

Chapter-I

CHAPTER – I

1. Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory Corporation. The State PSUs are established to carry out activities of a commercial nature while keeping in view the public welfare.

1.2 In Jharkhand, as on 31 March 2014, there were 17¹ working Government companies. None of these companies was listed in any of the stock exchanges. During the year 2013-14, Jharkhand State Electricity Board, a Statutory Corporation, was re-organised (January 2014) into four Government companies viz. holding company Jharkhand Urja Vikas Nigam Limited (JUVNL) and three subsidiary companies Jharkhand Urja Utpadan Nigam Limited (JUUNL), Jharkhand Urja Sancharan Nigam Limited (JUSNL) and Jharkhand Bijli Vitran Nigam Limited (JBVNL).

The State PSUs registered a turnover of ₹ 3065.85 crore as per their latest audited accounts as of September 2014. The PSUs incurred an aggregate loss of ₹ 2729.14 crore as per their latest audited accounts. They had employed 8160 employees as of 31 March 2014.

1.3 State PSUs do not include nine Departmental Undertakings (DUs) which carry out commercial operations but are part of Government departments and the Jharkhand State Electricity Regulatory Commission (JSERC) an autonomous body of which the Comptroller and Auditor General of India (CAG) is the sole auditor.

Audit Mandate

1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company.

1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 (4) of the Companies Act, 1956.

¹ (i) Jharkhand State Forest Development Corporation Limited (JSFDC) (ii) Jharkhand Hill Area Lift Irrigation Corporation Limited (JHALCO) (iii) Jharkhand Industrial Infrastructure Development Corporation Limited (JIIDCO) (iv) Jharkhand Police Housing Corporation Limited (JPHCL) (v) Greater Ranchi Development Agency Limited (GRDA) (vi) Jharkhand Silk Textile and Handicraft Development Corporation Limited (JHARCRAFT) (vii) Jharkhand State Mineral Development Corporation Limited (JSMDC) (viii) Tenughat Vidyut Nigam Limited (TVNL) (ix) Karanpura Energy Limited (KEL) (x) Jharkhand Tourism Development Corporation Limited (JTDC) (xi) Jharkhand State Beverages Corporation Limited (JSBCL) (xii) Jharkhand State Food & Civil Supplies Corporation Limited (JSFCSCL) (xiii) Jharkhand State Minorities Finance Development Corporation (JSMFDC) (xiv) Jharkhand Urja Vikas Nigam Limited (JUVNL) (xv) Jharkhand Urja Utpadan Nigam Limited (JUUNL) (xvi) Jharkhand Urja Sancharan Nigam Limited (JUSNL) and (xvii) Jharkhand Bijli Vitran Nigam Limited (JBVNL).

1.6 The audit of the Statutory Corporation (JSEB) for the period upto its re-organisation (January 2014) into four power companies was governed by the Electricity Act, 2003 and the CAG was the sole auditor.

Investment in State Public Sector Undertakings

1.7 As on 31 March 2014, the investment in 18 PSUs (including JSEB) was ₹ 6740.02 crore as detailed in **Table-1.1**.

Table – 1.1

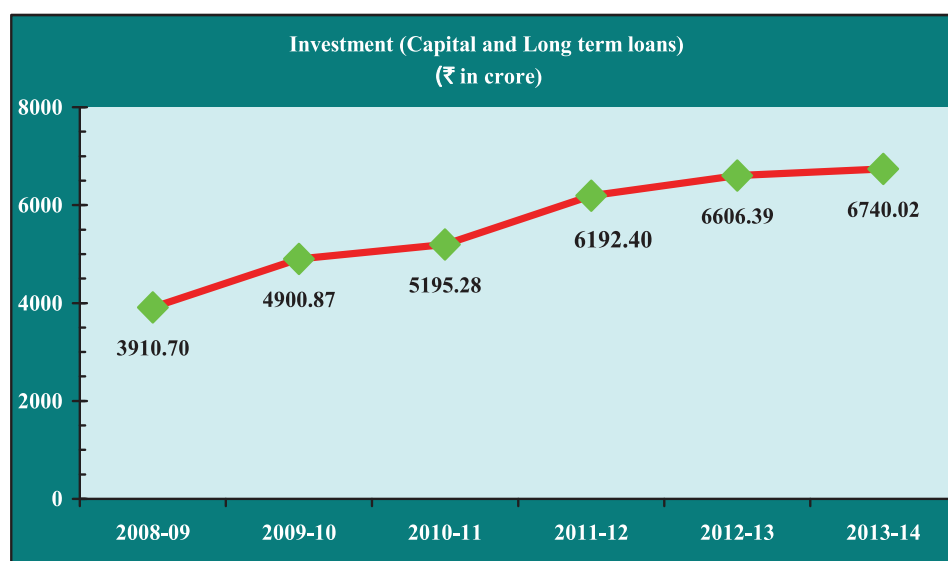
Government companies			Statutory corporation			Grand Total
Capital	Long term Loans	Total	Capital	Long term Loans	Total	
199.05	687.60	886.65	-	5853.37	5853.37	6740.02

(Source: Data compiled from the information furnished by the PSUs)

A summarised position of Government investment in State PSUs is detailed in **Annexure-1.1**

1.8 As on 31 March 2014, of the total investment in PSUs, 2.95 per cent was towards Capital and 97.05 per cent towards Long-term loans. The investment in the PSUs has grown by 72.35 per cent from ₹ 3910.70 crore in 2008-09 to ₹ 6740.02 crore in 2013-14 as shown in **Chart-1.1**.

Chart – 1.1



1.9 The thrust of investment in the PSUs was mainly in the power sector. During the past six years the investment in this sector is showing an increasing trend. It grew by 71.65 per cent from ₹ 3874.65 crore in 2008-09 to ₹ 6650.97 crore in 2013-14 mainly due to the loans given by the Government and other bodies to JSEB and TVNL.

Budgetary outgo towards Equity, Grants/Subsidies, Guarantees and Loans

1.10 The details regarding budgetary outgo towards equity, loans and grants/subsidies in respect of State PSUs at the end of March 2014 are given in **Annexure-1.2**.

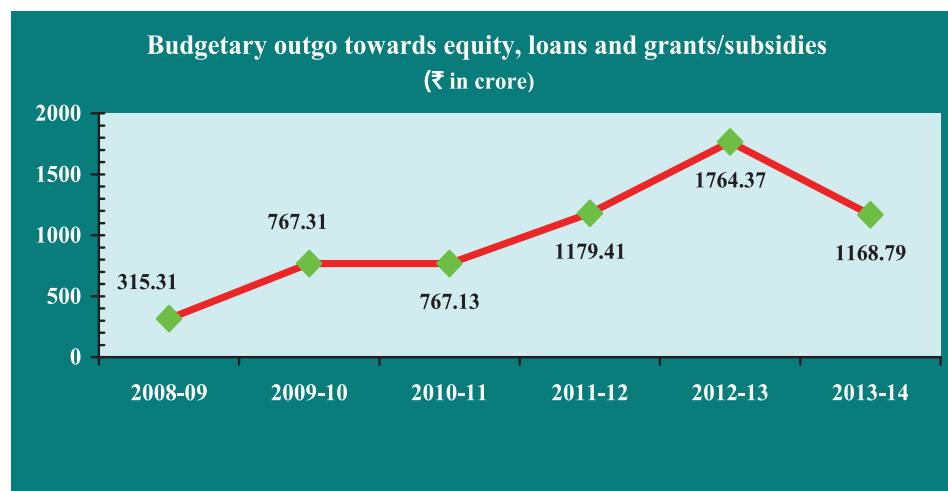
The summarised details of budgetary outgo towards equity, loans and grants/subsidies for the three years ended 2013-14 are given in the **Table-1.2**.

Table – 1.2

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of PSUs	Amount (₹ in crore)	No. of PSUs	Amount (₹ in crore)	No. of PSUs ²	Amount (₹ in crore)
1.	Equity capital outgo from budget	4	20.50	3	15.00	4	20.65
2.	Loans given from budget	2	408.91	2	561.70	1	175.34
3.	Grants/Subsidy received	1	750.00	3	1187.67	2	972.80
4.	Total outgo		1179.41		1764.37		1168.79

(Source: Data compiled from the information furnished by the PSUs)

1.11 The details regarding budgetary outgo towards equity, loans and grants/subsidies for the past six years are given in **Chart – 1.2**.

Chart – 1.2

The budgetary outgo decreased from ₹ 1764.37 crore in 2012-13 to ₹ 1168.79 crore in 2013-14 mainly because of lower outgo towards Loans (₹ 175.34 crore) Grants and Subsidy (₹ 967.09 crore) to Jharkhand State Electricity Board.

Reconciliation with Finance Accounts

1.12 The figures in respect of equity, loans and guarantees outstanding as per records of the State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned

² Total outgo for six PSUs (GRDA, JIIDCO, JTDC, JHALCO, JUVNL and JSEB).

PSUs and the Finance Department are required to conduct reconciliation of the differences. The position in this regard as at 31 March 2014 is stated in the **Table-1.3**.

Table – 1.3

Outstanding in respect of	(₹ in crore)		
	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	56.05	192.70	136.65
Loans	7296.75	6329.30	967.45

(Source: Data compiled from the information furnished by the Company)

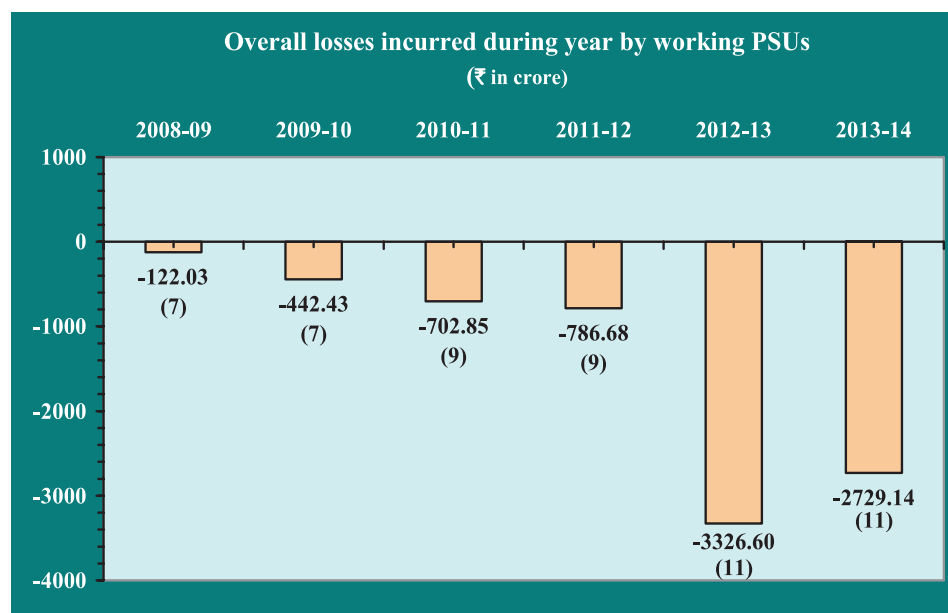
1.13 We observed that the differences occurred in respect of nine³ PSUs and these differences were pending reconciliation since 2001-02. Though the differences between the amounts reflected in the Finance Accounts and as per the records of the PSUs were reported in the Audit Reports of earlier years, no corrective action was taken by the State Government.

Performance of Public Sector Undertakings

1.14 The financial results of PSUs and financial position and working results of the Statutory Corporation are detailed in *Annexures-1.3, 1.4 and 1.5* respectively.

1.15 The aggregate losses (net) incurred by State PSUs increased from ₹ 122.03 crore to ₹ 2729.14 crore during 2008-09 to 2013-14 as per their latest finalised accounts as given in the **Chart-1.3**.

Chart – 1.3



(Figures in brackets shows the number of working PSUs in the respective year based on latest audited accounts)

³ JSMFDC, JSFCSCL, JUVNL, TVNL, JIIDCO, JHARCRAFT, GRDA, JHALCO and JSEB.

As per the latest audited accounts, out of 18 PSUs (including JSEB), eight⁴ PSUs earned aggregate profit of ₹ 27.92 crore while three⁵ PSUs incurred aggregate loss of ₹ 2757.06 crore. Out of remaining seven PSUs, three⁶ PSUs did not submit any accounts and in respect of four⁷ PSUs first accounts were not due as of September 2014. Heavy losses were incurred by JSEB (₹ 2667.56 crore) and TVNL (₹ 88.17 crore) as per their latest audited accounts for the years 2012-13 and 2001-02 respectively.

1.16 A review of the latest three years Audit Report of CAG shows that the State PSUs incurred controllable losses to the tune of ₹ 904.77 crore and infructuous investment of ₹ 40.80 crore which were controllable with the better management as given in the **Table-1.4**.

Table – 1.4

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	Total
Net losses	786.68	3326.60	2729.14	6842.42
Controllable losses as per CAG's Audit Report	487.27	119.19	298.31	904.77
Infructuous Investment	10.61	11.03	19.16	40.80

1.17 The State Government had not formulated any dividend policy under which the PSUs are required to pay a minimum return on the paid up share capital contributed by the State Government. As per their latest finalised accounts, eight⁸ PSUs earned an aggregate profit of ₹ 27.92 crore but did not declare any dividend.

1.18 Arrears in finalisation of accounts

The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of the Statutory Corporation (JSEB), the accounts were to be finalised, audited and presented to the Legislature as per the provisions of the Electricity Act, 2003. The **Table-1.5** provides the details of working PSUs and the status of finalisation of their accounts (September 2014).

Table – 1.5

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
1.	Number of working PSUs	11	12	13	14	18 ⁹
2.	Number of accounts finalised during the year	14	12	8	20	14
3.	Number of accounts in arrears	46	46	52	45	45 ¹⁰
4.	Average arrears per PSU	4.18	3.83	4.00	3.21	2.50
5.	Number of working PSUs with arrears in accounts	11	12	13	14	14
6.	Extent of arrears (years)	1 to 16	1 to 17	1 to 16	1 to 13	1 to 9

⁴ JSFDC, JPHCL, JHARCRAFT, JSMD, JIIDCO, GRDA, JSBCL and JTDC.

⁵ JHALCO, TVNL and JSEB.

⁶ JSMFDC, KEL and JSFCSC.

⁷ JUVNL, JUUNL, JUSNL and JBVNL.

⁸ JSFDC, JPHCL, JHARCRAFT, JSMD, JIIDCO, GRDA, JSBCL and JTDC.

⁹ Includes Jharkhand State Electricity Board and four power companies viz. JUVNL, JUUNL, JUSNL and JBVNL formed on re-organisation of JSEB in January 2014.

¹⁰ Includes one accounts of JSEB (for the period 1 April 2013 to 5 January 2014) but does not include accounts of JUVNL, JUUNL, JUSNL and JBVNL as these were not due for audit.

1.19 The number of accounts in arrears of the PSUs had decreased over the years from 46 accounts in respect of eleven PSUs in 2009-10 to 45 in 2013-14 in respect of 14 PSUs.

1.20 The State Government had invested ₹ 1654.27 crore (equity: ₹ 19.75 crore, loans: ₹ 183.34 crore, grants: ₹ 1451.18 crore) in seven PSUs including one Statutory corporation during the years for which the accounts have not been finalised as detailed in *Annexure-1.6*. In the absence of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested had been achieved. Thus, the Government's investment in such PSUs remained outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

1.21 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the attention of the concerned administrative departments and officials of the Government on the issue of arrears in finalisation of accounts was drawn, no significant remedial measures were taken. As a result the Net Worth of these PSUs could not be assessed in audit. Attention of the Chief Secretary/Principal Secretary, Finance Department was also invited (August 2014) by the Principal Accountant General (PAG) to arrears in finalisation of annual accounts and the need to expedite the clearance of the backlog in accounts in a time bound manner was highlighted.

1.22 In view of the above state of arrears, it is recommended that the Government should monitor and ensure timely finalisation of accounts in conformity with the provisions of the Companies Act, 1956.

Comments on Accounts

1.23 As of 30 September 2014, seven Government companies forwarded thirteen accounts (including arrears accounts) to the PAG during the year 2013-14. Of these, nine accounts of three companies¹¹ were selected for supplementary audit. The Statutory Auditors had given unqualified certificates for one account and qualified certificates for twelve accounts. The audit reports of Statutory Auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts is required to be improved substantially. The details of aggregate money value of comments of the CAG are given in the **Table-1.6**.

¹¹JSFDC-1, JIIDCO-2, TVNL-6

Table – 1.6

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of accounts	Amount (₹ in crore)	No. of accounts	Amount (₹ in crore)	No. of accounts	Amount (₹ in crore)
1.	Increase in profit	1	0.23	1	0.01	-	-
2.	Decrease in profit	3	3.52	3	5.29	3	0.63
3.	Increase in loss	-	-	1	0.08	2	33.72
4.	Decrease in loss	-	-	1	0.36	-	-
5.	Non-disclosure of material facts	-	-	3	-	-	-

1.24 Some of the important comments of CAG in respect of accounts of companies are stated below:

Jharkhand Industrial Infrastructure Development Corporation Limited

Accounts for the year 2011-12

Profit for the year was overstated by ₹ 27.16 lakh due to:

- Short provision for ₹ 4.40 lakh towards Income Tax liability and Non-provision for ₹ 15.85 lakh towards interest payable on the short paid amount of advance Income Tax.
- Accountal of ₹ 6.91 lakh towards consultancy charges already received and accounted for in the year 2010-11.

Accounts for the year 2012-13

Profit for the year was overstated by ₹ 8.90 lakh due to:

- Non-provision for ₹ 8.90 lakh towards interest payable on the short paid amount of advance Income Tax.

Tenughat Vidyut Nigam Limited

Accounts for the year 2000-01

Loss for the year was understated by ₹ 11.61 crore due to:

- Non-provision for ₹ 10.38 crore towards penal interest on State Government Loans.
- Non-provision for ₹ 1.23 crore towards unpaid transportation cost of coal.

Accounts for the year 2001-02

Loss for the year was understated by ₹ 22.11 crore due to:

- Non-provision for ₹ 11.90 crore towards penal interest on State Government Loans.
- Non-provision for ₹ 0.89 crore towards unpaid transportation cost of coal.
- Non-provision for ₹ 7.63 crore towards doubtful receivable from CCL.
- Non-provision for ₹ 1.69 crore towards arrear against pay revision by 5th pay commission.

Jharkhand State Forest Development Corporation Limited

Accounts for the year 2012-13

Profit for the year was overstated by ₹ 26.93 lakh due to:

- Under provision of depreciation and overstatement of Fixed Assets for ₹ 0.95 lakh.
- Non-provision for ₹ 19.76 lakh towards amount payable as service tax which was not collected by the Company from the service provider.
- Non-provision for interest of ₹ 6.22 lakh payable due to default in payment of advance Income Tax.

Comments on Annual account of Jharkhand State Electricity Board (JSEB)

1.25 Annual Accounts of JSEB for the year 2012-13 were received in 2013-14 on which Separate Audit Report (SAR) was issued (August 2014). The Audit Report of the CAG indicates that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of CAG on the accounts of JSEB in last three years are given in **Table-1.7**.

Table – 1.7

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of accounts	Amount (₹ in crore)	No. of accounts	Amount (₹ in crore)	No. of accounts	Amount (₹ in crore)
1.	Decrease in Deficit	3	56.98	1	5.58	1	1.02
2.	Increase in Deficit	6	2140.29	1	31.80	1	572.68
Total		6		1		1	

1.26 Some of the important comments in respect of accounts of JSEB are discussed below:

Accounts for the year 2012-13

Deficit for the year was understated by ₹ 572.68 crore due to:

- Non-provision for ₹ 494.82 crore towards the energy bills outstanding from Government consumers (TVNL Dam and Mines Area Development Authority).
- Inclusion of non-admissible claim of ₹ 19 crore for shortage of coal supplied by Central Coalfields Limited (CCL).
- Non-provision for ₹ 91.71 lakh towards liability for the miscellaneous expenditure payable to CISF.
- Short provision of ₹ 5.66 crore for liability towards purchase of coal from CCL as per joint reconciliation of coal sales account upto 2011-12 between CCL and JSEB.
- Non-provision of Operation & Maintenance expenses of ₹ 8.16 crore.

- Non-provision for ₹ 42.11 crore towards liability in respect of power purchased from National Thermal Power Corporation, Power Grid Corporation of India Limited and National Hydro Power Corporation upto 2012-13.
- Non- accountal of ₹ 36.74 lakh towards Electricity charges for the power consumed in the offices and residential quarters.
- Non provision of ₹ 1.65 crore towards computerised billing charges.

Deficit for the year was overstated by ₹ 1.02 crore due to:

- Accountal of Tariff petition filing fee for ₹ 40.80 lakh related to the year 2013-14 to 2015-16.
- non-recognition of interest income from bank amounting to ₹ 60.22 lakh.

Comments on Internal Control

1.27 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system in respect of seven¹² companies on the accounts finalised during the year 2013-14 are given in the **Table-1.8**.

Table – 1.8

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the Companies as per Annexure 1.3
1.	Non-fixing of minimum/maximum limits of store and spares	2	A-06, A-08
2.	Absence of internal audit system commensurate with the nature and size of business of the Company	3	A-03, A-05, A-15
3	Non-maintenance of fixed assets register showing full particulars including quantitative details and location of fixed assets.	4	A-01,A-04, A-05, A-08

Recoveries at the instance of audit

1.28 During the course of audit in 2013-14, recoverable amounts of ₹ 115.06 lakh were pointed out to the Management of JSEB of which ₹ 114.68 lakh was admitted by JSEB. Recovery of ₹ 54.15 lakh was effected by JSEB as of September 2014.

Status of placement of Separate Audit Reports

1.29 The **Table-1.9** shows the status of placement of Separate Audit Reports (SARs) issued by CAG on the accounts of the JSEB in the Legislature by the Government.

¹² JSFDC, JIIDCO, JPHCL, GRDA, JHARCRAFT, TVNL and JSBCL.

Table – 1.9

Sl. No.	Statutory Corporation	Year up to which SARs placed in Legislature	Year upto which SARs not placed in Legislature		
			Year of SAR	Date of issue to Government	Reason for Delay
1.	Jharkhand State Electricity Board	--	2001-02	20.08.2010	Reason for non placement of the SARs was not furnished by the Government
			2002-03	07.02.2011	
			2003-04	07.03.2011	
			2004-05	07.06.2011	
			2005-06	09.11.2011	
			2006-07	15.12.2011	
			2007-08	31.01.2012	
			2008-09	30.03.2012	
			2009-10	30.03.2012	
			2010-11	26.04.2012	
			2011-12	22.05.2013	
			2012-13	26.08.2014	

Delay in placement of SARs weakens the legislative control over the Statutory corporation and dilutes the latter's financial accountability. The Government should ensure prompt placement of the SARs in the Legislature. The issue was brought to the attention of the Chief Secretary and Departmental Secretaries of Energy and Finance, Government of Jharkhand (August 2014). No response was however received.

Reforms in Power Sector

1.30 The State has formed Jharkhand State Electricity Regulatory Commission (JSERC) in April 2003 under Section 82 of the Electricity Act, 2003 with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. During 2013-14, no order was issued by JSERC on annual revenue requirement, however, five other orders were issued. Further, the State Government restructured Jharkhand State Electricity Board by unbundling into four new companies vide notification no. 18 dated 6 January 2014 under "The Jharkhand State Electricity Reforms Transfer Scheme, 2013" as per Section 131 and 133 of the Electricity Act, 2003.

1.31 A Memorandum of Understanding (MoU) was signed in April 2001 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in the power sector with identified milestones. The progress achieved so far in respect of important milestones is stated in the **Table-1.10**.

Table – 1.10

Sl. No.	Milestone	Achievement	
1.	To reduce system losses at the level of 18 <i>per cent</i> of the energy available for sale	36.23 <i>per cent</i>	
2.	100 <i>per cent</i> metering of all consumers	Single Phase (Urban)	100.00 <i>per cent</i>
		Single Phase (Rural)	79.02 <i>per cent</i>
		Low Tension (LT)	99.86 <i>per cent</i>
		High Tension (HT)	100.00 <i>per cent</i>

It may be seen from the above table that Transmission & Distribution Loss suffered by JSEB in 2013-14 was 36.23 *per cent* which was much above the target of 18 *per cent*. Further, the target of 100 *per cent* metering as per MoU was not achieved in case of Single Phase (Rural) consumers.