

CHAPTER III

Compliance Audit Observations

Chapter III

3. Compliance Audit Observations

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

Government Companies

Ajmer Vidyut Vitran Nigam Limited

3.1 Release of new connections

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

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

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

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

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

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

3.1.1 Process of release of new connections

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

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

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

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

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

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

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

3.1.2 Delay in release of connections

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

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

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

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

(Figures in numbers)

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

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

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

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

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

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

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

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

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

3.1.3 Release of connections to agricultural category

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

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

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

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

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

Recommendation

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

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

Jaipur Vidyut Vitran Nigam Limited

3.2 Procurement of compact fluorescent lamp at higher prices

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Jodhpur Vidyut Vitran Nigam Limited

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

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

3.3.1 Regulatory framework

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

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

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

3.3.2 Vigilance infrastructure

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

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

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

Audit findings

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

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

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

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

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

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

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

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

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

FIRs against the offenders.

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

3.3.4 Recovery of Civil Liability

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

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

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

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

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

3.3.5 Assessment of civil liability

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

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

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

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

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

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

3.3.6 Planning and monitoring of vigilance checking

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

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

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

3.3.7 Deficiencies in Vigilance Checking Report (VCR)

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

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

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

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

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

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

3.3.8 Planning of vigilance checking

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

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

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

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

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

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

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

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

3.3.9 Non recovery of Electricity Duty in assessment of civil liability

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

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

3.3.10 Recovery of Urban Cess in theft cases

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

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

We recommend that the Company should:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Rajasthan Small Industries Corporation Limited

3.5 Performance of Emporia

Introduction

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

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

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

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

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

3.5.1 Financial performance

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

(₹ in crore)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.5.2 Revival of loss making emporia

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

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

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

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

3.5.3 Profit Center Approach

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

21 The Tribal Cooperative Marketing Development Federation of India.

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

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

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

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

3.5.4 Franchisee for non-performing emporia

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

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

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

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

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

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

3.5.5 Failure in establishment of Sourcing Hub and utilisation of grant

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

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

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

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

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

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

3.5.6 Delay in implementation of bar-coding of handicraft products

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

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

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

3.5.7 Lack of publicity of the welfare scheme for artisans

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

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

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

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

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

3.5.8 Delay in giving awards to the artisans

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

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

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

3.5.9 Internal control

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

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

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

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

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

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

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

Rajasthan Tourism Development Corporation Limited

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Rajasthan Rajya Vidyut Utpadan Nigam Limited

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

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

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

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

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

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

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

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

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

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

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

3.7.1 Generation of electricity

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

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

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

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

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

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

26 As per Monthly Operating Reports submitted to CEA.

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

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

3.7.2 Procurement of coal

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

3.7.3 Indigenous coal

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

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

3.7.4 Imported Coal

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

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

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

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

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

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

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

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

3.7.5 Excess consumption of coal due to high station heat rate

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

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

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

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

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

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

3.7.6 Avoidable payment of freight

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

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

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

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

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

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

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

3.7.8 Irregular allowance of transit loss to the coal washing contractors

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

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

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

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

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

3.7.9 Auxiliary Consumption

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

(Auxiliary consumption in percentage)

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

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

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

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

3.7.10 Demurrage Charges

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

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

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

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

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

3.7.11 Laboratory and testing

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

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

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

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

3.7.12 Energy Audit

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

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

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

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

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

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

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

31 Steag Energy Services India Private Limited, Noida.

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

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

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

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

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

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

Statutory Corporations

Rajasthan State Warehousing Corporation

3.9 Implementation of Private Entrepreneurs Guarantee Scheme 2008

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

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

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

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

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

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

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

34 Committee constituted by the Board of Directors of FCI with Executive Directors dealing with storage, transportation, procurement, distribution and finance as members.

constructed by the Corporation on its own land by 0.10 lakh MT and transferred the same to private investors. The FCI also cancelled (10 January 2013) the work order of a private entrepreneur for augmentation of 0.15 lakh MT storage capacity at Hindaun City due to legal complications on the acquired land and allocated it to the Corporation. Further, a private investor could not construct godown of 0.15 lakh MT capacity at Jalore due to restriction imposed by the High Court on conversion of land falling under green belt. The FCI did not approve alternate land and cancelled (9 April 2015) construction of this godown.

Thus, the total storage capacity to be augmented in the State under the PEG Scheme was 2.35 lakh MT, out of which the godowns of 0.45 lakh MT storage capacities were to be constructed by the Corporation on its own land and remaining godowns of 1.90 lakh MT storage capacities were to be constructed by the private entrepreneurs.

The present study was conducted (January to February 2015) with a view to assess the performance of the Corporation in augmentation of the storage capacity under PEG Scheme in the State.

3.9.1 Construction of godowns by the Corporation on own land

The Corporation invited (December 2010) tenders for construction of godowns of 0.40 lakh MT on its own land at six locations. The tender process was, however, cancelled (April 2011) for all the six locations due to invitation of tenders with different technical specifications than those prescribed by the FCI for construction of godowns under PEG scheme in Model Test Form (MTF). The Corporation re-invited (May 2011 and September 2011) tenders and awarded (June 2011 and November 2011) work orders for construction of godowns of 0.30 lakh MT at six locations in accordance with the MTF. The tenders for remaining capacity of 0.15 lakh MT were invited in May 2013 and awarded in June 2013. The progress of construction of godowns by the Corporation as on 31 July 2015 on its own land is given in **Annexure-6**. The summarised progress is as below:

Name of centre	Capacity (MT)	Date of award of work order	Delay as per work order (Days)	Delay as per PEG Scheme (Days)	Date of taking over by FCI	Loss of guaranteed storage charges (₹ lakh)
Banswara	5000	9 June 2011	468	296	6 June 2013	32.89
Barmer	5000	9 June 2011	88	-	7 May 2012	-
Jalore	5000	9 June 2011	73	-	5 May 2012	-
Bhawani Mandi	5000	9 June 2011	460	287	7 June 2013	31.89
Hindaun City	5000	9 June 2011	565	392	6 June 2013	43.56
Karauli	5000	21 November 2011	852	679	-	75.45
Hindaun City	15000	19 June 2013	399	408	Not completed	45.34
Total	45000					229.13

As on July 2015, the Corporation had constructed godowns of 30000 MT capacity (66.67 per cent) against the sanctioned capacity of 45000 MT. Further, the FCI had taken over godowns of 25000 MT capacity. Our analysis

of the construction of godowns by the Corporation on its own land disclosed the following shortcomings:

- The tender process was delayed due to adoption of different technical specifications than those prescribed by the FCI for construction of godowns under PEG scheme in Model Test Form (MTF).
- The Corporation allowed a period of six months for completion of godowns instead of one year as prescribed in the PEG Scheme. The godowns were, however, not completed within the scheduled completion period prescribed in the work orders. The delay, despite keeping the completion period on lower side than the PEG Scheme, ranged between 73 and 852 days.
- The Corporation constructed only two godowns (Barmer and Jalore) within the prescribed period of one year in the PEG Scheme. The delay in completion of remaining five godowns ranged between 287 and 679 days as on July 2015.
- The construction of godown at Karauli was completed (30 September 2014) after a delay of 852 and 679 days as per the work order and the PEG scheme respectively. The godown was, however, not taken over (31 July 2015) by the FCI due to non-observance of the specifications provided in MTF. The shortcomings in construction of godown mainly pertained to plinth height, location of weigh bridge, height of compound wall, wire fencing, main gate, etc. The State Level Committee directed the Corporation to remove shortcomings by 31 August 2015.

The Corporation extended the time period of completion of godowns at Banswara, Karauli and Hindaun City beyond one year on the grounds of heavy rain, non-availability of labour, Court stay on excavation of bajri/sand, etc. Extension of the completion period was not justifiable as the arrangement of the raw materials and labour was the responsibility of the contractors and the Corporation had to construct the godowns as per PEG Scheme within stipulated time period.

The Corporation levied maximum penalty of 10 *per cent* (₹ 23.29 lakh) for delay in construction of godowns as per tender conditions. However, the delay in completion of godowns resulted into reduction of guaranteed storage period and loss of guaranteed storage charges of ₹ 2.29 crore upto July 2015 to the Corporation.

The Government stated (August 2015) that the terms and conditions of tenders and agreements entered into with the contractors did not provide for recovery of loss of storage charges. The Corporation took action against the contractors by levying maximum penalty of 10 *per cent* for delay in construction of godowns as per tender conditions. As regards non-completion of godown of 15000 MT capacity at Hindaun City, it was replied that the work was hampered due to problems created by anti-social elements, excessive rainfall, elections, etc. However, the Corporation issued notices to the contractor from time to time and it was stated that the penalty for delay in completion would be deducted at the time of payment of final bill. The fact was that the Corporation did not augment the sanctioned storage capacity within stipulated

time period causing loss of guaranteed storage charges. Only two godowns out of seven were constructed within the stipulated time period indicating lackluster approach. Further, the shortcomings pointed out by the FCI in case of godown at Karauli were not removed despite elapse of 12 months since completion of godown and expiry of the time period allowed by the FCI (September 2015).

3.9.2 Construction of godowns by private entrepreneurs

The Corporation invited (10 September 2010) expression of interest from private entrepreneurs for construction of godowns of 2.20 lakh MT storage capacity at 12 locations of the State on build, own and operate basis. The work orders were awarded to lowest bidders between 24 December 2010 and 3 February 2011 for 11 locations. Of the tenders invited, the tender process for construction of godown at one location (Rajasmand) was cancelled (23 December 2010) by the HLC due to non-receipt of competitive rates. Fresh tenders for Rajasmand were invited (30 March 2011) after splitting the original capacity of 0.40 lakh MT into two godowns of 0.20 lakh MT each. The work orders were awarded to lowest bidders on 10 June 2011. In respect of other location, the entrepreneur faced legal complexities during construction of godown of 0.15 lakh MT capacity at Hindaun City and as a result the FCI cancelled (10 January 2013) the work order and diverted the capacity to the Corporation for construction of godown on its own land. Subsequently, the FCI did not approve alternate land and cancelled (9 April 2015) construction of godown of 0.15 lakh MT capacity at Jalore.

We noticed that the tenders were finalised after a gap of 72 to 146 days as against the prescribed time limit of 62 days in the PEG guidelines due to extension of the date of opening of tender by the Corporation and thereafter delay in finalisation of tenders by the SLC and HLC formed under the PEG Scheme.

The progress in construction of godowns of 1.90 lakh MT capacity by the private entrepreneurs at 10 locations as on 31 July 2015 is given in **Annexure-7**. The summarised progress is shown below:

Location	Capacity (In MT)	Date of work order	Scheduled date of completion as per scheme	Date of/ (capacity) taken over by FCI	Delay in completion (Days)	Loss of supervision charges (₹ lakh)
Banswara	10000	31 December 2010	30 December 2011	18 August 2014 (5000 MT) and 12 February 2015 (5000 MT)	962 and 1140	23.07
Hamirgarh	25000	24 December 2010	23 December 2011	20 June 2012 (25000)	180	9.25
Barmer	15000	31 December 2010	30 December 2011	18 June 2013 (15000)	536	17.65
Sadulpur/ Rajgarh	18000	3 February 2011	2 February 2012	22 June 2013 (18000)	506	19.35
Dungarpur	40000	31 December 2010	30 December 2011	27 June 2013 (40000)	545	47.85
Bhawani Mandi	7500	31 December 2010	30 December 2011	4 July 2014 (7500)	917	14.61
Marwar Junction	5000	31 December 2010	30 December 2011	1 June 2013 (5000)	519	5.98

Pratapgarh	17500	31 December 2010	30 December 2011	30 July 2014 (5000 MT) and 16 February 2015 (7500 MT)	943, 1144 and 1309	42.16
Rajsamand	40000	10 June 2011	9 June 2012	Not completed	1147	86.71
Pindwara	12000	31 December 2010	30 December 2011	Not completed	1309	34.48
Total	190000			133000		301.11

Though the Corporation entered into preliminary agreements with the private entrepreneurs with the condition that the work of construction of godowns shall be completed within 12 months, it did not put any penal condition or clause in the preliminary agreements to safeguard its financial interest against any delay made by private entrepreneurs in completion of godowns. All the private entrepreneurs failed to construct the godowns within a period of one year as prescribed in the PEG Scheme. Delay in construction of godowns as on 31 July 2015 ranged between 180 and 1309 days. The work of construction of godowns at Pratapgarh (5000 MT), Rajsamand (40000 MT) and Pindwara (12000 MT) was not completed (31 July 2015). This caused loss of supervision charges of ₹ 3.01 crore to the Corporation upto July 2015. In addition, the FCI took over all the constructed godowns on 'Actual Utilisation Basis' (AUB) instead of on guaranteed storage basis due to delay in construction coupled with non-construction of godowns by the private investors as per specifications provided in the MTF. This caused loss of supervision charges of ₹ 46.04 lakh to Corporation (July 2015).

We observed that substantial delay in construction of godowns by the private entrepreneurs indicated lack of monitoring and proper action by the Corporation against the defaulter private investors.

The Government stated that the Corporation made all efforts for completion of godowns by the private investors within the stipulated time period. The Corporation neither made any investment on construction of these godowns nor any future liability occurred on the Corporation. The private investors were informed that the responsibility would be theirs, in case the FCI refused to take over the godowns due to non-completion within scheduled time period. The shortcomings pointed out by the FCI in construction of godowns during various inspections were also communicated to the private investors. The reply was not convincing as the FCI was to take over the godowns through CWC/SWC only and the Corporation being the nodal agency for implementation of the PEG Scheme was required to get the godowns constructed as per the FCI's specifications within stipulated period. This led to taking over of godowns by FCI on AUB and consequential loss of supervision charges to the Corporation.

Conclusion

The Corporation failed to augment the desired storage capacity in the State under PEG Scheme due to lack of monitoring and proper action against the defaulter contractors/private entrepreneurs for delay in construction of godowns. The construction of godowns was also not as per the specifications provided by the FCI in MTF. As on July 2015,

- **the Corporation completed the construction of godowns of 30000 MT (66.67 per cent) capacity on its own land against the sanctioned**

capacity of 45000 MT out of which the FCI took over godowns of 25000 MT capacity;

- the private investors completed godowns of 1.33 lakh MT (70 *per cent*) capacity against the sanctioned capacity of 1.90 lakh MT which were taken over by the FCI on actual utilisation basis instead of on guaranteed storage basis. The construction of godowns of 57000 MT capacity was pending for completion by the private investors;
- FCI took over godowns of only 0.25 lakh MT (10.64 *per cent*) capacity against the sanctioned capacity of 2.35 lakh MT on guaranteed storage basis due to delay in completion as well as non-adherence to the specifications prescribed in MTF. All the godowns taken over by the FCI on guaranteed storage basis were constructed by the Corporation on its own land.

JAIPUR

The

(S. ALOK)

Accountant General

(Economic and Revenue Sector Audit), Rajasthan

Countersigned

NEW DELHI

The

(SHASHI KANT SHARMA)

Comptroller and Auditor General of India

