

Overview

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1. Overview of Government companies and Statutory corporation

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of the Statutory corporation (Jharkhand State Electricity Board) is governed by the Electricity Act, 2003. As on 31 March 2012, the State of Jharkhand had 13 working Public Sector Undertakings (PSUs) (12 companies and one Statutory corporation), which employed 7,588 employees. The working PSUs registered a turnover of ₹ 2,139.72 crore for 2011-12 as per their latest finalised accounts. This turnover was equal to 1.72 per cent of State GDP.

Investments in PSUs

As on 31 March 2012, the investment (Capital and long term loans) in 13 PSUs was ₹ 6,192.40 crore. It grew by 142.75 per cent from ₹ 2,550.95 crore in 2006-07. Power Sector accounted for nearly 91.19 per cent of the total investment in 2011-12. The Government contributed ₹ 1,179.41 crore towards equity, loans and grants/subsidies during 2011-12.

Performance of PSUs

During the year 2011-12, out of 13 PSUs, five PSUs earned aggregate profit of ₹ 22.94 crore and four PSUs incurred aggregate loss of ₹ 809.62 crore. The remaining four PSUs did not submit their accounts. Heavy losses were incurred by the Jharkhand State Electricity Board and Tenughat Vidyut Nigam Limited to the extent of ₹ 722.82 crore and ₹ 86.59 crore as per their latest finalised accounts for the years 2010-11 and 1995-96 respectively. The losses of working PSUs were mainly attributable to deficiencies in financial management, planning, implementation of projects, operations and monitoring. A review of the latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of ₹ 4,280.54 crore and infructuous investment of

₹ 57.19 crore which were controllable with better management. Thus, there is tremendous scope to improve the functioning of PSUs and minimise losses.

Arrears in accounts

All the 13 PSUs had arrears of a total of 52 accounts as of September 2012. The PSUs need to set targets for the work relating to preparation of accounts with special focus on clearance of arrears.

Quality of accounts

The quality of accounts of PSUs needs improvement. Out of eight accounts finalised by working PSUs during October 2011 to September 2012 Statutory Auditors had given qualified certificates on six accounts. Reports of Statutory Auditors on internal control of the companies indicated certain weak areas.

(Chapter - I)

2. Performance Audit relating to Statutory corporation

Performance Audit relating to Power Transmission Activity of Jharkhand State Electricity Board was conducted. Executive summary of our audit findings is given below.

Introduction

In Jharkhand, generation, transmission and distribution of power is carried out by the Jharkhand State Electricity Board (Board) except for the Damodar Valley Corporation (DVC) command area where transmission is done by DVC while distribution is done by the Board. The Board was created in March 2001 as a result of the Bihar Re-organisation Act, 2000. The Board transmitted 7,412 MUs of energy including 2,777 MUs transmitted by DVC and West Bengal State Electricity Board (WBSEB) to the Board at 33kV during 2007-08 which increased by 29 per cent to 9,560 MUs including 3,114 MUs transmitted by DVC and WBSEB during 2011-12. The turnover of the Board was ₹2,011 crore in 2010-11, which was equal to 1.86 per cent of the State Gross Domestic Product. The Board had 465 employees on its rolls as on 31 March 2012 who were engaged in transmission activity.

Transmission Network Planning

The Board had prepared a plan for the Eleventh Plan period for additions to the transmission network and upkeep of the existing network. The Board had no internal resources and was dependent on the Rural Electrification Corporation (REC)/Government of Jharkhand (GoJ) for funding of capital expenditure. Against the requirement of ₹6,275.59 crore as per the work programme for the period 2007-08 to 2011-12, REC/GoJ released funds amounting to ₹463.24 crore only. The Board was unable to utilise the amount and the unspent balance as on 31 March 2012 was ₹89.50 crore. The Board had planned for addition of 48 Grid Sub-stations (GSSs) and associated transmission lines including 10 ongoing GSSs and 10 associated transmission lines at an estimated cost of ₹6,275.59 crore against which 10 ongoing GSSs and five associated transmission lines were completed while five transmission lines could not be completed.

In respect of 14 GSSs and associated transmission lines, the work could not be completed due to frequent changes in planning, while for 24 GSSs and associated transmission lines preparation of Detailed Project Report and other works was yet to be commenced.

Project Management

The construction of GSSs at Dumka, Daltonganj, Japla, Lohardaga, Latehar, Pakur, Sahebganj and Kanke and transmission lines at Deoghar-Dumka, Dumka-Lalmatia, Lalmatia-Sahebganj, Dumka-Pakur were completed after a delay of 12 to 51 months due to delay in land acquisition, forest and railway crossing clearances, approval of drawing and quantity amendment, dispatch instruction, issue of road permit, inspection of material and payment by the Board. GSS at Simdega and transmission lines at Simdega-Gumla, Lohardaga-Gumla, Lohardaga-Latehar and Latehar-Daltonganj could not be completed even after lapse of 27 to 36 months from the scheduled completion period. GSSs at Latehar, Daltonganj and Kanke had not been energised for a period of 35 months to 61 months due to non-completion of connecting transmission lines resulting in blocking of funds of ₹49.14 crore.

Contract Management

The Board changed the terms of Notice Inviting Tenders (NIT) for construction of GSSs at Dumka and Dumka-Deoghar (Package-A), Dumka-Lalmatia-Sahebganj (Package B) and Dumka-Pakur (Package-C) transmission lines and allowed the base date for IEEMA price variation index as one month prior to date of opening of tender instead of one month prior to the date of negotiation which resulted in excess payment of price variation amounting to ₹10.38 crore.

Performance of Transmission System

The gap in transformation capacity of 220/132 kV had increased from 623 MVA in 2007-08 to 1,348 MVA in 2011-12 whereas the gap in 132/33 kV had increased from 1,277 MVA in 2007-08 to 1,408 MVA in 2011-12. Due to lack of its own transmission system in the DVC command area, the Board had to purchase power at higher cost thereby, incurring additional expenditure of ₹ 299.53 crore in 2011-12. Transmission losses increased from 5.04 per cent in 2008-09 to 5.50 per cent in 2011-12. The transmission losses during 2008-09 to 2011-12 were above the norms fixed by Jharkhand State Electricity Regulatory Commission (JSERC) and Central Electricity Authority resulting in loss of ₹38.71 crore.

The Board had to incur extra expenditure of ₹102.41 crore during the period 2007-08 to 2011-12 on purchase of 603.38 MUs power from other sources at higher rates due to non-charging of TTPS-PTPS and TTPS-Biharsharif lines at 400 kV.

Grid Management

The Board maintained Grid discipline in respect of over-drawal as per the requirement of the Grid Code.

Disaster Management

The Emergency Restoration System purchased (October 2009) at a cost of ₹7.61 crore was lying idle at Hatia-II GSS, inspite of collapse of five towers during May 2010 to April 2012. The Board took five to 23 days for erecting the tower without using the ERS resulting in disruption of power up to 12 days till alternative arrangement were made.

Energy Accounting and Audit

The energy accounting and audit had not been done as at Jadugora GSS the feeders were unmetered, while in seven GSSs the meters were defective and not changed for more than five years and meters were also not calibrated for the last 24 years. Out of 13 GSSs test checked, in eight GSSs export of energy was more than import of energy implying that the meters were defective.

Material Management

The closing stock in terms of number of month's consumption was 19 months during 2007-08 which decreased to four months in 2009-10 but again increased to 18 months in 2010-11. The physical verification of stock had not been conducted during the period covered by the performance audit.

Conclusion and Recommendations

The Board did not have sufficient funds to execute projects and was dependent on GoJ/REC. Even the funds allotted by GoJ and released by REC were not fully utilised during the plan period. The Board did not follow the recommendations of the Task Force on transmission projects constituted by the Government of India which resulted in time overrun. Projects were not completed in an economical and efficient manner. In awarding contracts, the terms and conditions of the NIT/CVC guidelines were not adhered to. Only breakdown maintenance was being done as the Board had not prepared an Operation and Maintenance manual. The Emergency Restoration System purchased to mitigate the impact of a major disaster was not put to use. The Board did not meter all its GSSs and Feeders. The Board had not formulated any procurement policy and inventory control mechanism.

The audit recommendations include immediate completion of the Transmission schemes so as to ensure that the full benefits of the schemes are passed on to eligible beneficiaries, proper metering of all GSSs and feeders and replacement of the defective meters, establishment of transmission lines in the DVC command area and concentrating on areas with high transmission losses to bring down the same within the permissible JSERC norms.

(Chapter-II)

3. Transaction Audit Observation

Transaction audit observations included in the Report highlight deficiencies in the management of Public Sector Undertakings involving serious financial implications. The irregularities pointed out are broadly of the following nature:

Avoidable loss of ₹ 1.04 crore in two cases due to non-compliance with rules, directives, procedures, terms and conditions of contracts.

(Paragraphs 3.1 & 3.2)

Avoidable interest burden of ₹ 0.79 crore in one case due to defective/deficient planning.

(Paragraph 3.3)

Loss of contribution of ₹ 2.53 crore in one case due to inadequate/deficient monitoring.

(Paragraph 3.5)

Gist of some of the important audit observations are given below:

Failure to set off business losses for the years 2005-07 against the business profit for the year 2007-08 due to delay in filing of Income Tax returns and non/short payment of Advance Income Tax for the years 2007-10 resulted in avoidable payment of Income Tax and interest of ₹ 85.51 lakh in respect of **Jharkhand State Forest Development Corporation Limited**.

(Paragraph 3.1)

Procurement of ACSR Dog conductor without concrete plans for execution of work resulted in blocking of ₹ 95.74 lakh and avoidable interest burden of ₹ 78.83 lakh to **Tenughat Vidyut Nigam Limited**.

(Paragraph 3.3)

Failure of **Jharkhand State Electricity Board** to enter into Annual Maintenance Contract, non availability of spare Controller Cards in the store and delay in procurement of Controller Cards for the Distributed Control System resulted in shut down of Unit No.4 of Patratu Thermal Power Station for 516.50 hours. Consequently, there was loss of power generation of 17.97 Million Units and loss of contribution of ₹ 2.53 crore.

(Paragraph 3.5)