

Overview

Overview

This Report of the Comptroller and Auditor General of India on Public Sector Undertakings, Government of Jharkhand for the year ended 31 March 2014 includes an overview of Government Companies and Statutory Corporations, one Performance Audit Report, one long paragraph and five paragraphs dealing with the Accounts as well as results of Performance Audit and Transaction Audit.

1. Overview of State Public Sector Undertakings

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG). These accounts are also subject to supplementary audit conducted by the CAG. Audit of the Jharkhand State Electricity Board (JSEB), a Statutory Corporation, was governed by the Electricity Act, 2003. JSEB has been re-organised (January 2014) into a 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).

As on 31 March 2014, the State of Jharkhand had 17 working Public sector Undertakings (PSUs). These include four power companies formed in January 2014 by re-structuring of JSEB. The working PSUs employed 8,160 employees and registered a turnover of ₹ 3,065.85 crore as per their latest audited accounts.

(Paragraphs 1.2, 1.4, 1.5 and 1.6)

Investments in PSUs

As on 31 March 2014, the investment in 18 PSUs (including JSEB) was ₹ 6,740.02 crore which had grown by 72.35 per cent from ₹ 3,910.70 crore in 2008-09. Out of total investment 2.95 per cent was towards capital and 97.05 per cent was towards Long-term loans. Power Sector accounted for nearly 98.68 per cent of the total investment in 2013-14. The Government contributed ₹ 1,168.79 crore towards equity, loans and grants/subsidies during 2013-14.

(Paragraphs 1.7, 1.8, 1.9 and 1.11)

Performance of PSUs

Out of 18 PSUs (including JSEB), eight PSUs earned aggregate profit of ₹ 27.92 crore and three PSUs incurred aggregate loss of ₹ 2757.06 crore as per their latest audited accounts. Out of remaining seven PSUs, three PSUs did not submit any accounts and in respect of four PSUs first accounts were not due as of September 2014. Heavy losses were incurred by JSEB and Tenughat Vidyut Nigam Limited to the extent of ₹ 2,667.56 crore and ₹ 88.17 crore as per their latest audited accounts for the years 2012-13 and 2001-02 respectively.

(Paragraph 1.15)

Arrears in accounts

14 PSUs had arrears of total 45 accounts as of September 2014. The extent of arrears was one to nine years. The PSUs need to set targets for the work relating to preparation of accounts with special focus on clearance of arrears.

(Paragraph 1.18)

Quality of accounts

Out of 14 accounts finalised by PSUs during October 2013 to September 2014 Statutory Auditors had given qualified certificates on twelve accounts. The audit reports of the Statutory Auditors appointed by the CAG and the supplementary audit of the CAG indicate that the quality of maintenance of accounts needs substantial improvement. Reports of Statutory Auditors on internal control of the companies indicated certain weak areas.

(Paragraphs 1.23 and 1.27)

Status of placement of Separate Audit Reports

Separate Audit Reports (SARs) of JSEB for the year 2001-02 to 2012-13 were issued between August 2010 to August 2014 to the Government of Jharkhand (GoJ) but no SAR was placed in the State Legislature as of December 2014.

(Paragraph 1.29)

2. Performance Audit on "Working of Jharkhand State Mineral Development Corporation Limited"

Introduction

The Jharkhand State Mineral Development Corporation Limited (Company) was incorporated as a Company wholly owned by the State Government in May 2002 after bifurcation of the State of Bihar. The main objectives of the Company are to explore, prospect, develop, administer, manage and control mines after taking mining leases in the State and sell the minerals with or without processing.

(Paragraph 2.1)

Financial position

The Company has not finalised its annual accounts for the years 2009-10 to 2013-14 as of December 2014. As per working results, the Company earned profit of ₹ 29.35 crore in 2009-10 which declined since 2010-11 and was reduced to ₹ 2.15 crore in 2013-14 owing to non production of coal from Sikni coal mine which was the only operating coal mine of the Company.

(Paragraph 2.6)

Coal Mining and Trading Activities

The Ministry of Coal (MoC), Government of India (GoI) had allocated Sikni coal mine in 1987 and Jagaldaga coal mine was transferred from Coal India Limited in 1996. The MoC further allocated eight coal blocks to the Company under Government Company dispensation during 2006-2008.

(Paragraph 2.8)

Non-operation of coal mines

The Sikni coal mine was in operation during the period April 2009 to December 2011 after which coal mining was stopped by Director General of Mines Safety (DGMS) due to violation of Coal Mines Regulations. Mining of coal in Jagaldaga coal mine was not commenced for want of forest clearance.

(Paragraphs 2.9 and 2.12)

Non-commencement of mining in eight coal blocks

The Company failed to develop and commence mining in eight coal blocks allocated under Government Company dispensation. The allocation of these coal blocks was cancelled by the Supreme Court of India on 24 September 2014 and the entire expenditure of ₹ 18.31 crore incurred by the Company on these coal blocks became infructuous.

(Paragraph 2.11)

Non allocation of coal by Coal India Limited

Coal India Limited did not allocate 279252 MT of coal to the Company during 2009-10 to 2013-14 due to delay in execution of Fuel Supply Agreement for the respective years. As a result the Company could not distribute the coal to the consumers thereby forgoing revenue of ₹ 2.16 crore.

(Paragraph 2.13)

Mineral mining and other activities***Non-operation of mines***

The Company had nine leasehold mines of limestone, graphite, kyanite, stone and granite. Out of these, mining plans of five mines were approved, forest clearance for only one mine was obtained and environment clearance and consent of Jharkhand State Pollution Control Board for operating the mine were not obtained for any of the mines.

The mining operations in four mines were discontinued in 2012-13 in absence of statutory clearances. Four other mines were inoperative for more than 14 years. Chelangi granite mine was the only mineral mine which was in operation as of December 2014.

(Paragraphs 2.14, 2.16, 2.19, 2.20 and 2.22)

Idle expenditure on non-operational grinding factory

The Company failed to ensure supply of required quantity of the limestone lump to its grinding factory to produce limestone dust resulting in loss of ₹ 40.04 lakh. The Company also failed to utilise the infrastructure to earn revenue and incurred idle expenditure of ₹ 87.80 lakh.

(Paragraph 2.17)

Shortfall in production of limestone, graphite, kyanite and granite

The shortfall in production of minerals ranged between 45.90 per cent to 95.72 per cent of the target of production for different minerals for operational

period of the mines during 2009-14. The shortfall in production of granite blocks in Chelangi mine was 95.72 per cent which led to under-performance of Tupudana granite tiles plant.

(Paragraphs 2.21 and 2.23)

Under-utilisation of granite tiles plant

The plant remained inoperative during 2007-2010 due to non-availability of granite blocks. The annual production of granite tiles was only 7.97 per cent to 30.12 per cent of the capacity during the years 2011-12 to 2013-14. Thus, the plant remained under-utilised.

(Paragraph 2.24)

Non-conducting annual physical verification and shortage of minerals

The Company did not carry out physical verification of stocks of minerals since May 2010 and failed to take remedial action for huge shortage of minerals found in last physical verification.

(Paragraph 2.26)

Avoidable payment of dead rent

Avoidable payment of dead rent of ₹ 99.83 lakh was made by the Company during 2009-10 to 2013-14 due to its failure to get statutory clearances for operating the mines.

(Paragraph 2.27)

Deficiencies in Internal Control Mechanism

The Company did not prepare project-wise cost sheet after 2009-10 and also did not devise any comprehensive Management Information System (MIS). The Company has no vigilance and monitoring system in order to ensure fair and transparent working in the mines. The Company had no internal audit wing of its own and had also not prepared Internal Audit manual.

(Paragraph 2.28)

3. Transaction Audit Observations

Transaction audit observations included in the Report highlight deficiencies in the management of Public Sector Undertakings involving serious financial implications. It also includes one Long Paragraph on "Short Term Power Purchase by Jharkhand State Electricity Board." The irregularities pointed out are broadly of the following nature:

Loss of ₹ 0.95 crore in three cases due to non-compliance with rules, directives, procedures, terms and conditions of contracts.

(Paragraphs 3.3, 3.4 and 3.5)

Unfruitful expenditure of ₹ 2.81 crore in three cases due to defective/deficient planning.

(Paragraphs 3.1.5, 3.1.6 and 3.6)

Loss of ₹ 287.66 crore in four cases due to inadequate/deficient monitoring.

(Paragraphs 3.1.4, 3.1.5 and 3.2)

Gist of important audit observations in the Long Paragraph are given below:

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.

(Paragraph 3.1.4)

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).

(Paragraphs 3.1.5 and 3.1.6)

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.

(Paragraph 3.1.5)

Gist of some of important audit observations in respect of other transaction audit paragraphs are given below:

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

(Paragraph 3.2)

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.

(Paragraph 3.3)

Non-payment of Advance Income Tax and delay in filing Income Tax returns for the Financial years 2010-11 to 2012-13 by Jharkhand Industrial Infrastructure Development Corporation Limited resulted in avoidable payment of interest of ₹ 28.82 lakh on Income Tax.

(Paragraph 3.4)

Jharkhand State Forest Development Corporation Limited 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.

(Paragraph 3.5)

Tenughat Vidyut Nigam Limited 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.

(Paragraph 3.6)