Chapter-III

CHAPTER - III

3. Transaction Audit Observations

Important audit findings emerging from test check of transactions made by the State Government companies and Statutory Corporation have been included in this Chapter.

Statutory Corporation

Jharkhand State Electricity Board

3.1 Long Paragraph on Short Term Power Purchase by Jharkhand State Electricity Board

3.1.1 Introduction

In Jharkhand, Generation, Transmission and Distribution of Power was carried out by the Jharkhand State Electricity Board (JSEB) up to December 2013 and after its unbundling in January 2014 into four Power companies[1] purchase of power was carried out by Jharkhand Urja Vikas Nigam Limited (JUVNL) under administrative control of Department of Energy, Government of Jharkhand (GoJ). JSEB was generating energy through its Patratu Thermal Power Station (PTPS) at Patratu and hydel power station at Sikidiri (SRHP).

JSEB submits its power requirements to Jharkhand State Electricity Regulatory Commission (JSERC) through Annual Revenue Requirement. Thereafter, JSERC approves the quantum of power requirement after reviewing the same. The details of power requirement approved by JSERC, own power generation of JSEB and gap between requirement and own power generation during 2009-10 to 2013-14 are shown in the **Table-3.1.**

Table 3.1

(Figures in MUs)

Year	Power requirement approved by JSERC[2]	Own Generation	Gap between power requirement and own generation	Percentage of gap
1	2	3	4 = (2-3)	5 = {(4/2)*100}
2009-10	7290	1084	6206	85
2010-11	7592	582	7010	92
2011-12	8383	635	7748	92
2012-13	9513	765	8748	92
2013-14	11435[3]	720	10715	94

(Source: Tariff order of JSERC and data furnished by JSEB)

The power generation of JSEB reduced from 1084 MUs in 2009-10 to 720 MUs in 2013-14. The gap of power requirement approved by JSERC and own generation was 85 *per cent* in 2009-10 which increased to 94 *per cent* in 2013-14. Thus, JSEB was unable to meet its power requirement through its own generation and was procuring power through long term[4] Power Purchase Agreements (PPAs). Besides, JSEB also purchased power on short term[5] basis from Damodar Valley Corporation (DVC), Power Trading Corporation (PTC),

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[1] Jharkhand Urja Vikas Nigam Ltd. as holding company, Jharkhand Urja Utpadan Nigam Ltd, Jharkhand Urja Sancharan Nigam Ltd and Jharkhand Bijli Vitran Nigam Ltd. as subsidiary companies.

[2] Excluding UI sales.

[3] As per tariff proposals filed by JSEB which was yet to be approved by JSERC.

[4] Power purchase agreement for more than seven years.

[5] Power purchase agreement for less than one year.

Tata Power, Adhunik Power and Natural Resources Limited (APNRL) etc. during 2009-10 to 2013-14 and also through Unscheduled Interchange (UI) basis[6].

The expenditure incurred on short term power purchase ranged between ₹ 129.15 crore to ₹ 337.93 crore during 2009-10 to 2013-14 which was 6.69 *per cent* to 11.77 *per cent* of total power purchase cost during this period.

3.1.2 Audit Objective, Scope and Methodology

The audit assessed whether the power purchased on short term basis was economical and safeguarded the financial interest of the JSEB. Audit was conducted during April 2014 to June 2014, covering the short term purchase of power by the JSEB during 2009-10 to 2013-14. Audit examined records of erstwhile JSEB and Corporate office of JUVNL.

The audit findings were issued to the Management of JUVNL and the Government on 03 July 2014. Reply of the Management has been received (September 2014), however, reply of the Government is awaited (December 2014). The exit conference was held on 12 September 2014 with Principal Secretary, Department of Energy, GoJ and Chairman cum Managing Director, JUVNL where in audit findings were discussed. The reply of the JUVNL has been suitably incorporated in the report.

Audit Findings

3.1.3 Status of Power Purchase in the State

The details of power purchased on long term and short term basis during 2009-10 to 2013-14 are shown in the **Table-3.2.**

Table - 3.2

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14	Total
1	Long term power purchase[7] (in MUs)	7120	7710	7734	8617	9528	40709
2	Total value of long term power purchase (₹ in crore)	1671.22	2032.77	2508.32	2985.34	3527.59	12725.24
3	Short term power purchase (in MUs)	459	1052	1184	1056	902	4653
4	Total value of short term power purchase (₹ in crore)	129.15	297.83	337.93	331.22	265.91	1362.04
5	Total power purchase (in MUs) (1+3)	7579	8762	8918	9673	10430	45362
6	Total value of purchase (₹ in crore) (2+4)	1800.37	2330.60	2846.25	3316.56	3793.50	14087.28
7	Short term power purchase as percentage of total power purchased {(3/5)*100}	6.06	12.01	13.28	10.92	8.65	10.26

(Source: Tariff order of JSERC and data furnished by JSEB)

It would be seen from the above table that JSEB purchased 45362 MUs of power amounting to ₹ 14087.28 crore during 2009-10 to 2013-14 out of which 40709 MUs amounting to ₹ 12725.24 crore was on long term basis and 4653 MUs of ₹ 1362.04 crore on short term basis.

[6] UI is the under drawl/over drawl against the scheduled power.
[7] Excluding UI sales.

Purchase of power on Short Term basis

Deficiencies noticed in audit relating to short term power purchase by JSEB are discussed in the succeeding paragraphs.

3.1.4 Loss due to underdrawal of power available at lower rate

To meet its power requirement, JSEB was purchasing 100 MW of power from DVC on short term basis round the clock continuously since 2010-11.

JSEB purchased 3467.99 MUs power on short term basis from DVC during 2010-11 to 2013-14 at the interim rate of ₹ 2.77 per unit**.** Central Electricity Regulatory Commission (CERC) revised (July 2013) the tariff of power supplied for the period 2010-11 to 2013-14 and revised average rate worked out to ₹ 3.31, ₹ 3.86, ₹ 4.11 and ₹ 4.32 per unit during 2010-11, 2011-12, 2012-13 and 2013-14 respectively for power purchased from DVC on short term basis. However, the average rate of power purchase from all sources by JSEB was ₹ 2.66 in 2010-11, ₹ 3.19 in 2011-12, ₹ 3.43 in 2012-13 and ₹ 3.63 per unit in 2013-14.

We observed that during the same period (2010-14) JSEB had underdrawn significant quantity of 2174.40 MUs of power, for which it realised lower rate of ₹ 2.61 in 2010-11, ₹ 2.44 in 2011-12, ₹ 2.17 in 2012-13 and ₹ 0.96 per unit in 2013-14 resulting in avoidable expenditure of ₹ 231.24 crore due to underdrawal of power.

While accepting underdrawal of 2174.40 MUs power JUVNL stated that JSEB/JUVNL purchased power from different sources as such loss from sale of power only with reference to one source of power reflects an unjustified picture.

The reply is not acceptable as JSEB realised lower rate for power underdrawn than the average purchase rate of power from all sources. Further, JSEB was purchasing about 2.40 MUs power per day on round the clock basis from DVC and scheduling of power was on day ahead basis, so power from DVC should not have been drawn whenever cheaper surplus power from other sources was available.

JUVNL needs to assess its power requirement properly before purchasing power on short term basis so as to avoid underdrawal of power.

3.1.5 Purchase of power from a Private Power Producer for trading without ensuring the availability of transmission line

A private power producer M/s Adhunik Power & Natural Resources Limited (APNRL) had offered (February 2013) to supply 200 MW power to the JSEB. Based on the offer, JSEB decided (February 2013) to purchase 100 MW power from APNRL on short term basis at a rate of ₹ 3.50 per unit for trading/sale to Andhra Pradesh Power Co-ordination Committee (APPCC) through a power trading company (M/s Mittal Processors Private Limited). However, the rate was subsequently revised to ₹ 3.12 per unit for March 2013 and ₹ 3.14 per unit for April 2013 on the basis of recommendation of the committee constituted (August 2013) by JSEB.

We observed that JSEB had started (1 March 2013) purchasing 100 MW of power from APNRL even before getting offer (7 March 2013) for purchase of power from the power trading company. Accordingly, JSEB purchased 83.16 MUs power at a cost of ₹ 25.96 crore from 1 March 2013 to 8 April 2013. However, the power purchased from APNRL could not be sold to APPCC due to congestion in southern region transmission line.

We observed in audit that:

- As the 83.16 MUs power purchased on short term basis could not be traded, JSEB utilised 40.08 MUs and remaining 43.08 MUs power was banked with PTC. For banking of power JSEB had to pay transmission (injection and withdrawal) charges as provided in Central Electricity Regulatory Commission (Open Access in Inter-State Transmission) regulations, 2008. Further, JSEB also had to pay trading margin to the PTC for banking of power. Thus, due to purchase of power for trading without ensuring availability of transmission line, JSEB had to bank 43.08 MUs of power incurring avoidable expenditure of ₹ 1.15 crore towards transmission charges and trading margin of ₹ 0.18 crore.
- As per arrangement with APNRL, billing for the power supplied by APNRL was to be done on weekly basis. If payment was made by JSEB within seven days of receipt of the bills a rebate of two *per cent* was available to JSEB and for the amount remaining outstanding after 30 days from the due date, a surcharge of 1.25 *per cent* per month was payable to APNRL.

We observed in audit that though the bills for supply of power for the month of March 2013 and April 2013 were submitted by APNRL on due date (9, 16, 24 & 31 March and 9 April 2013), JSEB made ad-hoc payment of ₹ 10 crore in June 2013 and remaining ₹ 15.96 crore in October 2013 and thus, failed to avail the benefit of rebate of ₹ 51.93 lakh due to delayed payment and had also created avoidable liability of surcharge amounting to ₹ 1.30 crore.

- JSEB purchased power from APNRL without comparing the rates of alternative sources. It was noticed that during the same period power was available at Indian Energy Exchange (IEX) at the average rate of ₹ 2.23 per unit. The Department of Energy, GoJ also expressed (April 2013) its concern on purchase of power on short term basis at higher rate by JSEB ignoring cheaper power available from IEX. Thus, JSEB purchased power from APNRL at higher rate without considering the availability of cheaper power resulting in avoidable expenditure of ₹ 7.42 crore. As such JSEB failed to safeguard its financial interest.

JUVNL replied that the purchase of power from APNRL was for sale to APPCC, however, due to congestion in transmission line the power could not be sold.

The reply is not acceptable as the decision for purchase of power for trading was taken in February 2013 without getting any Letter of Intent or Purchase order from APPCC. JSEB should have ensured the availability of transmission line before purchasing power for trading.

JUVNL needs to prepare plan and ensure the availability of transmission line before purchase of power for trading.

3.1.6 Avoidable expenditure due to purchase of power from PTC

To ensure smooth power during summer season the JSEB decided (June 2012) to purchase 100 MW power through PTC a power trading company on short term basis. Accordingly, JSEB purchased 33.84 MUs power from PTC at a cost of ₹ 17.43 crore (at the rate of ₹ 5.15 per unit) during the period 16-30 June 2012.

Out of 33.84 MUs power purchased through PTC, JSEB utilised 6.24 MUs of power during 16-18 June 2012 and considering the availability and demand of power, remaining 27.60 MUs power purchased during 19-30 June 2012 was banked. JSEB utilised the banked power only in November 2012. Thus, due to purchase of power on short term basis without immediate requirement, JSEB had to bank 27.60 MUs power incurring avoidable expenditure of ₹ 63.49 lakh towards transmission (injection and withdrawal) charges for banking the power.

JUVNL replied that due to outage of power in TVNL there was severe crisis of power and when unit of TVNL came under operation, committed power was banked to encash it during winter season.

The reply is not acceptable as there were no outage in the TVNL plants during June 2012 and average generation of power was 254.99 MUs during June 2012 which was higher than the average generation of power (243.5 MUs) per month of TVNL during 2012-13. Moreover, JSEB failed to assess the requirement of power before purchasing power on short term basis.

Conclusion

- JSEB purchased 3467.99 MUs power on short term basis from Damodar Valley Corporation during 2010-11 to 2013-14 and during the same period JSEB underdrew 2174.40 MUs power for which it realised lower rate resulting in avoidable expenditure of ₹ 231.24 crore.

- JSEB had to incur avoidable expenditure of ₹ 1.96 crore on transmission charges and trading margin for banking of 70.68 MUs power purchased on short term basis without ensuring availability of transmission line for trading the power (43.08 MUs costing ₹ 1.15 crore towards transmission charges and ₹ 0.18 crore for trading margin) and immediate requirement (27.60 MUs costing ₹ 0.63 crore).

- JSEB purchased 83.16 MUs power from a private power producer at higher rate without considering the availability of power at lower rate resulting in avoidable expenditure of ₹ 7.42 crore.

3.2 Loss due to delay in levy of Power Factor Surcharge

Due to inordinate delay in levy of Power Factor surcharge as per the tariff, revenue of ₹ 47.16 crore remained unrealised from a Captive Power Plant consumer.

Jharkhand State Electricity Board (JSEB) entered into an agreement (May 2002) with Usha Martin Industries (UMI) for synchronous operation of its Captive Power Plant (CPP) with Gamharia Grid Sub-station (Grid) of JSEB. As per the agreement the power generated in the CPP was to be utilised by UMI and the surplus power was to be fed to JSEB system. Also, contract demand of 21.7 MVA was fixed for drawal of power by UMI from the JSEB system. As the power generated in the CPP was not adequate for meeting the requirements of UMI, JSEB was raising monthly bill on UMI for the difference of power drawn by UMI from JSEB and the power injected by UMI to JSEB as per the meter reading.

In an electrical system Power Factor (PF) is the ratio of the actual power (KW) flowing to the load to the apparent power (kVA) in the circuit and load with a low PF draws more current than a load with a higher PF for the same amount of useful power transferred. As per the applicable Tariff, if the average PF in a month for a consumer fell below 0.85, PF Surcharge of one per cent for every fall of power factor of 0.01 below 0.85 to 0.60; two per cent for every 0.01 fall below 0.60 to 0.30 was leviable on the demand and energy charges. Similarly, PF rebate was payable to the consumer if the average PF was more than 0.85.

As per the provision in the tariff the consumer was to maintain the shunt capacitor in proper condition and in the event of its becoming defective, the consumer was to get the defect rectified within one month. In case, the shunt capacitors of adequate ratings were not maintained by the consumer for six months continuously, action including disconnection of supply was to be taken by JSEB.

During the period April 2002 to March 2008 the average PF of the supply taken by UMI in each month ranged between 0.23 to 0.69 which was lower than the permissible limit of 0.85. However, UMI did not rectify the defect in the shunt capacitors during the period. Despite the low PF no action was taken by JSEB and the PF surcharge was not levied as per the provisions in the tariff.

JSEB constituted a committee (March 2008) for inspection of the Grid and the premises of the CPP consumer which found that the shunt capacitors installed by UMI was defective and inoperative resulting in low PF. After re-installation (July 2009) of the shunt capacitors by UMI the power factor increased to a level higher than the permissible limit since September 2009 which ranged between 0.890 to 0.986 during September 2009 to July 2014.

We observed that JSEB had raised (September 2010) a supplementary bill for PF surcharge only for the month of August 2008 which was not paid by UMI on the ground that there was no provision for payment of PF surcharge in the agreement. This plea was not justified as JSEB was allowing voltage rebate in the monthly bill to UMI as per the tariff. However, the bill was withdrawn and the amount was not claimed as arrear in the subsequent bills. Subsequently, a committee constituted[8] (January 2012) by JSEB to examine the matter of charging PF surcharge recommended that PF surcharge was applicable to UMI as per the provision in the tariff.

The Board of JSEB decided (December 2013) to levy the PF surcharge as per existing tariff and authorized the Chairman, JSEB to take decision regarding the period for which the PF surcharge was to be levied. Subsequently, JSEB was re-organized (January 2014) into four companies. Jharkhand Urja Sancharan Nigam Limited, the successor Company of JSEB, raised (October 2014) a supplementary bill on the UMI for a net amount of ₹ 47.16 crore claiming PF surcharge of ₹ 52.09 crore and allowing PF rebate of ₹ 4.93 crore for the period April 2002 to September 2014 which was yet to be realised (December 2014).

Thus, JSEB failed to take appropriate action for low PF against the consumer during the years 2002 to 2008 and made inordinate delay in levy of the PF surcharge for the period April 2002 to September 2014. As a result, revenue of ₹ 47.16 crore remained unrealised.

The matter was referred to Jharkhand Urja Vikas Nigam Limited (the holding company formed after reorganisation of JSEB in January 2014)/Government (June 2014); their reply had not been received (December 2014) despite reminders dated 2 September 2014 and 16 December 2014.

3.3 Loss due to non-realisation of Security deposit

Failure of JSEB to take effective action resulted in non-realisation of security money of ₹ 66.95 lakh and compensation charge of ₹ 50.13 lakh thereon from the consumer.

As per Jharkhand State Electricity Regulatory Commission (JSERC), (Electricity Supply Code) Regulations, 2005, person to whom supply or additional supply of electricity has been sanctioned is required to deposit security amount to the distribution licencee. Jharkhand State Electricity Board (JSEB) fixed security money of ₹ 3150 per kVA for High Tension Special Services (HTSS) consumers.

In order to facilitate payment of security money, the apex Board of JSEB approved (July 2010) payment of security money in maximum four installments by the new HTSS consumers alongwith compensation charge at the rate of 1.5 *per cent* per month of which first installment of not less than 40 per cent was to be deposited by Bank Draft/cash and Post Dated Cheques (PDCs) for the remaining three installments were to be submitted. In case of dishonour of any PDC, the electric line was to be disconnected without any notice.

JSEB sanctioned (September 2011) enhancement of the load of a HTSS consumer from 5000 kVA to 10,500 kVA for which the consumer was required to deposit additional security money of ₹ 1.73 crore. The Chairman, JSEB approved (December 2011) payment of the additional security of ₹ 1.73 crore in four instalments. Accordingly, JSEB entered into agreement (December 2011) with the consumer according to which the consumer paid ₹ 69.30 lakh as 40 per cent of the security money in first instalment and the

[8] Engineer-in-Chief (Chairman), Finance Controller – II (Member) and ESE/Coal Block (Member Secretary)

connection was energised (January 2012). The consumer deposited three PDCs[9] for payment of the remaining amount of ₹ 1.04 crore and compensation charge of ₹ 3.12 lakh.

During scrutiny of records we observed (March 2014) that PDCs for second and third installments for ₹ 36.21 lakh and ₹ 35.69 lakh were dishonoured by the bank and the PDC for ₹ 35.17 lakh against the fourth instalment was not presented in the Bank for payment by JSEB. Further, the electric line of the consumer was not disconnected by JSEB as per the provision in the agreement and supply of electricity to the consumer was continued without deposit of adequate security money violating the provision in the JSERC regulation.

On being pointed out by audit JSEB realised (April 2014) ₹ 37 lakh from the consumer. However, the remaining security money of ₹ 66.95 lakh and compensation charge of ₹ 50.13 lakh[10] thereon remained unrealised from the consumer (December 2014).

Thus, failure of JSEB to take effective action for realisation of security money resulted in non-realisation of security money of ₹ 66.95 lakh and compensation charge of ₹ 50.13 lakh thereon from the consumer.

The matter was referred to Jharkhand Urja Vikas Nigam Limited (the holding company formed after reorganisation of JSEB in January 2014)/Government (May 2014); their reply had not been received (December 2014) despite reminders dated 2 September 2014 and 16 December 2014.

Government Companies

Jharkhand Industrial Infrastructure Development Corporation Limited

3.4 Avoidable payment of interest on Income Tax

Non-payment of Advance Income Tax and delay in filing Income Tax returns for the financial years 2010-11 to 2012-13 resulted in avoidable payment of interest of ₹ 28.82 lakh on Income Tax.

As per section 208 of the Income Tax Act, 1961, (Act) Advance Tax is payable during a financial year if the amount of such tax payable by the assessee during the year is rupees ten thousand or more. Section 234A of the Act provides that if the return of income for any assessment year is furnished after the due date, simple interest at the rate of one *per cent* per month is chargeable on the amount of tax on the assessed income less Advance Tax paid and tax deducted/collected at source.

Further, Section 234B of the Act stipulates that where in any financial year, an assesses who is liable to pay advance tax under Section 208 failed to pay such tax or where the advance tax paid by such assessee is less than 90 *per cent* of the assessed tax, the assessee shall be liable to pay simple interest at the rate of one *per cent* for every month from the first day of April on the amount by which the advance tax paid fell short of the assessed tax. Also, Section 234C of the Act provides that if an assessee fails to pay advance tax or the advance tax paid is less than 15 *per cent*, 45 *per cent,* 75 *per cent* and 100 *per cent* of

[9] PDC dated 29.02.2012 for ₹ 36,20,925, dated 31.03.2012 for ₹ 35,68,950 and dated 30.04.2012 for ₹ 35,16,975.

[10] ₹ 42.10 lakh (₹ 103.95 lakh x 1.5 *per cent* x 27 months w.e.f. February 2012 to April 2014) + ₹ 8.03 lakh (₹ 66.95 lakh x 1.5 *per cent* x 8 months w.e.f. May 2014 to December 2014).

the tax due till 15 June, 15 September, 15 December and 15 March respectively, the assessee shall be liable to pay simple interest at the rate of one per cent per month on the amount of the shortfall.

We observed that the Company had no system for preparation of annual budget and assessment of income for payment of Advance tax. As such, the Company did not remit the Advance Tax on the due dates as required under Sections 234B and 234C of the Act during the financial year 2010-11, 2011-12 and 2012-13. Also, due to the delay in finalisation of the accounts[11], the Company could not file the Income Tax returns for these years within the due dates under Section 234A of the Act.

The Company assessed Income Tax of ₹ 17.47 lakh for the Financial year 2010 - 11 and filed the Income Tax return in March 2013. The returns for the financial year 2011-12 and 2012-13 for an assessed tax of ₹ 47.40 lakh and ₹ 58.53 lakh respectively were filed by the Company in March 2014. As a result of non-payment of Advance Tax and delay in filing Income Tax returns for the year 2010-11 to 2012-13, the company had to pay interest of ₹ 28.82 lakh[12] in November 2012 and March 2014.

The Company stated (September 2014) that filing of Income tax returns was delayed due to delay in finalisation of the accounts and they have adopted the practice of payment of Advance Tax from the year 2013-14.

The reply is not acceptable as the Company failed to comply with the requirements of the Act and had to make avoidable payment of ₹ 28.82 lakh.

Thus, failure of the Company to make timely payment of Advance Tax and file Income Tax returns on the due dates resulted in avoidable payment of interest of ₹ 28.82 lakh under Section 234A, 234B and 234C of the Act.

The matter was referred to the Government (June 2014); their reply had not been received (December 2014) despite reminders dated 2 September 2014 and 16 December 2014.

Jharkhand State Forest Development Corporation Limited

3.5 Avoidable payment of Service Tax

The Company failed to deduct Service Tax leviable on supervision charges and godown rent from the purchasers of Kendu leaves resulting in non-recovery of ₹ 15.63 lakh.

As per Section 65 (105) (zza) of Service Tax Act (Act) as amended in Finance Act, 2002, provision for the levy and collection of service tax on the cost of services on Storage and warehousing was made. Further, renting of immovable property for business purpose was also brought under service tax[13] w.e.f. 1 June 2007. As per the Act, the person who provides the taxable service on receipt of service charges is responsible for paying the Service Tax to the Government.

[11] the Company finalised its accounts for the year 2010-11 on 17 October 2012 and for the year 2011-12 and 2012-13 on 10 January 2014.

[12] Under Section 234A - ₹ 1.46 lakh for 2010-11, ₹ 6.06 lakh for 2011-12, ₹ 2.32 lakh for 2012-13: Section 234B - ₹ 2.08 lakh for 2010-11, ₹ 8.08 lakh for 2011-12, ₹ 4.64 lakh for 2012-13: Section 234C - ₹ 0.52 lakh for 2010-11, ₹ 1.70 lakh for 2011-12, ₹ 1.95 lakh for 2012-13.

[13] vide Notification No. 23/2007 dated 22 May 2007

The Government of India (GoI) introduced (May 2013) Service Tax Voluntary Compliance Encouragement Scheme (VCES), 2013 providing for payment of all tax due or payable from October 2007 to December 2012 to be paid by 30 June 2014 after declaration to the designated authority on or before 31 December 2013.

Jharkhand State Forest Development Corporation Limited (Company), the authorised agency of the GoJ for collection and sale of Kendu leaves in Jharkhand sells the Kendu leaves in advance through tender before commencement of collection season of Kendu leaves. The Kendu leaves collected are stored in the Godowns of the Company or authorised private godowns until receipt of payment for the Kendu leaves and its lifting by the purchaser.

As per the terms and conditions of the tender, the purchaser was to pay to the Company supervision charges for storage and safeguard of kendu leaves as well as rent for storage of the Kendu leaves in the godowns owned by the company including all the applicable taxes and duties. Hence, the company was to realise the service tax on the supervision charges and Godown rent from the purchasers of Kendu leaves for deposit to the Government.

We, however, observed (March 2014) that the Company had not recovered the Service Tax on supervision charges and godown rent from the purchasers of Kendu leaves and did not deposit the amount with the Government. The Company assessed Service Tax[14] liability of ₹ 14.21 lakh and ₹ 5.55 lakh payable on supervision charges and godown rent respectively for the period April 2008 to December 2012. As the Company was liable for payment of the Service Tax, it paid (30 December 2013) the service tax amount of ₹ 19.76 lakh under VCES. Although the Company issued instruction to its Divisional Managers to recover the amount of service tax from the purchasers ₹ 4.13 lakh could be recovered (December 2014).

The Company stated (December 2014) that applicability of Service Tax on supervision charges and warehouse rent was known to them only when the VCES was introduced.

The reply is not acceptable as the Company failed to comply with the requirement of the Service Tax Act in time resulting in non-recovery of Service Tax of ₹ 15.63 lakh from the purchasers of Kendu leaves.

The matter was referred to the Government (June 2014); their reply had not been received (December 2014) despite reminders dated 2 September 2014 and 16 December 2014.

Tenughat Vidyut Nigam Limited

3.6 Unfruitful expenditure due to non-installation of elevators

The Company failed to complete the preparatory works and hand over the sites resulting in non-installation of the elevators rendering expenditure of ₹ 84.57 lakh unfruitful.

Tenughat Vidyut Nigam Limited (Company) placed (August 2004) a purchase order on an Agency[15] for design, manufacture, inspection, supply, erection and commissioning of three elevators and their operation and maintenance for one

[14] Including Education Cess and Secondary & Higher Education Cess
[15] Essar Sky Mark (India) Pvt. Ltd, Kolkata

year. One 884 kg capacity passenger elevator was to be installed in reception building and two freight cum passenger elevators of two Ton capacity were to be installed in two boilers sites of Tenughat Thermal Power Station (TTPS). The contract price was ₹ 1.41 crore comprising of ₹ 1.23 crore for supply of materials, ₹ 1.65 lakh for erection and commissioning and ₹ 16.71 lakh for operation and maintenance of the elevators for one year.

As stipulated in the purchase order 20 *per cent* of the contract price against supply of materials was to be paid against Bank Guarantee (BG) of equivalent amount valid upto 18 months, 70 *per cent* against delivery of materials and the balance 10 per cent after the guarantee period of 18 months. The delivery of materials was scheduled to complete within 52 weeks from the date of the purchase order i.e., by August 2005. Erection and commissioning of the elevators was to complete within 16-20 weeks of receipt of the materials i.e., by January 2006.

From scrutiny of records (February 2014), we observed that the Agency had supplied materials valuing ₹ 22.80 lakh in January 2006 and the balance materials were supplied between March 2007 to April 2007. The Agency requested (September 2006) the Company to execute the preparatory works viz. construction of machine room, encapsulation of the lift wells by steel sheets and electrical works for power supply for the elevators as the same were not in the scope of work as per the purchase order.

The Company completed (January 2008) the preparatory works for 884 Kg elevator in reception building at a cost of ₹ 0.44 lakh and the elevator was installed (February 2008). Although the preparatory works for Boiler I site was executed during March to September 2008 at a cost of ₹ 2.36 lakh, the work relating to encapsulation of the lift well was yet to be completed and the sites for installation of the elevators were not handed over to the agency. Also, the preparatory work in the Boiler II site was not executed.

Thus, the Company failed to complete the preparatory works and hand over the sites for installation of the two elevators resulting in non-installation of the elevators even after more than seven years of their supply. Further, the guarantee of the materials against manufacturing defect, bad workmanship, defective materials and unsatisfactory services as per the purchase order has already expired in October 2008. The Company paid ₹ 1.09 crore to the Agency against supply of materials which included ₹ 84.57 lakh for the two elevators which remained uninstalled so far (December 2014).

The Government attributed (July 2014) frequent transfer of the officers in charge of the sites and lack of expertise of the officers of TTPS in executing similar work as the reasons for non-installation of the elevators. It further stated that the works required to be done by the Company for installation of the elevators have been identified jointly with the Agency and installation of the elevators would be complete by December 2014.

The reply is not acceptable as the Company failed to complete the preparatory works and hand over the site to the agency owing to which the elevators remained uninstalled even after more than seven years of their supply. The installation of elevators was not completed even by December 2014 as stated by the Government in reply.

Thus, the expenditure of ₹ 84.57 lakh on procurement of the elevators remained unfruitful and the envisaged benefits of the elevators could not be realised**.**

GENERAL

3.7 Follow up action on Audit Reports

3.7.1 Audit Reports of the Comptroller and Auditor General of India represent the culmination of the process of audit scrutiny starting with initial inspection of accounts and records maintained in various offices and departments of the Government. It is, therefore, necessary that they elicit appropriate and timely response from the Executive.

Audit Reports for the years 2008-09, 2009-10, 2010-11, 2011-12 and 2012-13 were placed in the State Legislature in August 2010, August 2011, September 2012, July 2013 and March 2014 respectively. Twenty eight paragraphs/ Performance Audits involving nine PSUs under three Departments were featured in the Audit Reports (Civil & Commercial) for the years 2008-09 to 2010-11 and Audit Reports (PSUs) for the year 2011-12 and 2012-13 respectively, no replies in respect of the paragraphs/Performance Audit have been received from the Government by 30 September 2014 as indicated in the **Table-3.3.** Department wise analysis is given in ***Annexure-3.1.***

Table – 3.3

Year of Audit Report	Total Paragraphs/Performance Audit in Audit Report	No. of Departments involved	No. of Paragraphs/Performance Audit for which replies were not received
2008-09	5	2	5
2009-10	7	2	7
2010-11	4	3	4
2011-12	6	8	6
2012-13	6	3	6
Total	**28**		**28**

Compliance with the Reports of Committee on Public Undertakings

3.7.2 In the Audit Reports (Civil & Commercial) for the years 2001-02 to 2010-11 and Audit Reports (PSUs) for the years 2011-12 and 2012-13, 45 paragraphs and ten Performance Audits were included. Out of these, seven paragraphs and four Performance Audits had been discussed by Committee on Public Undertakings (COPU) upto 30 September 2014. COPU had made recommendations in respect of three paragraphs and three sub-paragraphs in respect of two Performance Audits of the Audit Reports for the years 2001-02 to 2007-08.

As per the working rules of the COPU, the concerned departments are required to submit Action Taken Notes (ATNs) to COPU on their recommendations within three months. However, the departments had not furnished ATNs on the above recommendations of COPU.

Response to Inspection Reports, Draft Paragraphs and Performance Audits

3.7.3 Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned administrative department of the State Government through Inspection Reports (IRs). The heads of PSUs are required to furnish replies to the IRs within a period of four weeks of its receipt. IRs issued upto March 2014 pertaining to 10 PSUs disclosed that 1425 paragraphs related to 421 IRs remained outstanding at the end of September 2014. Department-wise break-up of IRs and audit observations outstanding as on 30 September 2014 is given in ***Annexure-3.2***.

Similarly, draft paragraphs and performance audit on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned and the Principal Secretary, Finance demi-officially, seeking confirmation of facts and figures and their comments thereon within a period of six weeks. Out of six draft paragraphs (including one long draft paragraph) and one performance audit forwarded to the concern departments during May to August 2014, the Government had replied to the performance audit and one draft paragraph only so far (December 2014); replies to the five draft paragraphs (including one long draft paragraph) have not been received as detailed in ***Annexure-3.3.***

We recommend that the Government should ensure that (a) procedure exists for taking action against the officials who failed to send replies to Inspection Reports/Draft Paragraphs/Performance Audits and Action Taken Notes on the recommendations of COPU as per the prescribed time schedule, (b) action is taken to recover loss/outstanding advances/overpayments in a time bound manner, and (c) the system of responding to audit observations is revamped.

Ranchi **(MRIDULA SAPRU)**
The **Principal Accountant General (Audit)**
Jharkhand

Countersigned

New Delhi **(SHASHI KANT SHARMA)**
The **Comptroller and Auditor General of India**