

Chapter IV

4. Transaction Audit Observations

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

Government Companies

Rajasthan Rajya Vidyut Prasaran Nigam Limited

4.1 Award of work at higher cost without getting intended benefits

The Company's decision to award the work on turnkey basis without ensuring timely completion resulted in deprival of intended benefits besides excess cost of project by Rs. 1.93 crore.

Rajasthan Rajya Vidyut Prasaran Nigam Limited (Company) invited (January 2006) tenders for erection of six* 132 KV transmission lines on turnkey basis. It also invited, simultaneously, tenders for erection of nine transmission lines including these six lines on labour contract basis, to avoid delay, in case there was no bidder for execution of work on turnkey basis or processing and finalization of such tenders did not materialize for any reason. Against these tenders, three offers on turnkey basis and five offers on labour contract basis were received. An analysis of the rates revealed that the lowest rate of Rs. 19.78 crore offered by Bajaj Electricals Limited (L₁Firm) after negotiation, on turnkey basis was higher by Rs. 2.92 crore as compared to prevailing cost of material and the erection cost under the labour contract tender. Besides, the scheduled completion period was longer by two months as compared to that of the labour contract tender. Despite this, the Company, without considering the time and cost benefits of labour rate contract decided to award the work of six lines on turnkey basis and accordingly, orders were placed (August 2006) in favour of the L₁ Firm with scheduled completion by June 2007. The work of remaining three[#] lines was awarded (July 2006) on labour rate contract basis with scheduled completion by February 2007.

* (1) 132 KV LILO for Khandar from Sawaimadhapur- Sheopur (15 kms), (2) 132 KV Gharsana-Khajuwala (65 kms), (3) 132 KVS/c from 220 KV GSS Phalodi-Aau (60 kms), (4) 132 KV S/c Dechu-Kalau (30 kms), (5) 132 KV S/c Sawaimadhapur-Bhadoti line (30 kms) and (6) 132 KV S/c Sujangarh-Parewara line (36 kms).

(1) 132 KV S/c Shahjahanpur-Madhan line (15 kms), (2) 132 KV D/c Mansiwakal-Jhadol (Udaipur) line (10.5 kms) and (3) 220 KV Khinvsar- Bhopalgarh line (35 kms).

Scrutiny of records (November 2007) of the Company relating to the turnkey works revealed that the only contractual safeguard against delay in the execution of work was a routine condition to recover penalty (up to 5 *per cent*) instead of any specific clause for recovering adequate compensation, commensurate with extra expenditure. The progress on all the six turnkey works was dismal. Against scheduled completion by June 2007, the L₁ firm could not even complete the survey work of four lines by end of January 2008 and for the remaining two lines the work of stub setting and tower erection was in progress whereas the works awarded under labour contract tender were completed within the scheduled completion period except marginal delay in one line.

Thus the decision of the Company to award work at a substantially higher cost was against financial prudence. The Company could not get the intended benefits of timely completion of the work by awarding it on turnkey basis, in spite of the higher cost of the offer by Rs. 2.92 crore in comparison to the offer on labour contract basis. Even if the Company recovers the maximum amount of penalty under the existing contract, there would still be an extra expenditure of Rs. 1.93 crore, besides deprivation of intended benefits in form of energy savings of 644.53 lakh units per annum and quality power supply for the period up to the completion of project.

In reply, the Government stated (September 2008) that one of the main reasons to go in for turnkey contract was limited availability of labour contractors and the placement of orders on them could have burdened them resulting in delay in timely completion of the work. Further, the order was placed on a firm of national repute and delay was not expected from it.

The reply is not justifiable as the Company did not keep a suitable penal clause as a financial safeguard for compensation against extra expenditure.

4.2 *Loss of interest*

Non availment of payment facility either through post dated cheques/warrants or through core banking led to loss of interest earning of Rs. 1.11 crore.

Rajasthan Rajya Vidyut Prasaran Nigam Limited (Company) raised funds through issue of Bonds during 2000-2005 to various bondholders such as Life Insurance Corporation of India, Banks, Employee funds of erstwhile RSEB and other Financial institutions. To ensure timely payment to the bondholders, trustee agreements between the Company and State Bank of India (SBI) and tripartite agreements between the Company, State Government and SBI were separately executed for each issue.

Different clauses of these agreements stipulated an obligation of the Company regarding payment of principal and interest on due dates which *inter-alia* contained a condition that all warrants/drafts/cheques for interest and/or principal payment should be despatched seven days prior to the due date to bondholders. The Company opened a separate escrow account for each bond

issue and funds were transferred from time to time in the respective escrow accounts prior to due dates of re-payment of principal/interest. Further, to earn interest during the intervening period, the funds of escrow accounts were simultaneously kept in flexi fixed short term deposits (FFD) with the concerned bank for different periods ending seven days prior to the due date of payment. Demand drafts were prepared by encashing the FFD and sent to the bondholders seven days prior to due dates of payment of interest/repayment of principal including the interest up to the due date.

Audit noticed that the Company did not adopt the method of payment through post dated cheques/warrants available as per agreement or core banking facilities¹ whereby funds could be transferred on the same day in the account of the recipient, but continued to make payment by way of traditional method of demand drafts dated seven days before due date which prevented the Company from earning of interest on FFD for a period of seven days resulting in a loss of interest of Rs. 1.11 crore calculated at the interest earning rates on FFD as detailed below:-

(Rupees in crore)

Year of payment	Amount of payment of principal	Amount of payment of interest	Total payment made	Loss of interest
2007-08	116.00	52.51	168.51	0.17
2006-07	350.00	82.93	432.93	0.35
2005-06	430.00	119.09	549.09	0.48
2004-05	0	139.30	139.30	0.11
Total	896.00	393.83	1289.83	1.11

The Government while accepting the suggestions (May 2008) to avail core banking facility in future, after taking care of practical problems, stated that it was bound to make the payment to the bondholders in the manner prescribed by the trustee.

The reply is not tenable as adherence to the trustee agreement for timely payment to its bondholders did not prevent the Company from making payments through post dated cheques/warrants or adoption of core banking facility so as to ensure that there was no loss of interest on the FFDs.

4.3 Loss of interest

Lack of proper planning led to loss of interest of Rs. 42.97 lakh.

A committee constituted (January 2001) to review major generation system disturbance at Kota recommended (May 2001) that Bus bar protection should be provided on all the important 220 KV Grid Sub-stations (GSSs). The Rajasthan Rajya Vidyut Prasaran Nigam Limited (Company) accordingly, invited (April 2004) open tenders on two-part basis for installation of

¹ At par payment, Electronic Fund Transfer (EFT) and Real Time Gross Settlement (RTGS).

Numerical Bus bar Protection System (Systems) on 14 GSSs and purchase orders on divisible basis were placed (28 October 2004) on ABB Ltd., Jaipur and Siemens Ltd., Gurgaon for seven GSSs each at a total cost of Rs. 7.24 crore and Rs. 6.97 crore respectively. The supplies were to be completed by June 2005. The performance of the Systems was also guaranteed for a period of 18 months from the date of receipt of the last consignment at the site or 12 months from the date of commissioning, whichever was earlier. The work of erection of the System was also awarded (October 2004) to the same firms at a total cost of Rs. 28.07 lakh and Rs. 29.30 lakh respectively. The work orders for civil works were to be placed by the concerned circle offices. The Systems were supplied by ABB between November 2004 and January 2005 and Siemens in June 2005.

Scrutiny (August 2007) of records of the Company revealed that the Systems at Khetri Nagar and Suratgarh GSSs, supplied by these firms in January 2005 and June 2005 at a cost of Rs. 1.22 crore and Rs. 88.12 lakh could not be commissioned as the work orders for civil works were not placed by the concerned circle offices till October 2007 for Khetri Nagar GSS and December 2006 for Suratgarh GSS and the civil works for these GSSs were completed only in December 2007 and in July 2007 respectively.

Thus, absence of planning and lack of co-ordination between various divisions of the Company resulted in idling of equipments, costing Rs. 2.10 crore for 26 months at Khetri Nagar and 29 months at Suratgarh and delayed achievement of the intended benefits. The Company suffered a loss of Rs. 42.97 lakh (at the rate of 9 *per cent*) on account of interest on the amount which remained blocked. The delay in installation of Systems also resulted in lapse of the guarantee period.

In reply, the Government stated (May 2008) that installation of Systems on these two locations was delayed due to site-specific technical difficulties and that the Bus bars had since been commissioned. Reply is not tenable as the problems enumerated by the management were internal and known to them before the work of commissioning was awarded. With advance planning and close monitoring, the sites could have been made ready for commissioning at appropriate time.

Rajasthan Rajya Vidyut Utpadan Nigam Limited

4.4 Loss due to mixed use of grinding balls

Mixed use of grinding balls from two suppliers without ascertaining their separate performance resulted in non replacement of balls valuing Rs. 45.97 lakh.

Rajasthan Rajya Vidyut Utpadan Nigam Limited (Company) placed (between February 2001 to May 2005) purchase orders for supply of 240 MTs and 285 MTs High Chrome Grinding Media balls (balls) on Bharat Heavy

Electricals Limited (BHEL) at the rates of Rs. 50,073 and Rs. 57,373 per MT respectively for crushing of coal in its Kota Thermal Power Station (KTPS) unit. As per guarantee clause of the purchase orders, the wear rate of balls was required to be upto 100 gms per MT of coal crushed irrespective of the quality of coal used. In case of excess wear rate, BHEL was to supply additional quantity of balls free of cost over and above the wear rate of 100 gms per MT of coal. The Company also placed (June 2005) a purchase order for supply of 290 MT balls on Balaji Industrial Products Ltd., Jaipur at the rate of Rs. 57,171 per MT with similar guarantee clause.

Scrutiny (October 2006) of records of the KTPS and further information collected (November 2007) revealed that the Company did not ascertain the actual wear rate of balls in any of three annual shut downs of generating units taken at KTPS in June 2002, September 2003 and August 2004 which was essential to ascertain actual wear rate of these balls. Audit further noticed that the actual consumption of balls evaluated by the Company at the time of two annual shut downs of mills of unit VI and unit V during July/August 2005 and September 2005 was 121.7 gms per MT and 112.20 gms per MT respectively of coal crushed. The total excess consumption as worked out by the Company in comparison to guaranteed performance was 80.148 MT (31.848 + 48.30), of which 8.422 MT was attributed to Balaji Industrial Products Ltd., Jaipur.

The Company asked (November 2005/June 2006) BHEL/Balaji to compensate for excess consumption but both the suppliers refused to accept the actual wear rate worked out by the Company on the plea that their balls were mixed up with the balls supplied by the other supplier during operation.

The Management while accepting the fact of mixed use of balls stated (July 2008) that use of mixed balls led to erroneous results as different suppliers have their own different manufacturing method/heat treatment *etc.* It further stated that a recovery of Rs. 20 lakh had been made from BHEL and a new method had been evolved to work out the wear rate. Based on this new method, notices had been served to BHEL/Balaji for supply of balls consumed in excess of wear rate.

The reply is not tenable as both the suppliers had already refused to replenish the balls due to their mixed use. Regarding recovery of Rs. 20 lakh the contention of the Company was not acceptable as the amount was actually withheld and not recovered as stated in reply. Furthermore, against recoverable amount of Rs. 45.97 lakh, Rs. 20 lakh could be retained in respect of one supplier only, while nothing could be recovered from the other supplier.

Thus due to delay in working out the actual wear rate coupled with mixed use of balls, the Company could not invoke the guarantee clause, and suffered a loss of Rs. 45.97 lakh*.

* 71.726 MT X Rs.57,373 plus 8.422 X Rs.57,171

Jaipur Vidyut Vitran Nigam Limited

4.5 Undue benefit to consumer

In violation of the tariff order, the Company allowed an undue incentive of Rs. 79.38 lakh to the consumer.

The Tariff for Supply of Electricity-2004 (tariff order), provides an incentive scheme linked to consumption of contract demand per KVA for all Large Industrial Power (LIP) consumers. The scheme allowed an incentive to those consumers, against whom no arrears were outstanding and whose annual consumption for the current financial year was not less than the annual consumption of previous financial year at the rates given below:

for energy consumption ranged between 250 KWH and 400 KWH per month per KVA of contract demand	1.0 per cent on energy charges
for energy consumption exceeding 400 KWH but upto 550 KWH per month per KVA of contract demand, and	4.0 per cent on energy charges
for energy consumption in excess of 550 KWH per month per KVA of contract demand.	7.0 per cent on energy charges

Jaipur Vidyut Vitran Nigam Limited (Company), in violation of the tariff order, irregularly allowed (November 2007) an incentive of Rs. 79.38 lakh to Lord Chloro Alkali Pvt. Limited, Alwar (Consumer) for the period from January 2006 to September 2007, against whom dues of Rs. 14.48 crore were outstanding which were to be recovered in six half yearly instalments *i.e.* up to September 2007.

The Government while accepting the audit observation stated (August 2008) that the incentive earlier allowed to the consumer had been charged in the billing month of April 2008.

The fact remained that the Company had allowed undue incentive of Rs. 79.38 lakh to the consumer for over six months. Further, instead of effecting recovery of disputed outstanding of Rs. 6.85 crore against the consumer which was overdue since September 2007, the Company simply reverted back the incentive amount in the consumer's account. It also indicated that the Company had adopted a casual approach while allowing incentive under the tariff order.

4.6 Loss due to purchase of sub-standard transformers

Waiver of penalty on supply of sub-standard transformers having losses in excess of the guaranteed maximum load losses/no load losses resulted in a net loss of Rs. 47.33 crore to the Company.

The Jaipur Vidyut Vitran Nigam Ltd (Company) on behalf of all the three Distribution companies¹ invited (between October 2001 and August 2005) four open tenders² for supply of 5 MVA and 3.15 MVA power transformers under the World Bank financing schemes. The bidders were required to quote prices along with the guaranteed 'maximum no load losses³' and 'load losses⁴'. The prices quoted by the bidders were evaluated after loading the quoted quantum of losses, at the rate of Rs. 2,01,400 and Rs. 87,000 per KW for no load losses and load losses respectively. These rates were worked out on the basis of capitalization of the transformer losses during the life of a transformer. In order to ensure that the losses were kept within the guaranteed maximum limit, a provision for recovery of penalty at double the rate of loading (Rs. 4,02,800 per KW for no load loss and Rs. 1,74,000 per KW for load loss) was kept in the purchase orders in case the losses exceed the guaranteed maximum losses. Based on this evaluation, purchase orders were placed (between May 2002 and April 2006) on seven firms for supply of total 798 Nos. transformers (386 Nos. of 3.15 MVA and 412 Nos. of 5 MVA) at a total cost of Rs. 99.69 crore.

As per clause 10 of the purchase order, the transformers were inspected by the Company at supplier's works prior to their dispatch. After pre-dispatch inspection by the Company, 664 Nos. transformers (312 Nos. of 3.15 MVA and 352 Nos. of 5 MVA) were supplied (up to June 2006) against the ordered quantity. The Company belatedly developed (June 2006) a testing facility in its Central Testing Laboratory (CTL) for measurement of losses of power transformers. The samples of transformers lying in store were tested in the CTL wherein the results did not conform to the specifications. The Company, therefore, decided (July 2006) to test the transformers in respect of which the guarantee period had not expired on sample basis (one sample from each lot of dispatch). Since most of the transformers had already been installed and the CTL was not equipped for site testing, the tests were got conducted (between November 2006 to January 2007) by an independent third party testing agency[#]. The representatives of the firms were also permitted to witness the testing but none of the firms deputed its representative. The testing reports of the agency also confirmed that the actual losses were excessively higher than the guaranteed maximum limit of losses, as detailed below.

¹ Ajmer Vidyut Vitran Nigam Limited, Jodhpur Vidyut Vitran Nigam Limited and Jaipur Vidyut Vitran Nigam Limited.

² JPD/MM/IDA/WB/TR-114, JPD/MM/SPO-VI/WB/TR-133, JPD/MM/SPO-VI/WB/TR-152 and JPD/MM/SPO-VI/WB/TR-167.

³ Loss of energy during the period when there is no outgo of electricity from the transformer.

⁴ Loss of energy during supply.

[#] Santhala Power Research Corporation Limited, Hubli.

Type of transformers	Load losses		No load losses	
	Guaranteed (KW)	Actual (KW)	Guaranteed (KW)	Actual (KW)
5 MVA	16.61 to 20	17.6 to 39.40	3.7 to 4.06	4.3 to 9
3.15 MVA	11.93 to 15.92	15.25 to 23.93	2.61 to 2.99	2.8 to 7.1

Audit noticed that a sample of 91 transformers representing a total of 493 transformers were tested of which 6 transformers were replaced by the firms. The Company asked (January 2007) the firms to repair/replace the remaining transformers, which was not agreed to by the firms. The Company thereafter imposed (April 2007) penalty of Rs. 120.39 crore (aggregate) on the suppliers for excess losses. The suppliers represented against this penalty order stating that the penalty was much higher than the total value of supply orders and requested for reconsideration of the quantum of penalty imposed. A Committee consisting of the Chairmen and Managing Directors of all the three distribution companies decided (August 2007) to waive the penalty to the extent of Rs. 107.52 crore, on the ground that the average losses observed were within the norms fixed by the Central Board for Irrigation & Power (CBIP). The Committee also observed that other utilities were purchasing similar transformers with the same losses and the price paid by the Company was comparable with the price of those transformers. The committee, thus, decided to recover penalty amounting to Rs. 12.87 crore only.

The decision of the Committee was arbitrary as the justification cited did not consider the fact that the norms fixed by the CBIP were not mentioned in the tender documents and hence, waiver of penalties on the said basis was inappropriate. Moreover, the comparison of prices with other utilities was also subjective, as the prices paid by the national level utilities were not available and the Committee did not consider cases where the transformers with similar losses were purchased at lower rates (West Bengal State Electricity Board 17.80 *per cent* lower in respect of 3.15 MVA transformers and Reliance Energy Ltd. 35 *per cent* lower in respect of 5 MVA transformers).

Audit observed that the limit imposed in respect of losses was the essence of the contract. The prices were paid on the basis of this guarantee of maximum limit of losses and hence these transformers were purchased at higher rates. Further the penalty clause was accepted by these suppliers. The Distribution companies have thus ended up with substandard transformers, which will cause minimum loss of Rs. 60.20 crore, during their working life, which is the capitalized cost of excess losses. The recovery of Rs. 12.87 crore as penalty was insufficient leaving the companies to contend with losses of Rs. 47.33 crore on use of sub-standard transformers.

The Government while accepting the fact that the guaranteed losses were the essence of the contract as the prices were paid on the basis of the offered losses stated (July 2008) that the actual losses of transformers supplied were different than guaranteed losses. It, however, justified the reduction in penalty amount on the plea that the penalty amount was 3 to 4 times of the value of the transformers and thus against natural justice. The Government further stated that the basis of determining the penalty amount should either be the

savings on cost of material or the purchase price of similar transformers of other utilities.

The logic given to justify reduction in penalty is not tenable as the purpose of levy of penalty was to recover the amount of actual losses which would be incurred during the life of the transformers due to supply of sub-standard transformers. Further, the Company also failed to safeguard its financial interest by not imposing penalty at least equal to excess losses being suffered by it.

4.7 *Undue benefit to the consumer*

Undue benefit of Rs. 58.28 lakh to a consumer in violation of terms and conditions of supply (TCOS).

Jaipur Vidyut Vitran Nigam Limited (Company) shifts overhead lines which are hazardous to human life and property on chargeable basis at 50 *per cent* of cost, based on two orders of the years 1996 and 2002. In pursuance of the Electricity Supply Code and Connected Matters Regulation 2004, notified (June 2004) by the Rajasthan Electricity Regulatory Commission (RERC), the Company, after approval of the RERC, issued (August 2004) Terms and Conditions of Supply, 2004 (TCOS). As per clause 40(6) of the TCOS hundred *per cent* cost including overhead charges was to be recovered from the consumer in case of shifting of lines. It was also stipulated under the clause 40(2) that shifting of connection/line would be allowed only if found technically feasible after examining the merits of the case. There was no provision under the TCOS for waiver/sharing of any amount chargeable on account of shifting of connection/lines. The Company approached (June 2006) the RERC for amendment to this clause of TCOS on which no decision has been given so far (March 2008). Man Structure Private Limited, Jaipur (consumer) had approached (September 2006) the Company for shifting of 33 KV towers from its land.

Scrutiny (April 2008) of records of the Company revealed that while examining the feasibility of shifting of towers from the consumer's land the Company found that the shifting was not technically possible as there was a railway line on one side and a nallah on other. As there was no alternative route available, the consumer requested (October 2006) for laying underground cable on its premises at the cost of the Company. The Chairman and Managing Director of the Company issued technical and administrative approval (24 January 2007) for carrying out the work. The Company further issued a clarification (29 January 2007) to treat the work as a capital work of the Company. Accordingly, the Company carried out the work at its own cost of Rs. 58.28 lakh. Thus the Company extended undue benefit to consumer to that extent which was in contravention to the provision of sub-clause 6 of clause 40 of the TCOS.

On being pointed out, the Government stated (July 2008) that clause 40 of the TCOS was exclusively for shifting of the connection and the service lines of the consumers and not for shifting of the other overhead lines passing through

the premises of a person and catering/feeding supply to different areas. It further stated that the consumer had agreed to provide its land free of cost for laying underground cable.

The reply was not tenable as the Company had deviated from the provisions of the TCOS which were approved by RERC. This was also evident from the fact that the Company had approached (June 2006) the RERC for an amendment in clause 40 of TCOS to allow sharing of cost in the ratio of 50:50. As for providing of land free of cost by the consumer, this consideration was not justified as the overhead lines were erected by the Company long back and the consumer would be the ultimate beneficiary of the shifting. Moreover, the Company was not bound to shift the lines in case it was not technically feasible.

Thus the action of the Company of shifting of overhead lines from the premises of the consumer without recovering an amount of Rs. 58.28 lakh as per the TCOS amounted to extending undue benefit to consumer.

Ajmer Vidyut Vitran Nigam Limited

4.8 Avoidable extra expenditure

Due to delay in opening price bid, the Company could not invoke the price fall clause which resulted in avoidable expenditure of Rs. 97.67 lakh.

Ajmer Vidyut Vitran Nigam Limited (Company) placed (18 July 2006 to 18 September 2006) purchase orders on various firms (TN-315) for purchase of 10,000 Nos. 25 KVA transformers with a metering box having provision for two meters at a variable rate of Rs. 46,000/- per transformer with base date 1 July 2005. The price fall clause contained in above purchase orders stipulated that in case lower rates were received in the subsequent tender and the firm also participated in it and accepted the lower rate, pending supply against these orders shall be taken at such lower rate. The Purchase Manual of the Company provides that the letter of intent/purchase order should be issued within 90 days from the date of opening of tender.

Scrutiny (November 2007) of records of the Company revealed that the Company invited (May 2006) another tender (TN-337) for purchase of transformers having same specification as in TN-315. The technical bids of this tender were opened on 17 June 2006 as scheduled. Meanwhile the Company decided (16 October, 2006) to purchase transformers with meter box having provision for four meters as well. Accordingly, the bidders were asked (December 2006) to quote price bids of transformers having provision for four meters by 2 January 2007. Both the price bids were, however, ultimately opened on 30 April 2007. After evaluation of price bids, orders for purchasing transformers with meter box having provision for two meters were placed (June 2007 and July 2007) at the rate of Rs. 46,700 per transformer with price variation with base date of 1 May 2006. The updated unit price of

transformers having provision of two meters was Rs. 51,669 per transformer under the TN-315.

It was also observed that the Company took 118 days in opening the price bids received on 2 January 2007. Keeping the total specified time in view, it was reasonable that the bids be opened latest by 1 February 2007. The Company accepted supplies of 2089 Nos. of transformers under TN-315 from 2 February 2007 to 30 April 2007 from the same firms who had also participated in the tender under TN-337 and accepted the lower rate. Had the subsequent tender been opened within prescribed scheduled time, the Company could have procured transformers at a lower price against TN-315.

In reply the Management stated (August 2008) that in this particular tender two part bid *i.e.* technical bid and financial bid was introduced for the first time. The delay in opening of price bid was due to time taken in technical evaluation of the bids of 90 firms and rectification of shortcomings noticed in the bids of 57 firms. Thus, the Company required more time than a normal purchase case of 8-10 firms in single part bid.

The reply is not tenable as two part bid *i.e.* technical bid and financial bid process was prevalent in the Company for purchase of such high value equipment. Also, the time taken for opening of price bid of the tender was abnormally higher than the time prescribed in the purchase manual.

Thus due to delay in opening price bid of TN-337, the Company could not invoke the price fall clause on supplies of 2089 Nos. of transformers which resulted in an avoidable payment of Rs. 97.67 lakh.

Jodhpur Vidyut Vitran Nigam Limited

4.9 Extra expenditure

Non invoking the price fall clause resulted in extra expenditure of Rs. 12.48 lakh.

Jodhpur Vidyut Vitran Nigam Limited (Company) placed (14 July 2006) a purchase order on Keshav Electrical (Firm), Jaipur for purchase of 1030 km Ariel Bunched Cable (AB Cable) at a unit price of Rs. 28,000 per km F.O.R. destination on price variation basis with base date of 1 March 2006. Keeping the further requirement in view, the Company placed (27 April 2007) a repeat order for 1030 km of AB cable on same rates, terms and conditions as stipulated in the previous order. The supplies under repeat order were to be completed by 2 August 2007.

As per clause 1.42.10 of the General Conditions of Contract (GCC), if any previous successful tenderer had also participated in a new tender enquiry and accepted the lower rate in the subsequent tender, then pending supplies against

previous tender were to be taken at lower rate as received in the subsequent tender in case delivery schedule was not over.

The Company floated (26 March 2007) another tender for purchase of AB cable to meet the requirement of 2007-08. The technical bid and financial bid were opened on 21 May 2007 and 5 July 2007 respectively, wherein the lowest (all adjusted unit) F.O.R. destination price received was Rs. 28,950.99 per km on price variation basis with base date of 1 April 2007 as against Rs. 30,179.76 per km the updated ordered price of previous tender (July 2006). The Company, after considering reasonability of prices, gave counter offer of all adjusted unit F.O.R. destination price of Rs. 28,514.33 per km which was accepted (11 July 2007) by the firm. Accordingly, a purchase order for supply of 1567.5 km AB cable was placed (9 August 2007) on the firm at the rate of Rs. 28,514.33 per km.

Audit noticed that the firm had supplied only 479.847 km AB cable against the repeat ordered quantity of 1030 km upto 11 July 2007 *i.e.* the date of acceptance of lower rates against the subsequent tender and supply of 550.153 km was pending. Hence, the pending supply should have been taken on lower rates as received in new tender. The Company, however, did not invoke clause 1.42.10 of GCC and released (August 2007) payment for the supply of 550.153 km AB cable at the rates contracted in the previous tender and thus incurred an extra expenditure of Rs. 12.48 lakh.

The Government stated (August 2008) that the rates of the subsequent tender for the purpose of price fall clause became applicable on the date of placement of order *i.e.* 9 August 2007. It further stated that the firm had offered inspection for entire balance material on 30 June 2007 well before the contractual delivery period.

The reply is not acceptable, as the fact remains that the lower rate against the new tender was accepted by the firm before the entire quantity of the previous purchase order was supplied and thus for the pending supply the lower rate obtained in the new tender was applicable as per GCC.

4.10 Undue benefit to consumer

Against the provisions of the scheme, the Company recalculated the Late Payment Surcharge (LPS) amount and allowed an undue benefit of Rs. 1.93 crore to consumer.

Jodhpur Vidyut Vitran Nigam Limited (Company) issued (August/September 2004) a commercial order for a concession package for the revival of running/closed sick units as under:

- The outstanding dues, excluding the interest, penal interest, late payment surcharge and delayed payment surcharge, as on the date of request for revival, were allowed to be paid in six half yearly installments and the first half yearly installment was to be paid before reconnection, wherever applicable.

- On the outstanding dues, no penalty and interest was to be levied.
- The minimum charges for closure period, if any, prior to the date of requisition of revival and during the period of sickness were to be waived. The closure period was to be verified by the Financial Institution/Industries Department as per the case.

Stainless India Pvt. Limited (consumer), a sick but running unit, applied (1 December 2004) for a concession package and requested the Company to waive off Late Payment Surcharge (LPS) amounting to Rs. 2.73 crore for the period March 2002 to November 2004 and also requested to waive off LPS already paid between the period April 1998 and February 2002.

Audit noticed that there were total outstanding dues of Rs. 5.56 crore including Rs. 80.30 lakh of LPS against the consumer as on 1 December 2004 *i.e.* date of their application for allowing concession package. The Company, however, while finalising the concession package, recasted (January 2005) the account of the consumer and adjusted the LPS of Rs. 1.93 crore already paid by the consumer during March 2002 to July 2004 apart from waiver of current outstanding LPS of Rs. 80.30 lakh as on 1 December 2004. This caused waiver of excess LPS of Rs. 1.93 crore and an undue benefit was thus given to the consumer in contravention of provision of the scheme.

The Government stated (August 2008) that no undue benefit was passed on to the consumer, as the basic principle under the Government policy was to give relief to the sick industries by recovering the principal dues only.

The reply is not acceptable in view of the fact that as per the scheme as well as Company's own order only outstanding LPS/penalty on the date of application could have been waived.

4.11 Embezzlement in collection of energy charges

Negligence of officials in charge of revenue realisation facilitated embezzlement of cash amounting to Rs. 31.70 lakh.

As per clauses 123.1 to 123.4 of the Revenue Manual 1986 of erstwhile Rajasthan State Electricity Board (RSEB) adopted by the Jodhpur Vidyt Vitran Nigam Limited (Company/JdVVNL), the Revenue Accountant/Accounts clerk is the in-charge of revenue work and responsible for any shortcoming in the revenue work. In cases where no Revenue Accountant/Accounts clerk is posted, the duties are to be carried out by the Assistant Engineer (AEN) who is also the unit in-charge.

In October 1999, the work of collection of energy bills in the rural areas of O&M Sub-Division, Sadulsahar was awarded to one Shri Shashi Kumar Garg (collection agent) by the erstwhile RSEB. The contract was extended by the Company, year after year, on the same terms and conditions upto 30 November 2004. The agreement executed with the collection agent, *inter alia*, stipulated that no part payment of a bill would be accepted by the

collection agent unless authorised by the competent officer. The amount collected by the agent was to be deposited in the bank account of the Company on the next working day.

Scrutiny (March/July 2008) of the records in the offices of the Superintending Engineer and Accounts Officer, Sri Ganganagar Circle, Sri Ganganagar and the AEN, O & M sub-division, Sadulshahar revealed that in violation of the terms and conditions of the agreement, the collection agent did not deposit the collected amounts of energy bills (Rs. 31.70 lakh) in the bank account of the Company during the period December 2003 to February 2005. He also accepted part payments from the consumers, even though he was not authorized to accept them. During the period June 2004 to February 2005, the collection agent also collected the energy bills of the city area though he was awarded the work of collection of energy bills for the rural areas only. The AEN did not report these irregularities to the competent authority and accepted the part/short realization as correct. Thus the AEN failed to discharge his duty and adhere to the rules/orders of the Company. It was also observed that the collection agent was un-authorisedly allowed to continue collection work upto 24 February 2005 though the contract ended on 30 November 2004, and that too without re-validation of security Bank Guarantee (BG) as well as Fixed Deposit Receipt (FDR). Thus, gross negligence on the part of officers of the Company in discharge of their duties and non-adherence to rules/orders relating to revenue collection resulted in embezzlement of Rs. 31.70 lakh (City area Rs. 9.70 lakh and Rural area Rs. 22 lakh).

Audit further noticed that the cashier of the O & M Sub Division, who was also authorised to accept only full payments of energy bills, accepted part payments of the energy bills from the consumers.

On being pointed out, the Government stated (July 2008) that the charge sheets were served (December 2005) against the delinquent officials but the matter was not brought to the notice of the Board of Directors of the Company. It further stated that an amount of Rs. 88,934 had been recovered from the collection agent through encashment of available FDR and the matter for recovery of amount from the agent was also pending before the court of law.

Reply of the Government is not tenable, as the Company had closed the cases against the delinquent AEN and cashier in July 2008 by simply issuing warnings to both of them. The action of the Company was also not justified in view of the serious lapses in discharge of duties related to the realisation of revenue, at the levels of the AEN and cashier.

4.12 Extra expenditure

Insertion of unilateral condition in Letter of Intent resulted in extra expenditure of Rs. 71.18 lakh.

Jodhpur Vidyut Vitran Nigam Limited (Company) invited (September 2005) tenders for supply of material, erection, testing and commissioning of single phase 11 KV LT Lines and Distribution sub-station for Bikaner and Churu Circles on turnkey basis with completion period of 15 months. The tenders were opened on 27 October 2005 with validity up to 24 February 2006.

Mahashakti Conductors Private Limited (firm) quoted the lowest rates for both the circles with a premium of 31.25 *per cent* and 32.25 *per cent* above G¹ schedule. The firm was called for negotiation (February 2006) wherein it expressed its inability to reduce the rates. The Company issued (February 2006) a letter of intent (LOI) to the firm on the quoted rates with completion period of 12 months as against 15 months mentioned in the tender document. This was done on the basis of the verbal direction given to the firm during negotiation but without obtaining its final acceptance. Audit observed that the firm in its letter (February 2006) reiterated the acceptance of quoted rates and completion schedule as per the tender offer.

The firm refused (3 March 2006) to accept the LOI stating that the same was not as per its acceptance conveyed during negotiation. The tenders were ultimately cancelled without any liability on either side. The Company invited (May 2006) fresh tenders and awarded (September 2006) the work for both the circles to Jyoti Structures Ltd. at a premium of 35 *per cent* above 'G' schedule. The work had not been completed (June 2008) even after 21 months from the date of placement of the work order.

Audit observed that the firm backed out because of the unilateral insertion of the condition of completion period which resulted in cancellation of the tender and the Company had to award the same work at a higher rate at an extra expenditure of Rs. 71.18 lakh.

In reply, the Government stated (September 2008) that the Corporate Level Purchase Committee (CLPC) had held negotiations with the representatives of the firm on 22 February 2006 and it had been decided to complete the work within 12 months.

The reply of the Government is not acceptable as the tender was cancelled without any liability on either side; indicating clearly that due to the arbitrary insertion of condition of completion period of 12 months, a valid contract had not emerged after the CLPC negotiations and the firm in its letter (22 February 2006) had reiterated the acceptance of quoted rate and completion schedule as per the tender offer.

¹ The G schedule has been prescribed by the distribution companies for estimated item wise cost of material and labour for turnkey works.

Rajasthan State Mines and Minerals Limited

4.13 Extra expenditure due to non-operation of short route

Non insertion of a suitable clause resulted in extra expenditure of Rs. 51.26 lakh.

The Rajasthan State Mines and Minerals Limited (Company) called (February 2006) tenders for “Loading of Rock phosphate chips/concentrate into dumpers/trucks at Jhamarkotra mines and transporting the same to Debari Railway siding” for a total distance of 28 kms. The work was awarded (March 2006) to Nandish Constructions Company (Contractor) at the rate of Rs. 72.27 per MT for a period of 24 months from the date of commencement of work. The contractor commenced the work in April 2006.

Audit noticed that even before invitation of the above tender the Company was aware of a new route with a shorter distance of 23 kms (Tar road between Sukhanaka and Debari Road), which was to be operationalised shortly. In spite of having such information, the Company invited tenders for the existing route of 28 kms and awarded the above contract without inserting an appropriate clause in the work order for the payment on the basis of the shorter route, from the date such route became operational. In fact the road became operational w.e.f. 17 April 2006. Thus, non-insertion of a suitable clause in the work order entailed extra expenditure of Rs. 51.26 lakh (August 2007).

The matter was reported to the Government (January 2008); their reply had not been received so far (September 2008).

4.14 Extra expenditure

Awarding of contract at unreasonable rate of tender premium led to extra expenditure amounting to Rs. 22.07 lakh.

To overcome the problems of thoroughfare, trespassing and related safety controls of the main road in Jhamarkotra mine lease area, the Rajasthan State Mines & Minerals Ltd. (Company) decided (May-2003) to construct an alternate road from Dhamdar to Kharwa via Parola, Manpura and Nakoli. The road was to be constructed in two phases (i) formation of road by earth cutting, filling and construction of culverts, bridge *etc.* (ii) water bound macadam (WBM) and bitumen carpeting. The financial estimate of cost of work was prepared (April 2003) on the basis of the Public Works Department’s Basic Schedule of Rate (PWD-BSR) 1998. The financial and administrative approval of an estimate of Rs. 1.20 crore, prepared on the basis of PWD BSR 1998 was granted in August 2004.

The Company invited (December 2005) tenders calling for rates for each phase separately. The first phase work *i.e.* formation of road, was awarded (July 2006) to Praman Construction Pvt. Ltd. at a total cost of Rs. 1.03 crore

which was 28 *per cent* above the 'G' Schedule (Rs. 80.50 lakh) based on the PWD BSR-1998.

Audit noticed that the PWD introduced revised BSR 2003, substituting old BSR-1998 from 17 December 2003 and that similar road works awarded on the basis of BSR-2003 were got executed by it at Udaipur division either at par or up to 8.27 *per cent* below the rates of BSR 2003. Audit further noticed that the rates of BSR-2003 were significantly lower in comparison to rates worked out taking together BSR-1998 rates with 28 *per cent* tender premium.

Audit further observed that the Company had assessed reasonability of the offer with rates on which the works under the Pradhan Mantri Gramin Sadak Yojana (PMGSY) were being executed. The roads under PMGSY besides being constructed on the basis of a different set of guidelines and specifications issued by Ministry of Rural Development, Government of India, had an additional financial implication of maintenance of the road for the first 5 years at the contractor's cost. Hence the rates under PMGSY were not comparable without factoring in this additional cost.

Thus the award of work by the Company at unreasonably high rates, without ascertaining their reasonability with reference to the latest updated BSR 2003 and the prevailing rates for the concurrent works given by another government agency in the same division made the Company incur an extra expenditure of Rs. 22.07 lakh.

The matter was referred to the Government/Management in April 2008; their reply had not been received so far (September 2008).

4.15 Avoidable extra expenditure

Delay in surrendering of area not required despite its identification led to an extra expenditure of Rs. 1.25 crore on account of land tax.

Rajasthan State Mineral Development Corporation Limited (RSMDC) was amalgamated (February 2003) with Rajasthan State Mines and Minerals Limited (Company) and accordingly the entire business with all rights including assets and liabilities of RSMDC were transferred to the Company on and from the date of amalgamation. The Company thereafter requested (November 2003/May 2004) the State Government for transfer and mutation of three mining leases* for mineral limestone in its favour, inherited from RSMDC. The request of the Company was acceded to (March 2005) by the State Government subject to payment of applicable stamp duty. The Company paid the Stamp duty of Rs. 12.10 lakh and applied (April 2005) for transfer of mining lease in its name. Thereafter, Department of Mines and Geology (DMG) raised (January 2006) a demand for the premium amount of Rs. 66.49 lakh (equivalent to the last year annual dead rent) for transfer of mining lease as required under Rajasthan Minor Mineral Concession Rules (RMMCR),

* Gotan-I (2133.79 hectares), Gotan-II (592.39 hectares) and Basni (2189.28 hectares)

1986. The Company deposited the premium in February 2006 and the mining leases were transferred in its name in July 2006.

The production from Gotan-I and Gotan-II mines was less than the quantity required to justify the amount of dead rent. The Company carried out a detailed survey for reassessing the area for part/complete surrender so that the dead rent amount could be reduced to the optimum level of production. The survey indicated (July 2005) that land measuring 1083.80 hectares and 154.99 hectares of these two mines respectively, could be surrendered because of presence of low grade reserves along with non mineable[#] area. The Company, however, did not apply to the DMG for surrender of mining area, already assessed as not required.

Meanwhile, the State Government introduced (31 March 2006) land tax applicable on land measuring four hectares or more at the rate of five *per cent* of market value of the land or one rupee per square metre (sqm.), which ever was lower, to be paid each year. The rate of tax on land having limestone mineral was further revised (9 March 2007) to Rs. 4 per sqm. The Company deposited (March 2007) Rs. 5.32 crore towards land tax for the year 2006-07. The Company belatedly applied (March 2007) to the DMG for surrender of 1884.16 hectares (including additional 645.37 hectare comprising 102.77 hectare, 437.40 hectare and 105.20 hectare of Gotan-I, Gotan-II and Basni respectively identified in March 2007) of mining area which was acceded to (March 2007).

Audit noticed that Rule 18 (18) of RMMCR, 1986 provides that the lessee can surrender the lease at any time by giving an application in writing, which shall be accepted with immediate effect provided there are no dues against the lessee towards dead rent. Thus, had the Company surrendered the mining area not required immediately after its identification in July 2005, it could have avoided payment of land tax of Rs. 1.25 crore^{**}.

The matter was reported to the Government/Management in June 2008, their reply had not been received so far (September 2008).

Rajasthan Small Industries Corporation Limited

4.16 Avoidable loss of revenue

Reversal of decision to get surplus space vacated from State Bank of Bikaner & Jaipur resulted in avoidable loss of revenue of Rs. 22.20 lakh.

The Rajasthan Small Industries Corporation Limited (Company) had a surplus vacant space measuring 5824 sq. feet on the 3rd floor of its office building at

[#] Due to habitation and other hindrances such as construction activities, high tension electricity lines, tube wells *etc.*

^{**} (Rs.2.14 crore x 1083.80 hectares/2133.79 hectares) + (Rs.60.84 lakh x 154.99 hectares/592.39 hectares).

Udyog Bhawan, Jaipur, which it intended (September 2003) to rent out on yearly basis with further extension, if mutually agreed upon.

Scrutiny (2007) of records of the Company revealed that the office of the Registrar of Companies (ROC), Government of India had approached (September 2003) the Company for taking the available space on hire/lease basis. The Company had offered (February 2004) the space at a monthly rent of Rs. 2 lakh to which the ROC submitted a counter offer of Rs. 1.55 lakh per month with initial lease period of three years. While conveying acceptance of the terms and conditions suggested by the ROC, the Company gave revised offer of a rent of Rs. 1.65 lakh per month to which the ROC did not respond.

In June 2006, the State Bank of Bikaner & Jaipur (SBBJ) approached the Company for taking this space on rent for office use. The Company, on the recommendation of its committee, accepted (August 2006) a monthly rent of Rs. 1.11 lakh and asked the SBBJ for depositing an advance rent of Rs. 1.11 lakh and to take over the possession of the space. The SBBJ deposited (September 2006) the advance and took over the possession on 6 October 2006.

The Company while revising its earlier decision and cancelling the deal, decided (28 October 2006) to return back the advance amount to the SBBJ for administrative reasons. The said administrative reasons were neither available on record nor intimated to audit on inquiry. Audit observed that the Company did not show a proactive approach to utilize or let out this surplus space which was lying vacant as of May 2008, since October 2006.

Thus the decision of the Company to get the rented space back from the SBBJ without sufficient grounds or alternate options resulted in avoidable loss of revenue of Rs. 22.20 lakh* from October 2006 to May 2008.

The matter was reported to the Government in July 2008, their replies awaited (September 2008).

Rajasthan Tourism Development Corporation Limited

4.17 Loss of revenue

Delay in decision on allotment or extension of license of counters led to a loss of Rs. 20.26 lakh.

Rajasthan Tourism Development Corporation Limited (Company) at its motel Behror (unit), Alwar has 16 commercial counters which are allotted on license basis generally for a period of three years on payment of monthly license fee. The tenders for allotment of counters are processed by the head office at Jaipur.

* Rs.1.11 lakh per month x 20 months = Rs.22.20 lakh.

Scrutiny (December 2007) of records of the unit of the Company revealed that the period of license of two counters (Gift counter and Popcorn counter), given at monthly license fees of Rs. 81,191 and Rs. 40,616 respectively, was to expire on 31 March 2007. Before expiry of such period, the existing licensee of Popcorn counter requested (November 2006) for extension of license of the counter at monthly license fee of Rs. 48,739 for another three years. Similarly, the existing licensee of Gift counter also requested (March 2007) for extension of license of the counter for one more year at the same license fee. The head office, however, neither acted on the offers of these licensees nor invited fresh tenders for allotment even after reminders from the unit office. As a result, the counters remained vacant for 12 months and 15 months respectively after getting back the counters from these licensees and the Company could not earn revenue of Rs. 17.05² lakh as license fees for the period up to June 2008.

It was also revealed, that a counter for milk cake and wafer allotted (23 March 2005) for a period of three years at a monthly license fee of Rs. 78,889, was prematurely vacated by the licensee on 30 November 2005. The Company invited (March 2006), tenders for allotment of this counter fixing a reserve price of Rs. 80,000 per month. However, no valid offer was received. The Company, however, allowed shifting (June 2006) of an existing *Namkeen* counter (the license fee of which was Rs. 35,550 per month) to this place on the same license fee, vacating the *Namkeen* counter for allotment. An existing licensee of Chocolate counter applied (July 2006) for allotment of vacant space of *Namkeen* counter in addition to his existing counter at a monthly license fee of Rs. 40,100. The Company, however, did not respond to the offer and the counter remained vacant till March 2007. Audit observed that this vacant counter was belatedly allotted (April 2007) without calling for any tender on pick and choose basis to some other person at a monthly license fee of Rs. 40,100 which had been offered by the chocolate counter holder in July 2006; for the period from 17 April 2007 to 31 March 2008. Thus revenue of Rs. 3.21 lakh for the period August 2006 to March 2007 was lost by the Company due to delay in taking decision on allotment.

Had the management taken a timely decision either for allotment of counters or for extension of licenses, it could have avoided loss of revenue of Rs. 20.26 lakh.

The matter was reported to the Government/Management in June 2008, their replies had not been received (September 2008).

² Rs.81,191*12 months = Rs.9,74,292 + Rs.48,739*15 months (up to June 2008) = Rs.7,31,085 = Total Rs.17,05,377.

Statutory Corporation

Rajasthan State Road Transport Corporation

4.18 Extra expenditure

Placing of a purchase order without inviting open tenders despite having knowledge of lower rate, resulted in extra expenditure of Rs. 13.34 lakh.

Looking at the cost effectiveness and advance features of Electronic Ticketing Machines (ETMs) which were being used for issue of tickets in buses by the Karnataka State Road Transport Corporation (KSRTC) and Delhi Transport Corporation (DTC), the Rajasthan State Road Transport Corporation (Corporation) decided (August 2005) to procure ETMs on trial basis. Accordingly, the Corporation placed (October 2005) an order on Rajasthan Electronics and Instruments Limited (REIL), Jaipur for purchase of 110 ETMs with Thermal Printers at a unit price of Rs. 10,500 plus 4 *per cent* sales tax with two year warranty period. The Corporation, however, while placing the purchase order ignored the fact that KSRTC had been procuring the ETMs at a unit price of Rs. 8,170 F.O.R. with 3 years warranty period. The Corporation also decided that after evaluating the performance of the machine, the features required by it would be finalised before inviting the tender for exact requirement.

Audit noticed that no committee of experts was constituted to evaluate the performance of these 110 ETMs and only a certificate of satisfactory performance from the depot in-charge was accepted. The Corporation deviated from its earlier decision to invite tenders and placed (March 2006) a purchase order on REIL for 1000 ETMs at an all inclusive price of Rs. 10,500 plus 4 *per cent* sales tax with two years warranty. The decision of not inviting tenders was taken in view of clause 2.7 of the purchase policy of the Corporation which provided that purchases from Central/State Government Undertakings could be made without inviting open tenders. Audit noticed that clause 4 of the purchase policy permitted the Corporation to invite tenders even in case of purchases from a Government Undertaking if it was in the interest of the Corporation.

REIL supplied 375 ETMs during June 2006 to November 2006. The Corporation, however, cancelled (May 2007) the purchase order for 500 ETMs citing higher price and poor performance. As regards the balance 125 ETMs, it was decided to take delivery only after corrective action was taken by REIL.

In reply the Government stated (July 2008) that the Corporation decided (September 2005) to procure ETMs from REIL as KSRTC did not respond to the requests for supply of ETMs. It was also stated that the unit price of ETM quoted by KSRTC was exclusive of the cost of software, carrying case, charger and communication cable. Thus, the all inclusive unit cost of ETM of

KSRTC worked out to Rs. 10,870 and there was only a marginal difference between the unit price of ETM of KSRTC and REIL. It further stated that the supplier of ETM of KSRTC did not have any service centre in Rajasthan. Thus keeping all facts in view the Corporation had decided to procure ETMs from REIL which was also a joint enterprise of the Central and the State Government.

The reply is not tenable in view of the fact that instead of approaching the ETM supplier directly, the Corporation attempted to procure the ETMs through the KSRTC which was not original manufacturer/supplier. Further, the justification given for cost difference was also not acceptable as the unit price of the ETMs procured by KSRTC was inclusive of the cost of software, carrying case, charger and communication cable and thus there was a substantial difference between the unit price of ETM of KSRTC and REIL.

Thus procurement of ETMs from REIL without inviting open tenders resulted in an extra expenditure of Rs. 13.34 lakh on purchase of 485 ETMs. The amount of expenditure towards annual maintenance charges would further increase the cost by Rs. 4.12 lakh[#].

4.19 Loss of revenue

Laxity in publication of tender notice for operation of mini parcel services caused revenue loss of Rs. 31.25 lakh.
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The Rajasthan State Road Transport Corporation (Corporation) provides mini parcel services in its buses through a licensee. The contract was awarded to a licensee on 28 October 2005 at a monthly license fee of Rs. 7,01,333, initially for a period of one year, with a provision for further extension of two years with 10 *per cent* cumulative increase per year. This contract was terminated prematurely on 7 August 2006 due to default in payment of the license fee.

Scrutiny of records (February 2008) of the Corporation revealed that the Corporation issued a tender notice for appointment of a new licensee on 28 September 2006 in 'Rajasthan Patrika' (a state level newspaper), in response to which only one offer of Rs. 2,70,111 per month was received which was rejected being far lower than the earlier license fee of Rs. 7,01,333 per month. Fresh tender notice was published on 26 October 2006 in 'Dainik Bhaskhar' (a state level newspaper). This time also a single offer of Rs. 2,21,000 per month was received from the same party which had quoted against the tender notice of 28 September 2006 and it was also rejected.

The Corporation after a pause of almost four months, decided (21 February 2007) to publish the tender notices in a state and a national level newspaper. The tender notices were accordingly published on 23 February 2007 and in response thereto, three offers were received (8 March 2007) quoting monthly license fee of Rs. 3.11 lakh, Rs. 3.25 lakh and Rs. 5.53 lakh. After negotiation with the highest bidder Sai Marketing Trading Company, Jalgaon

[#] 485 ETMs x Rs.850 per ETM = Rs.4.12 lakh.

(Maharashtra), the Corporation appointed (9 April 2007) it as a sole licensee for a period of 3 years at a license fee of Rs. 6,25,000 per month with 10 *per cent* cumulative increase per year. The agreement was executed on 25 May 2007 effective from 18 July 2007.

Audit further noticed that despite monetary involvement of more than Rupees two crore in appointment of sole licensee for operation of mini parcel services over a period of three years, the Corporation did not ensure publication of the tender notice as per practice according to which tender of more than Rs. 10 lakh should be published in two state level and one national level newspapers. This resulted in non-receipt of reasonable offers against earlier tender notices of September 2006 and October 2006. It is also pertinent to note that though the Corporation was incurring heavy losses in operating passenger services, it did not show reasonable eagerness to earn additional revenues to reduce its losses. Had the tender notice been published in a national level newspaper in the first place as per practice, the Corporation could have avoided a loss of revenue of Rs. 31.25 lakh*.

In reply the Government stated (June 2008) that in the first two attempts of tenders, the Corporation had received a single offer each time. There was no attractive offer for the tender invited through a national level newspaper for the third time as well. The fact, however, remained that the Corporation should have published the tender notice in a national level newspaper in the first place as per past practice.

Thus failure in publishing the tender notice in a national level newspaper resulted in delay in finalisation of tender and an avoidable loss of revenue of Rs. 31.25 lakh.

General

Follow-up action on Audit Reports

4.20 Replies outstanding

The Report of the Comptroller and Auditor General of India represents 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. Finance Department, Government of Rajasthan issued (July 2002) instructions to all Administrative Departments to submit replies, duly vetted by Audit, indicating the corrective/remedial action taken or proposed to be taken on paragraphs and reviews included in the Audit Reports within three months of their presentation to the Legislature.

* Rs. 6.25 lakh per month for the period from November 2006 to March 2007.

Though the Audit Report for the year 2006-07 was presented to State Legislature in February 2008, in respect of three performance reviews and nine draft paragraphs out of five performance reviews and 20 draft paragraphs, which were commented in the Audit Report, four* departments had not submitted explanatory notes up to September 2008.

4.21 Outstanding action taken notes

Reports of the Committee on Public Undertakings presented to the Legislature contain recommendations and observations on which administrative departments are required to submit Action Taken Notes (ATNs) duly vetted by audit on recommendations of the COPU within six months from the presentation of such Reports.

Replies to 15 paragraphs pertaining to one Report of the COPU for the year 2007-08 presented to the State Legislature in September 2007 had not been received (September 2008).

This report of COPU contained recommendations in respect of paragraphs pertaining to Industries department, which appeared in the Report of the Comptroller and Auditor General of India for the year 1993-94.

4.22 Response to Inspection Reports, Draft Paras and Performance Audit

Audit observations noticed during audit and not settled on the spot are communicated through Inspection Reports (IRs) to the Heads of respective Public Sector Undertakings (PSUs) and concerned departments of the State Government. The Heads of PSUs are required to furnish replies to the IRs through the respective Heads of the departments within a period of six weeks. A half yearly report is sent to Principal Secretary/Secretary of the department in respect of pending IRs to facilitate monitoring of the audit observations contained in those IRs.

Inspection Reports issued up to March 2008 pertaining to 22 PSUs disclosed that 1,594 paragraphs relating to 552 IRs involving monetary value of Rs. 1,664.11 crore remained outstanding at the end of September 2008. Even initial replies were not received in respect of 25 paragraphs of four PSUs. Department-wise break up of IRs and audit observations as on 30 September 2008 is given in **Annexure 20**. In order to expedite settlement of outstanding paragraphs, Audit Committees were constituted in 13 out of 28 PSUs. 32 Audit Committee meetings were held during 2007-08 wherein position of outstanding paragraphs was discussed with executive/administrative departments to ensure accountability and responsiveness.

* Energy (two performance reviews, seven draft paragraphs and one general paragraph), Industries (one performance review, one draft paragraph and one general paragraph), Construction (one general paragraph) and Mines department (one general paragraph).

Similarly, draft paragraphs and performance audit 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. All the performance audit have been discussed in the Audit Review Committee on Public Sector Enterprises. It was, however, observed that eight draft paragraphs forwarded to the various departments between July and September 2008, as detailed in **Annexure 21** had not been replied to so far (September 2008).

It is recommended that the Government may ensure that: (a) procedure exists for action against the officials who fail to send replies to inspection reports/draft paragraphs/reviews and ATNs to recommendations of COPU, as per the prescribed time schedule; (b) action to recover loss/outstanding advances/overpayments is taken within a prescribed period and (c) the system of responding to the audit observations is revamped.



JAIPUR
The

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Countersigned



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The

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