OVERVIEW

1. Overview of Government Companies and Statutory Corporations

The total investment in working Public Sector Undertaking (PSUs) increased from Rs.16,108.92 crore as on 31 March 2006 to Rs.16,471.83 crore as on 31 March 2007. The total investment in non-working PSUs decreased from Rs.13.98 crore to Rs.13.58 crore during the same period.

(Paragraphs 1.2 and 1.16)

The budgetary support in the form of capital, loans and grants/subsidy disbursed to working PSUs increased from Rs.1,856.83 crore in 2005-06 to Rs.2,105.95 crore in 2006-07. The State Government guaranteed loans aggregating Rs.4,943.91 crore in respect of five working Government Companies during 2006-07. The total amount of outstanding loans guaranteed by the State Government to working PSUs increased from Rs.11,534.63 crore as on 31 March 2006 to Rs.13,139.82 crore as on 31 March 2007.

(Paragraph 1.5)

Fifteen working Government Companies and two Statutory Corporations finalised their accounts for the year 2006-07. The accounts of remaining seven working Companies and one Statutory Corporation were in arrears for one year.

(Paragraph 1.6)

According to the latest finalised accounts, 11 working PSUs (nine Government Companies and two Statutory Corporations) earned profit of Rs.300.39 crore. Four working Government Companies declared dividend of Rs.12.12 crore. Against this, five PSUs (four Government Companies and one Statutory Corporation) incurred loss of Rs.31.62 crore as per their latest finalised accounts. Of these loss incurring working Government Companies, two Companies had accumulated loss of Rs.45.33 crore which exceeded their paid up capital of Rs.7.61 crore.

(Paragraphs 1.7 to 1.10)

One Corporation, which earned profit during 2006-07, had accumulated loss of Rs.55.44 crore against its paid up capital of Rs.81.53 crore.

(Paragraph 1.11)

Even after existence for 22 and 44 years respectively, the turnover of two working Government Companies had been less than Rupees five crore in each of the preceding five years as per their latest finalised accounts. Four Government Companies (two working and two non-working) had been incurring losses during the last five consecutive years as per their latest finalised accounts, leading to negative net worth. The Government should take measures to improve their performance or consider their closure.

(Paragraph 1.84)

2. Performance Reviews relating to Government Companies

2.1 Rajasthan Renewable Energy Corporation Limited

Promotion and development of power generation through non-conventional energy sources

Against a gross potential of 5400 MW and wind policies targets of 800 MW for promotion of wind power projects in the State, the Company succeeded in securing 464.64 MW only upto 31 March 2007. This was mainly due to frequent policy changes and delays in project approval. Delays in approval ranged between 7 days and 21 months as against one month specified in the policy.

(Paragraphs 2.1.9 and 2.1.12)

Rollover of an old Power Purchase Agreement (PPA) executed under Wind Policy 2003 for purchase of power at higher price to a new project, the PPA of which was to executed at lower price under Wind Policy 2004 resulted in undue favour of Rs.2.80 crore to a private developer.

(Paragraph 2.1.11)

Due to selection of an expensive mode of electrification by installation of 10 KW solar power plants instead of electrification through solar home lighting system, the Company incurred avoidable extra expenditure of Rs.22.29 crore on electrification of 2097 households of 73 villages.

(Paragraph 2.1.18)

Failure of the Company in getting timely registration of its 25 MW wind power plant under Clean Development Mechanism led to deprival of credits of Rs.8.97 crore for sale of 1,40,890 Certified Emission Reduction.

(Paragraph 2.1.25)

Despite having manpower for identification of beneficiaries and collection of their shares, awarded work for installation of Solar Home Lighting to contractors. This resulted in an extra expenditure of Rs.5.41 crore which was passed on to the beneficiaries.

(Paragraph 2.1.23)

Failure of the Company in performance of its duty as facilitator for getting PPA executed in time, resulted in deprivation of revenue of Rs.4.45 crore to the Individual Power Producers.

(Paragraph 2.1.14)

In 13 out of 41 cases, the developers initiated project activities prior to approval of project by State Level Empowered Committee and the Company allowed the grid connectivity without levy of penalty of Rs.3.03 crore as specified in the policy.

(Paragraph 2.1.13)

Installation of 100 KW grid interactive solar power plant at Gorir without ensuring sufficient grid availability in that area rendered the total cost of the plant of Rs.2.55 crore uneconomical.

(Paragraph 2.1.27)

Despite a big potential for biomass based power projects in the State, the Company succeeded in only 46.8 MW biomass power projects getting commissioned during the period of eight years up to March 2007.

(Paragraphs 2.1.16 and 2.1.17)

2.2 Rajasthan State Industrial Development and Investment Corporation Limited

Financial and Investment activities

The Company sanctioned loans after delays ranging between 3 to 164 days against 60 days as prescribed in the Industrial Policy, 1998.

(Paragraph 2.2.10)

The targets for sanction of term loan were kept lower than the actual loan proposals accepted in all five years (2002-06).

(Paragraph 2.2.9)

The Company settled an outstanding amount of Rs.75.48 crore, for only Rs.27.84 crore in 34 cases and thus sacrificed Rs.47.64 crore during April 2001 to March 2006 under One Time Settlement Scheme.

(Paragraph 2.2.24)

Out of 39 units involving outstanding dues of Rs.57.84 crore, 37 units were sold at a deficit of Rs.27.76 crore constituting 48 *per cent* of the total dues.

As on 31 March 2006, 34 units involving outstanding dues of Rs.51.20 crore were lying unsold for which the Company had to incur expenditure of Rs.91.16 lakh on their watch and ward.

(Paragraph 2.2.26)

Due to lack of action under State Financial Corporations Act in respect of 5 cases, the Company sacrificed Rs.6.39 crore.

(Paragraph 2.2.23)

Lack of proper follow-up action in terms of buy-back agreements, disinvestment of Rs.11.16 crore in 42 equity cases was overdue as on 31 March 2006.

(Paragraph 2.2.35)

In 76 units, the market value of investment made at a cost of Rs.28.93 crore reduced to Rs.13.60 crore resulting in erosion of over 47 *per cent* of the Company's investments on 31 March 2006.

(Paragraph 2.2.33)

The Company sustained losses in three out of five years ranging Rs.7.13 crore (2004-05) to Rs.15.84 crore (2001-02) in its investment activities except in the years 2002-03 and 2005-06.

(Paragraph 2.2.7)

The Company did not sanction loan to any unit in 5 of the 11 thrust sectors and 4 of the 11 thrust geographical areas notified in the Industrial Policy, 1998 and thus failed to ensure sectoral and geographical industrial development of the State.

(Paragraph 2.2.17)

2.3 Power Sector Companies

Implementation of Accelerated Power Development Reforms Programme (APDRP) in Power Sector Companies in Rajasthan

Despite lucrative incentives proposed in APDRP, Cash loss in all the three Discoms (Jaipur, Jodhpur and Ajmer) increased.

(Paragraph 2.3.17)

Objective of APDRP to bring commercial viability was defeated as the Discoms did not give due emphasis to the circle having higher Aggregate Technical and Commercial losses.

(Paragraph 2.3.14)

Due to inordinate delay in execution work, the various works valuing Rs.108.66 crore were short closed by the Discoms. This resulted in deprival of grant of Rs.27.16 crore and anticipated savings of Rs.11.31 crore.

(Paragraph 2.3.23)

Due to non commencement/partial completion of works, the Discoms could not achieve possible energy savings of Rs.6.03 crore per annum as envisaged in Detailed Project Reports.

(Paragraph 2.3.26)

Delay in release in Government of India funds to Discoms by the State Government resulted in loss of interest amounting Rs1.73 crore.

(Paragraph 2.3.21)

Deviating from APDRP guidelines, the Discoms utilised incentive of Rs.137.71 crore as revenue grant for reducing revenue gap instead of improvement in the power sector.

(Paragraph 2.3.32)

Expenditure of Rs. 1.26 crore incurred on outsourcing the feeder meter reading and its analysis become infructuous as the works of Consumer Indexing and Distribution Transformers metering was not complete.

(Paragraph 2.3.33)

Reliability and quality of power supply was not improved as the Discoms could not achieve even the modest target of 4 to 19 *per cent* reduction in Distribution Transformers failure rate.

(Paragraph 2.3.18)

2.4 Rajasthan State Mines & Minerals Limited

Mining and Marketing of Lignite

The Company did not carry out geo-technical and hydro geological studies prior to opening of mine pit, which resulted in premature payment of Rs.11.07 crore to the contractor.

(Para 2.4.10)

The Company paid Rs.1.95 crore on hiring of DG sets though two idle DG sets were lying with it.

(Para 2.4.11)

Excess manpower resulted in idle payment of Rs.4.37 crore.

(Para 2.4.15)

The Company had to pay higher rates for excavation of lignite due to the rider agreement with the contractor and suffered loss of Rs.84.05 lakh.

(Para 2.4.14)

The Company suffered loss of Rs.60 lakh due to preferring DG sets over grid power supply for depressurization.

(Para 2.4.12)

The Company did not adhere to environmental rules and regulations, which resulted in operation of mines without reclamation of land.

(Para 2.4.16)

2.5 Jaipur Vidyut Vitran Nigam Limited

Information Technology Audit review on the High Tension Billing System

The Company neither formulated nor documented Information Technology policy/security policy.

(Paragraph 2.5.6)

The Company did not formulate a Business Continuity Plan nor could ensure the availability of updated data and the application leading to risk of unavailability of the data in case of any eventuality.

(Paragraph 2.5.8)

Non mapping of business rule into the system led to short realization of revenue by the Company.

(Paragraph 2.5.10)

3. Transaction Audit observations relating to Government Companies and Statutory Corporations

Transaction audit observations included in the Report highlight deficiencies in the management of PSUs, which had serious financial implications. The irregularities pointed out are broadly of the following nature:

Unproductive expenditure and loss of interest amounting to Rs.4.99 crore in six cases.

(Paragraphs 3.5, 3.7, 3.8, 3.9, 3.10 and 3.19)

Extra avoidable expenditure of Rs.6.19 crore in seven cases.

(Paragraphs 3.1, 3.4, 3.11, 3.12, 3.13, 3.16 and 3.17)

Loss of revenue of Rs.2.13 crore in five cases.

(Paragraphs 3.3, 3.6, 3.13, 3.14 and 3.15)

Violation of contractual obligations and undue favour to contractors resulting in loss of Rs.3.30 crore in one case.

(Paragraph 3.2)

Gist of some of the important audit observations is given below:

GOVERNMENT COMPANIES

Non-insertion of put/call option clause in the bonds issued during 2001-02 caused avoidable payment of interest Rs.3.40 crore to five Power Sector Companies.

(Paragraph 3.1)

Rajasthan Rajya Vidyut Prasaran Nigam Limited extended undue benefit to the supplier by allowing price variation of Rs.3.30 crore on the purchase order at fixed price.

(Paragraph 3.2)

The injudicious approach adopted in acceptance of the privilege rights without safeguarding the financial interests led to a revenue loss of Rs.3.43 crore to Rajasthan State Ganganagar Sugar Mills Limited.

(Paragraph 3.10)

STATUTORY CORPORATION

Without ensuring the timely operationalisation of application software, Rajasthan Financial Corporation paid annual charges of Rs.35.59 lakh for facility maintenance, leased lines and annual technical support resulted in infructuous expenditure.

(Paragraph 3.19)