towards equity and 59.12 *per cent* in long term loans. The long term loans advanced by the State government constituted 27.73 *per cent* (₹ 18324.72 crore) of the total long term loans whereas the rest 72.27 *per cent* (₹ 47753.26 crore) long term loans were availed from other financial institutions.

Performance of Power Sector Undertakings

The overall profit earned by the 15 power sector companies was ₹ 2319 crore in 2018-19 against losses of ₹ 16184.94 crore incurred in 2014-15. According to accounts for the year 2018-19 of the power sector companies, six companies earned profit of ₹ 2773.19 crore and four companies incurred loss of ₹ 454.19 crore. Remaining five companies incurred marginal losses during the year 2018-19. The top profit making companies were Jodhpur Vidyut Vitran Nigam Limited (₹ 1233.76 crore), Jaipur Vidyut Vitran Nigam Limited (₹ 906.09 crore), Ajmer Vidyut Vitran Nigam Limited (₹ 466.82 crore) and Rajasthan Rajya Vidyut Utpadan Nigam Limited (₹ 138.42 crore) while Giral Lignite Power Limited (₹ 324.13 crore) and Rajasthan Rajya Vidyut Prasaran Nigam Limited (₹ 127.99 crore) incurred substantial losses.

The accumulated losses of the power sector companies were ₹ 96597.14 crore as against the capital investment of ₹ 45700.40 crore as on 31 March 2019. Of the 15 power sector companies, the net worth of Jaipur Vidyut Vitran Nigam Limited (-) ₹ 20277.18 crore, Jodhpur Vidyut Vitran Nigam Limited (-) ₹ 19820.20 crore, Ajmer Vidyut Vitran Nigam Limited (-) ₹ 19000.52 crore and Giral Lignite Power Limited (-) ₹ 894.72 crore was completely eroded.

Assistance under Ujwal DISCOM Assurance Yojana (UDAY)

The tripartite Memorandums of Understanding (MoUs) were signed (27 January 2016) between the Ministry of Power (MoP), Government of India, the Government of Rajasthan (GoR) and respective State DISCOM (*i.e.* Jaipur Vidyut Vitran Nigam Limited/Jodhpur Vidyut Vitran Nigam Limited/Ajmer

Vidyut Vitran Nigam Limited) for providing assistance to the State owned power sector PSUs. As per provisions of the UDAY and the MoUs, out of total outstanding debt (₹ 83229.90 crore) pertaining to three State DISCOMs as on 30 September 2015, the GoR had taken over total debt of ₹ 62421.95 crore during the period 2015-16 and 2016-17 against which the GoR provided equity of ₹ 8700 crore and subsidy of ₹ 9000 crore during the same period. The remaining amount of ₹ 44721.95 crore which was converted into loans under UDAY, was to be converted into equity and grant over a period of three years *i.e.* 2017-18, 2018-19 and 2019-20. Against this amount, the GoR provided equity of ₹ 3000 crore and subsidy of ₹ 12000 crore in each financial year during 2017-18 and 2018-19 whereas remaining loan amount was to be converted in subsequent years as per budget approvals of the GoR.

Quality of accounts

The quality of accounts of power sector companies needs improvement. Out of 15 accounts finalised during 1 October 2018 to 30 September 2019, the Statutory Auditors gave qualified certificates on six accounts. There were 23 instances of non-compliance with Accounting Standards by the Power Sector Undertakings.

(Chapter-I)

Compliance Audit Observations relating to Power Sector Undertakings

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

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

Delay in deposit of cess attracted avoidable penal interest

The three DISCOMs did not devise a mechanism to deposit the Water Conservation Cess (WCC) according to schedule prescribed in the Rajasthan Electricity (Duty) Act, 1962 and Rules framed thereunder. Absence of proper mechanism led to delay in deposit of WCC collected from electricity consumers and attracted liability of penal interest of ₹ 55.42 crore.

(Paragraph-2.1)

Jodhpur Vidyut Vitran Nigam Limited

Systemic lapses in financial closure of the contracts awarded by Jodhpur Vidyut Vitran Nigam Limited

The Company did not adopt the Procurement Management Information System (PMIS) and did not institute a well defined and extensive procedure for financial closure of contracts. Further, the financial closure of purchase orders/turnkey works contracts was inordinately delayed/deficient due to non-furnishing of verified invoices and receipted challans by respective ACOS/ suppliers, poor communication system between ACOS and MM wing, lethargic approach for effecting recoveries against suppliers, non-recovery/ delay in recovery of applicable penalty, closure of nominally executed turnkey works and non-invoking bank guarantee of defaulting suppliers.

(Paragraph-2.2)

Ajmer Vidyut Vitran Nigam Limited

Failure of internal control system led to embezzlement

Poor internal control system and monitoring enabled the Company employee to embezzle ₹ 2.25 crore by manipulating salary records through fake entries in bank transfer advices.

(Paragraph-2.3)

Rajasthan Rajya Vidyut Prasaran Nigam Limited

Construction of Grid-Sub Stations and Transmission lines

The Company did not follow the norms/standards prescribed for maintaining the redundancy under the transmission system which resulted in huge variation in installed capacity and capacity handled. Further, transmission works were not completed within the scheduled period due to deficient planning and non-adherence to recommendations of Task Force Committee on Project Management. Further, non-carrying out the preparatory activities before execution of these works led to delay in completion of the works and blocking of funds for a considerable period. Moreover, improper planning and poor project management also led to payment of commitment charges by the company on loans raised. The Company failed to effectively monitor the physical progress of the works.

(Paragraph-2.4)

Functioning of State PSUs (other than Power Sector)

As on 31 March 2019, Rajasthan had 28 State PSUs (other than Power Sector) consisting of 22 working Companies, three working Statutory Corporations and three inactive PSUs (all Companies). The working PSUs registered a turnover of ₹ 14823.86 crore during 2018-19 as per their latest finalised accounts. This turnover was equal to 1.60 *per cent* of the GSDP of Rajasthan indicating the role played by these State PSUs in the economy of the State.

Stake of Government of Rajasthan

As on 31 March 2019, the total investment (equity and long term loans) in these 28 PSUs was ₹ 12488.40 crore. The investment consisted of 28.75 *per cent* towards equity and 71.25 *per cent* in long-term loans. The long term loans advanced by the State Government constituted 24.99 *per cent* (₹ 2224.18 crore) of the total long term loans whereas the rest 75.01 *per cent* (₹ 6674.35 crore) long term loans were availed from other financial institutions.

Performance of State PSUs (other than Power Sector)

The loss of ₹ 5.87 crore incurred by working State PSUs in 2014-15 transformed into profit of ₹ 219.85 crore in 2018-19 due to substantial decrease in losses of Rajasthan State Road Transport Corporation and Jaipur

Metro Rail Corporation Limited. According to latest finalised accounts of the 25 working State PSUs, 18 PSUs earned profit of ₹ 511.53 crore and seven PSUs incurred losses of ₹ 291.68 crore in 2018-19.

The top profit making State PSUs were Rajasthan State Mines and Minerals Limited (₹ 168.50 crore), Rajasthan State Industrial Development and Investment Corporation Limited (₹ 142.94 crore), Rajasthan State Warehousing Corporation (₹ 88.89 crore), Rajasthan State Road Development and Construction Corporation Limited (₹ 35.00 crore) while Rajasthan State Road Transport Corporation (₹ 176.71 crore) and Jaipur Metro Rail Corporation Limited (₹ 52.97 crore) incurred heavy losses.

Quality of accounts

The quality of accounts of State PSUs (other than Power Sector) needs improvement. Out of 18 accounts finalised during 1 October 2018 to 30 September 2019, the Statutory Auditors gave adverse certificate on accounts of Rajasthan State Food and Civil Supply Corporation Limited and qualified certificates on nine other accounts. There were eighteen instances of non-compliance in six accounts with Accounting Standards by the PSUs.

Arrears in accounts and winding up

Fifteen working PSUs had arrears of 21 accounts as on 30 September 2019. Among inactive PSUs, one PSU had four accounts in arrears. The Government may take a decision regarding winding up of the inactive PSUs.

(Chapter-III)

Performance Audit relating to State PSUs (other than Power Sector)

Rajasthan State Road Transport Corporation

Performance Audit on 'Acquisition and Utilisation of buses'

This Performance Audit covers the acquisition and utilization of buses by Rajasthan State Road Transportation Corporation (Corporation) during the period from 2014-15 to 2018-19.

Financial Performance

The Corporation incurred heavy losses during 2014-15 to 2018-19 and could not even recover its cost of operation. Resultantly, accumulated losses and negative net worth of the Corporation increased significantly from ₹ 2766.90 crore and ₹ 2127.94 crore in 2014-15 to ₹ 4975.52 crore and ₹ 4336.56 crore in 2018-19 respectively.

(Paragraph-4.8)

Share of Corporation in the public transport

The Corporation was not able to keep pace with the growing demand for public transport as the Corporation's share in the bus traffic and per capita effective kilometers operated decreased from 10.36 *per cent* to 9.98 *per cent* and from 8.43 to 6.91 respectively due to higher rate of increase in fleet of private stage carriage and lower fleet utilization by the Corporation.

(Paragraph-4.11)

Policy/mechanism for assessment of requirement

The Corporation did not develop a mechanism to correlate the requirement assessed in bi-annual plan with the availability of buses to plan for procurement/hiring of buses on periodic basis.

(Paragraph-4.14.1)

Hiring of buses without obtaining depot wise requirement

The hiring of buses was done at centralised level without obtaining specific requirement from the concerned depots. The Corporation did not even confirm the requirement from depots before allocation of hired buses. Resultantly, four to seven depots had surplus buses which ranged between 21 and 75 buses and five to eight depots faced shortage of buses which ranged between 60 to 183 buses during 2016-19. Besides, Kota depot (2016-17), Rajsamand and Dungarpur depot (2017-18) and Jaipur depot (2017-18 and 2018-19) held excess buses but the same were not shifted to other depots which were facing shortage of buses.

(Paragraph-4.14.2)

Loss from operation of hired luxury/semi deluxe buses

The Corporation hired and deployed the luxury/semi deluxe buses without assessing proper requirement and feasibility of operating the buses on certain routes. Resultantly, the Corporation incurred net loss of ₹ 2.34 crore due to operation of buses on uneconomical routes. Despite suffering continuous loss, the Corporation did not make efforts to find alternate routes for plying these buses.

(Paragraph-4.19 & 4.21)

Deficiencies in hiring of buses (2016-17)

The Corporation invited (December 2016) tenders for hiring of 800 buses, however, it did not reassess the requirement after getting the approval from the GoR for procurement of new 500 blue line buses. It went ahead and hired the buses for a period of five years. Thus, non-reduction in requirement of buses to be hired resulted in availability of excess buses than actually utilised.

(Paragraph-4.20 & Annex 16)

Fleet Strength and its Age Profile

The Corporation was not able to achieve the prescribed norms for condemnation of vehicles. The percentage of overage buses increased from 7.33 *per cent* in 2014-15 to 18.46 *per cent* in 2018-19.

(Paragraph-4.23)

Fleet utilization

The average fleet utilization of the Corporation declined from 92 *per cent* in 2014-15 to 68 *per cent* in 2018-19 mainly due to curtailment of scheduled KMs on account of breakdowns, mechanical problems, non-allocation of buses *etc.*

(Paragraph-4.24)

Vehicle Productivity

The overall vehicle productivity (including hired buses) of the Corporation had declined from 397 KMs to 392 KMs per day during 2014-15 to 2018-19. The vehicle productivity of the Corporation buses reduced from 390 KMs to 363 KMs per day, however, the Corporation did not initiate corrective action to improve the situation.

(Paragraph-4.25)

Cancellation of Scheduled Kilometres

The percentage of cancellation of scheduled KMs increased continuously from 7.25 to 14.20 during 2014-19 mainly due to non-deployment of adequate number of buses, shortage of crew and other factors like breakdowns, accidents, low income etc. Due to cancellation of scheduled KMs for want of buses and crew alone, the Corporation was deprived of revenue of ₹ 72.95 crore during 2014-19.

(Paragraph-4.26)

Load Factor

The performance of the Corporation remained poor as it could not achieve the targeted load factor during 2014-15 to 2018-19. The break-even load factor was quite high and ranged between 83.01 *per cent* and 102.55 *per cent*. Further it has continuously increased after 2016-17.

(Paragraph-4.27)

Fuel Efficiency

The Corporation was not able to achieve the diesel average target during 2014-19. None of the selected 15 depots, except Rajsamand depot in 2015-16 and Karauli depot in 2017-18, could achieve the depots-wise targets of kilometer per liter (KMPL) during 2014-19. Non-achievement of KMPL was mainly attributable to operation of over-aged vehicles which increased from 322 to 749 *i.e.* 18.46 *per cent* of total buses of the Corporation as on March 2019.

(Paragraph-4.30)

Performance of Central Workshop (CWS) Jaipur

The performance of CWS, Jaipur was poor as against 81 *per cent* timely repair of buses in 2014-15, only 65 *per cent* buses were repaired timely in 2018-19. Further, in 2017-18 and 2018-19, the position deteriorated significantly as CWS took 61 days to 365 days for repair of 145 buses.

(Paragraph-4.33)

Monitoring of Performance Indicators

The system was deficient as the effectiveness and usefulness of information compiled on various parameters had not been reviewed as well as MIS did not provide information on schedules operating below variable cost. The depot-wise information of various performance indicators was not apprised to BoD.

(Paragraph-4.36)

Recommendations

The Performance Audit contains five recommendations *viz.* the Corporation needs to look at improving its efforts (i) to enhance the Corporation's share in public transport; (ii) Evolving a system for assessment of requirement of buses to be procured/hired considering the planned schedule and availability of buses; (iii) Ensuring adherence to provisions of RTPP Act and Rules as well as contract agreements executed with the contractors/ suppliers; (iv) Taking concrete steps for optimal utilization of fleet, improvement of vehicle productivity; improving the load factor, reduction of fixed cost and fuel cost; and (v) Strengthening the internal audit and monitoring system.

Further, in case the Corporation does not improve its operational and financial performance within a targeted time frame, the Government may take a final call on continuing the operations of the Corporation.

Compliance Audit Observations relating to State PSUs (other than Power Sector)

This Chapter includes important audit findings emerging from test check of transactions of the State Government Companies and Statutory Corporations relating to other than Power Sector.

Rajasthan Financial Corporation

Thematic Audit on Management of Non Performing Assets (NPAs) in Rajasthan Financial Corporation

The Corporation was not able to keep pace with the growing demand for industrial loans to MSME sector as the portfolio of the Corporation ranged between 1.19 *per cent* and 1.27 *per cent* of the total industrial sector outstanding loans during 2015-18. Besides, the employees cost of the Corporation was higher as compared to other SFCs. The Corporation did not take adequate and timely legal actions for recovery of dues. The Corporation did not undertake regular pursuance with the revenue authorities and also failed to identify the properties of the defaulter. Despite continuous defaults and false commitments, frequent opportunities were allowed to the borrowers. Further, the Corporation failed to dispose of the properties taken into possession which resulted in accumulation of dues. In Commercial Real Estate cases, due to litigations and non-disposal of the properties significant dues were accumulated and exceeded beyond Market Realisable Value of the properties. Monitoring & inspection at Branch level was deficient as unit visits were not conducted as per the prescribed norms.

(Paragraph-5.1)

Rajasthan State Ganganagar Sugar Mills Limited

Construction and operational performance of New Integrated Sugar Complex

The Integrated Sugar Complex was constructed after significant cost overrun, mainly attributable to increased cost of civil works and engineering contract due to time overruns and execution of certain works not envisaged in the Detailed Project Report (DPR). The operational performance of sugar factory and cogeneration plant was affected due to excessive break downs, excess consumption of bagasse, lesser recovery of sugar from sugarcane, underperformance of cogeneration plant resulting in shortfall in export of power to DISCOMs. The distillery plant has not completely stabilised till March 2020 which led to lesser production and higher cost of rectified spirit produced. The Company did not adhere to prescribed environmental norms as it did not stabilize the effluent treatment plant. There were instances of poor financial management and the Company could not evolve an effective mechanism of monitoring to ensure the operational efficiency.

(Paragraph-5.2)

Rajasthan State Road Development & Construction Corporation Limited

Non-recovery from the contractor

Non-compliance with the provisions of the New Toll Policy 2016 while executing the agreement with the Contractor for toll collection on temporary basis and non-initiation of timely action against the defaulting Contractor led to non-recovery of ₹ 6.08 crore.

(Paragraph-5.3)

Rajasthan State Mines and Minerals Limited

Unauthorised limitation in penalty clause led to short recovery

Insertion of self-defeating unauthorised clause limiting the penalty upto 25 *per cent* of the project cost for non/short performance led to non-recovery of penalty worth ₹ 11.48 crore.

(Paragraph-5.4)

Avoidable financial burden due to payment of higher diesel cost to contractors

The Company had to bear avoidable burden of ₹ 22.19 crore on higher diesel cost due to discontinuing the practice of supplying diesel to the contractors without conducting necessary cost benefit analysis.

(Paragraph-5.5)

Rajasthan State Industrial Development and Investment Corporation Limited

Undue advantage to allottee firm

The Company violated the guidelines of Government of India and directions of Board of Directors and thus, not only enhanced the ceiling for non-industrial/ commercial use in industrial park (Neemrana) but also extended undue advantage of ₹ 3.55 crore to the allottee by recovering conversion charges at pre-revised rate.

(Paragraph-5.6)