

## CHAPTER - VI

### GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

#### OVERVIEW OF GOVERNMENT COMPANIES AND STATUTORY CORPORATION

##### 6.1 Introduction

As on 31 March 2004 there were five Government companies, one Statutory Corporation and one Autonomous Body (all working) under the control of the State Government, which was the same as on 31 March 2003. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by the Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 (4) of the Companies Act, 1956. The CAG is the sole auditor of Jharkhand State Electricity Board under Rule 14 of the Electricity Supply (Annual Accounts) Rules, 1985 read with Section 185 (2) (d) of the Electricity Act, 2003 and Jharkhand State Electricity Regulatory Commission under section 104 (2) of the Electricity Act, 2003.

#### Working Public Sector undertakings (PSUs)

##### *Investment in working PSUs*

**6.1.2** Total investment in six PSUs (five Government companies and one Statutory corporation at the end of March 2003 and March 2004 respectively) was as follows:

*(Rupees in crore)*

Year	Number of PSUs	Investment in PSUs			
		Equity	Share application money	Loan	Total
2002-03	6	7.23	0.02	343.25*	350.50
2003-04	6	7.25	0.05	493.84	501.14**

##### *Sector-wise investment in working Government companies and Statutory corporation*

**6.1.3** The investment (equity and long term loan) in various sectors and percentage thereof at the end of March 2003 and March 2004 are indicated in the following pie charts.

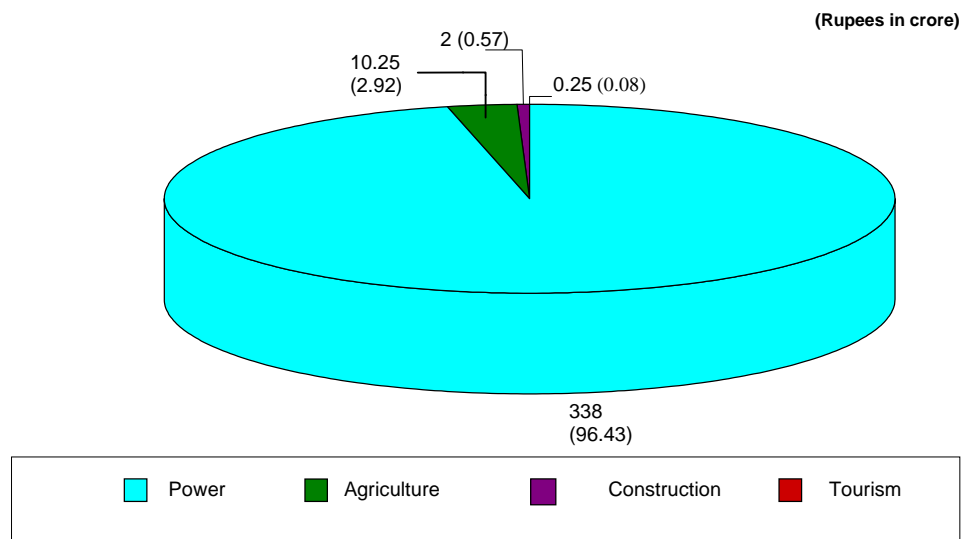
\* Based on details furnished now, the loan of Rs 151 crore received during 2002-03 by JSEB from State Government has been included and hence previous year figure revised.

\*\* The figure as per Finance Accounts is Rs 573.01 crore, the difference is under reconciliation.

**Investment in Government companies and Statutory corporation as on 31 March 2004**  
(Figures in brackets are percentage of investment)



**Investment in Government companies and Statutory corporation as on 31 March 2003**  
(Figures in brackets are the percentage of investment)



### Working Government companies

**6.1.4** Total investment in five working Government companies at the end of March 2003 and March 2004 was as follows:

Year	Number of Government companies	(Rupees in crore)			
		Investment in working companies			
		Equity	Share application money	Loan	Total
2002-03	5	7.23	0.02	5.25	12.50
2003-04	5	7.25	0.05	5.25	12.55*

The summarised position of Government investment in these Government companies in the form of equity and loans is detailed in **Appendix -XXIV**.

As on 31 March 2003 and 31 March 2004, the total investment in these Government companies, comprised 58 per cent of equity capital and 42 per cent of loan.

### Working Statutory Corporation

**6.1.5** The total investment in one working Statutory Corporation (Jharkhand State Electricity Board) was not available at the end of March 2003 and March 2004 due to non-apportionment of assets and liabilities between Bihar State Electricity Board and Jharkhand State Electricity Board. However, the long-term loans given by Jharkhand Government during 2002-03 and 2003-04 were Rs 151 crore and Rs 103.59 crore respectively. The loans outstanding as on 31 March 2004 stood at Rs 488.59 crore (State Government: Rs 441.59 crore, Others: Rs 47 crore) as against Rs 187 crore (State Government: Rs 187 crore, Others: Nil) as on 31 March 2003.

### Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

**6.1.6** The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government in respect of working Government companies, Statutory corporation and Autonomous Body are given in **Appendix -XXIV and XXVI**.

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to working Government companies, Statutory Corporation and Autonomous Body for 2002-03 and 2003-04 are given below:

\* The figures as per Finance Accounts is Rs. two crore, the difference is under reconciliation.

(Rupees in crore)

	2002-03						2003-04					
	Companies		Corporation		Autonomous Body		Companies		Corporation		Autonomous Body	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	1	0.25	-	Nil	-	Nil	1	0.05	-	Nil	-	Nil
Loans given from budget	-	Nil	1	151.00	-	Nil	-	Nil	1	103.59	-	Nil
Other grant/subsidy	-	Nil	1	142.46	-	Nil	-	Nil	1	95.39	1	0.70
<b>Total outgo</b>	<b>1</b>	<b>0.25</b>	<b>2</b>	<b>293.46</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>0.05</b>	<b>2</b>	<b>198.98</b>	<b>1</b>	<b>0.70</b>

During 2003-04 the Government did not give any guarantee.

### Finalisation of accounts by PSUs

**6.1.7** The accounts of the Government companies for every financial year are required to be finalised within six months from the end of the financial year under sections 166, 210, 230 and 619 of the Companies Act, 1956 read with Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of the financial year. Similarly, in the case of Statutory Corporation, accounts are finalised, audited and presented to the Legislature as per the provisions of Section 185 (2) (d) of Electricity Act, 2003.

As would be noticed from the *Appendix -XXV*, out of five Government companies, one Statutory Corporation and one Autonomous body, only one company could submit its accounts for the year 2002-03 and 2003-04 within the stipulated period and two companies could submit their accounts for the year 2002-03 after a delay of 12 months beyond the stipulated period. The accounts of two Government companies were in arrears for two years and two Government companies for one year. The accounts of the Statutory Corporation and the Autonomous body were in arrears of three years and one year respectively as on 30 September 2004.

Though the concerned administrative departments and officials of the State Government were apprised by the Accountant General regarding arrears in finalisation of accounts, no effective measures have been taken by the Government and as a result the net worth of the PSUs could not be assessed.

### Financial Position and working results of PSUs

**6.1.8** The summarised financial results of working PSUs (Government companies and Statutory corporation) as per their latest finalised accounts are given in **Appendix -XXV**.

According to the latest finalised accounts, three working Government companies, earned aggregate profit of Rs 3.15 crore.

### Jharkhand State Electricity Regulatory Commission

**6.1.9** The Jharkhand State Electricity Regulatory Commission (Commission) has been constituted by the Government of Jharkhand under Section 82 of the Electricity Act, 2003 (earlier under section 17 of the Electricity Regulatory Commission Act, 1998 since repealed) and the Commission became operational with effect from 24 April 2003. The Commission has issued eight regulations during the year 2003-04.

### Response to Inspection Reports

**6.1.10** Audit observations noticed during audit and not settled on spot are communicated to the head of PSUs and concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of department within a period of six weeks. Inspection Reports issued up to March 2004 pertaining to Jharkhand State Electricity Board disclosed that 712 paragraphs relating to 730 Inspection Reports remained outstanding at the end of March 2004 (as given in **Appendix -XXVII**).

Similarly, the draft paragraphs on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that two paragraphs forwarded to Power Department during July, November and December 2004 have not been replied so far.

It is recommended that Government should ensure that (a) procedure exists for action against the officials who failed to send replies to Inspection Reports/draft paragraphs as per prescribed time schedule, (b) action to recover loss/outstanding advances/over payments is taken as per time bound schedule and (c) the system of responding to the audit observations is revamped.

## Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

**6.1.11** The position of discussion of Audit Reports (Commercial) by COPU, reviews and paragraphs pending for discussion in COPU as on 30 September 2004 was as under:

Period of Audit Report	No. of reviews and paragraphs appeared in the Audit Report		No. of reviews/ paragraphs pending discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
2001-02	Nil	1	Nil	1
2002-03	Nil	1	Nil	1

## SECTION-B

### 6.2 Blocking up of funds of Rs.17.71 lakh on procurement of water meters and kept without installation at Patratu Thermal Power Station Jharkhand State Electricity Board

In order to measure the consumption of water in power house and residential colony of Patratu Thermal Power Station (PTPS), a purchase order for five water meters with filter dirt box flange type was placed (August 2001) for urgent requirement on M/s Water Syndicate and System (vendor) Kolkata at a total cost of Rs 21.18 lakh, excluding taxes for supply within 60 days. The purchase order, *inter alia*, provided payment and security clause, which stipulated 90 *per cent* payment against delivery, 10 *per cent* after installation and successful commissioning of instrument at site and no extra charge was payable for installation. It also provided a guarantee clause against bad workmanship, defective material and unsatisfactory service for a period of 12 months from the date of commissioning or 18 months from the date of receipt of last despatch.

The water meters along with accessories which were supplied (December 2001) by the vendor on payment of Rs 17.71 lakh (November 2001) (after deducting Bank Guarantee amount of Rs 2.12 lakh) was laying in the open yard at stores. On being pointed out by Audit (December 2003) regarding non-installation of water meters beyond guarantee period, the management replied (December 2003) that as the Site Engineer could not verify the material till date it was lying idle in the store.

Audit observed that the vendor did not install the water meters in spite of being requested several times by PTPS. Thus, the water meters, which were purchased for urgent requirement, were not installed and put to use (June 2004). As per Purchase Order guarantee had lapsed and consequently vendors responsibility had also ceased, defeating the very purpose for which the material was procured besides blocking up of funds to the tune of Rs 17.71 lakh.

The matter was reported to the Government (July and November 2004); their reply had not been received.

### **6.3 Avoidable expenditure of Rs 1.93 crore towards demurrage due to laxity in repairing existing facility by spending Rs 14.50 lakh by Patratu Thermal Power Station-Jharkhand State Electricity Board**

The erstwhile Bihar State Electricity Board (renamed as Jharkhand State Electricity Board with effect from 20 March 2001 after the bifurcation of the Bihar State) during October 1995, incurred demurrage of Rs 21.99 lakh due to delay in taking up modification / rectification work on Wagon Tippler (No.3) of the Patratu Thermal Power Station (PTPS). This was featured in para (4 B.1.4 – “Avoidable expenditure on labour and demurrage charges”) in the Report of the Comptroller and Auditor General No.5 (Commercial) for the year ended 1998 – Government of Bihar. Audit, however, observed (January 2004) that the PTPS further delayed the modification/ rectification work and issued (June 2000) the work order, to Heavy Engineering Corporation Limited (HEC) at a cost of Rs 14.50 lakh after a delay of 21 months. The work order, *inter alia*, provided that all electrical and mechanical items required for improvement in electrical control system and structural steel for fabrication, etc. shall be provided by the Board free of cost to HEC. The work was to be completed within a period of four months *i.e.* before October 2000. The work was further delayed by 31 months due to delays in handing over the site, non-supply of structural steel, mechanical and electrical items, etc. Thus, the mechanical work could be completed in May 2003. But the Wagon Tippler (No.3) could not be commissioned (June 2004) due to not making available electrical panel to HEC, though it offered (October 2002) to supply the electrical panel, etc. for total cost of Rs 0.48 lakh for which the Board has not yet (June 2004) issued amendment to work order for supply of electrical panel. Audit observed that the PTPS paid (January 2002 to May 2004) demurrage charges of Rs 1.93 crore to Railways for the period from 1998 to 2004, which included demurrage charge for wagon Tippler No. 1 and 2 also.

On being pointed out by Audit, the Management put the blame on HEC for not supplying the tentative list of material required at a time for the rectification and modification works even after several reminders. Further HEC had submitted the list of Electrical panel to be procured in October 2002 without any break up and they took up almost one year in submission of cost break ups. The procurement of the said electrical panel is still under consideration.

The reply is not tenable as clear site was not made available to HEC in time and there was delay in supply of structural steel and mechanical items by PTPS.

Further, the procurement of electrical panel is still under consideration. Thus, due to laxity on the part of the Board in repairing the existing facility, it has

incurred avoidable payment of demurrage charges of Rs 1.93 crore (March 2004), which could have been avoided.

The matter was reported to the Government (July and December 2004); their reply had not been received so far (May 2005).

Ranchi,  
The

**(K. K. SRIVASTAVA)**  
Accountant General (Audit)  
Jharkhand

**Countersigned**

New Delhi,  
The

**(VIJAYENDRA N. KAUL)**  
Comptroller and Auditor General of India