

OVERVIEW

1. Overview of Government Companies and Statutory Corporations

As on 31 March 2008, the State had 32 Public Sector Undertakings (PSUs) comprising 29 Government Companies and three Statutory Corporations as against 29 PSUs comprising 26 Government Companies and three Statutory Corporations as on 31 March 2007.

(Paragraph 1.1)

The total investment in working PSUs increased from Rs. 16,471.83 crore as on 31 March 2007 to Rs. 21,983.74 crore as on 31 March 2008. The total investment in non-working PSUs increased from Rs. 13.58 crore to Rs. 13.64 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. 2,105.95 crore in 2006-07 to Rs. 3,256.07 crore in 2007-08. The State Government guaranteed loans aggregating Rs. 12,705.31 crore in respect of five working Government Companies during 2007-08. The total amount of outstanding loans guaranteed by the State Government to working PSUs increased from Rs. 13,139.82 crore as on 31 March 2007 to Rs. 18,153.83 crore as on 31 March 2008.

(Paragraph 1.5)

The accounts up to the year 2006-07 were finalised by all PSUs except the two newly formed Companies. Sixteen working Government Companies and two Statutory Corporations finalised their accounts for the year 2007-08. The accounts of eight working Companies and one Statutory Corporation were in arrears for one to two years.

(Paragraph 1.6)

According to the latest finalised accounts, 12 working PSUs (ten Government Companies and two Statutory Corporations) earned profit of Rs. 402.97 crore. Six working Government Companies, which finalised its accounts for the year 2007-08, declared a dividend of Rs. 41.19 crore. Against this, four PSUs (three Government Companies and one Statutory Corporation) incurred a loss of Rs. 22.23 crore as per their latest finalised accounts. Two Companies, although one of which earned profit during 2006-07, had an accumulated loss of Rs. 47.67 crore which exceeded their paid up capital of Rs. 7.61 crore. One Corporation, which earned profit during 2007-08, had an accumulated loss of Rs. 53.95 crore against its paid up capital of Rs. 86.52 crore.

(Paragraphs 1.7 to 1.11)

2. Performance Audit relating to Government Companies

Performance Audit relating to Implementation of Rural Electrification Schemes by **Ajmer Vidyut Vitran Nigam Limited**, Redressal of Consumer Grievances in **Jaipur Vidyut Vitran Nigam Limited**, Construction of Giral Lignite Power Project – Phase I by **Rajasthan Rajya Vidyut Utpadan Nigam Limited** and IT Audit of computerisation of commercial activities of **Rajasthan State Beverages Corporation Limited** were conducted and some of the main findings are as follows:

Implementation of Rural Electrification Schemes by Ajmer Vidyut Vitran Nigam Limited

Against the goals of quality and reliable power supply at reasonable rates, electrification of all villages by March 2007, access to electricity for all households by year 2009 and a minimum lifeline consumption of one unit per household per day by year 2012 incorporated in Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) and the Rural Electrification Policy (REP), the planned projects by Ajmer Vidyut Vitran Nigam Limited (Company) were short of the targets and goals, while extent of sanctioned projects was even lower. Under RGGVY, which was the flagship scheme for rural electrification, the sanctioned projects covered an amount of Rs 137.33 crore only against a planned outlay of Rs. 367.79 crore. Thus the objective of electrification of all villages by March 2007 and providing all Rural Households (RHHs) with access to electricity by year 2009, failed in the planning and sanction stage itself. Slow and tardy implementation of sanctioned projects further restricted the achievement of various milestones and goals of rural electrification in both the schemes of RGGVY and Feeder Renovation Programme (FRP). As against the target of access to electricity for all RHHs by year 2009, 13,18,472 RHHs out of total RHHs of 26,72,289 representing 49.34 *per cent* were provided with electricity connections as on 31 March 2008.

Some other important points noticed are as under:

- The declaration of 185 villages as electrified out of 336 villages by December 2007 without obtaining certificates from *Gram Panchayat*, was not in accordance with the guidelines of RGGVY.
- Only 8 feeders had losses below 15 *per cent* out of 433 feeders declared renovated. The declaration of 425 feeders as renovated was not in accordance with the criteria of achieving distribution losses below 15 *per cent* prescribed in the guidelines of scheme.
- The Company assumed avoidable liability of Rs. 25.28 crore towards inspection charges by awarding work of third party inspection.

(Chapter 2.1)

Redressal of Consumer Grievances in Jaipur Vidyut Vitran Nigam Limited

The intent of the Government to empower consumers and to provide them with quick and easy redressal of their grievances was only partially achieved by Jaipur Vidyut Vitran Nigam Limited (Company). It was seen that there was no uniformity in maintenance of records relating to consumer grievances at various levels as prescribed by the Rajasthan Electricity Regulatory Commission (Commission). In almost all the cases, the records were incomplete and haphazard and in some cases non-existent. There were wide variations between the figures aggregated from the field formations by the Company and those submitted to the Commission. The overall position of data relating to consumer grievances in the Company was, therefore, unreliable. The Company was also slow in release of connections to agricultural consumers. Looking at the overall scenario relating to redressal of consumer grievances prevailing in the Company, a reasonable conclusion could be drawn that the required thrust was not being given to this area and the pre-determined benchmarks envisaged in the guidelines issued by the Commission were not being achieved.

Some other important points noticed are as under:

- Compiled quarterly figures of the grievances revealed that during the period 2004-07, 42, 46 and 28 *per cent* of the total consumers encountered some or the other problem with the services provided by the Company.
- Number of unreplaced defective meters increased from 17,143 to 32,481 in Jaipur district circle, 8,794 to 17,610 in Kota circle and 29,131 to 38,198 in Alwar circle within one year (2006-07).
- The due rebate at the rate of 5 *per cent* in cases of bills raised on average basis due to non replacement of defective/stopped meters for more than two months, was not allowed to consumers.

(Chapter 2.2)

Construction of Giral Lignite Power Project – Phase I by Rajasthan Rajya Vidyut Utpadan Nigam Limited

Ignoring the advice of the original consultant who prepared the detailed feasibility report, to invite global tenders for purchase of a suitable plant for use of lignite having high sulphur content, Rajasthan Rajya Vidyut Utpadan Nigam Limited (Company) invited a single offer only from BHEL, which did not have any experience of establishing such plants, resulting in heavy delay in commissioning of the project. The Company, further, relaxed crucial qualifying criteria to enable the appointment of a project consultant despite the fact that their manpower was inexperienced and past track record with the Company unsatisfactory; ignoring the specific advice of the committee set up for the purpose. This decision of the Company, was *prima facie* not based on sound considerations as there was failure of the consultant in various stages of the project implementation including the fact that the designs of the main plant approved by the consultant suffered from several shortcomings. Faulty planning and lack of monitoring of contracts resulted in delay in execution of the project and avoidable extra expenditure, which was substantial. Against

the projected norms of electrical power generation of 8,063.53 LU from 28 February 2007 to 31 March 2008, the plant produced only 1,800.25 LU resulting in shortfall of 6,263.28 LU. Since various problems remained unresolved even after 18 months of its synchronisation, the commercial operation date (COD) could not be fixed.

Some other important points noticed are as under:

- The delay in synchronisation of the plant resulted in increase in the preoperative expenses, cost of plants/equipments due to price variation, interest during construction period *etc.* to the extent of Rs. 64.27 crore.
- Non inclusion of the lime stone handling plant in capital estimates resulted in less equity participation of Rs. 9.36 crore and recurring loss of interest of Rs. 77.22 lakh per annum.
- The Company did not take up the issue of short payment of interest subsidy of Rs. 4.29 crore with the Power Finance Corporation.
- The Company did not safeguard its financial interest while approving the revised bill schedule resulting in extra expenditure of Rs. 9.37 crore.
- There was no system of checking the accuracy of quantities of material requirement assessed by the contractor and monitoring of issue of material to contractor.

(Chapter 2.3)

IT Audit of computerisation of commercial activities of Rajasthan State Beverages Corporation Limited

The computerisation of the commercial activities of Rajasthan State Beverages Corporation Limited, started in March 2006, was not complete as two important modules *viz.* Bank Reconciliation Module and Payment Module were not made functional. Database was unreliable due to deficient system design, incomplete data capture from manual records, deficient input controls and validation checks. The system, thus, was deficient and posed the risk of fraudulent manipulations, loss of revenue and incorrectness in the accounts of the Company.

Some other important points noticed are as under:

- The Company neither formulated a formal Information Technology policy nor any long-term/medium-term strategic IT plan.
- Due to design deficiency, the system was not able to identify the stock of expired beer which led to sale of expired beer amounting to Rs. 20.21 lakh.

(Chapter 2.4)

3. Performance Audit relating to Statutory Corporation

Performance Audit relating to Passenger amenities provided by **Rajasthan State Road Transport Corporation** was conducted and some of the main findings are as follows:

Rajasthan State Road Transport Corporation (Roadways) did not develop any qualitative/quantitative benchmarks either for cleanliness activities or for passenger amenities. Capital expenditure on development of passenger amenities was insignificant which resulted in inadequate and poorly maintained infrastructure. Deficient waste collection and disposal mechanism, inadequate provision of dustbins, water supply, drains and sewerage system were major handicaps in providing a clean and hygienic environment at the bus stands. Passenger amenities such as toilets and urinals, drinking water facilities, seating arrangements and waiting halls were not commensurate with the load of passengers using them and were poorly maintained. Cleanliness inside the buses was poor and the bus floors were littered with dirt/garbage. The amenities within buses such as comfortable seats, covered luggage carriers were deficient. Measures adopted to create user awareness were inadequate and user feedback was not being harnessed to bring about improvements in the system.

Some other important points noticed are as under:

- Considering the importance of providing basic passenger amenities to over 10 lakh passengers travelling by the Roadways buses everyday, due priority was not given by the management for adoption of any standards for this work and putting a monitoring mechanism in place.
- Provision of required amenities at earmarked *dhabas* such as availability of clean toilets, tap water and eatables of reasonable quality at fair prices, was deficient. Inadequate monitoring by the management on this account resulted in dissatisfaction amongst the passengers.
- Management apathy towards safety measures such as fitness of drivers and provision of first-aid box in buses amounted to compromising with the safety of passengers.

(Chapter 3)

4. 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. 3.47 crore in three cases.

(Paragraphs 4.1, 4.2 and 4.3)

Extra avoidable expenditure of Rs. 3.93 crore in seven cases.

(Paragraphs 4.8, 4.9, 4.12 to 4.15 and 4.18)

Loss of revenue of Rs. 4.35 crore in seven cases.

(Paragraphs 4.5, 4.7, 4.10, 4.11, 4.16, 4.17 and 4.19)

Violation of contractual obligations and undue favour to contractors resulting in loss of Rs. 47.79 crore in two cases.

(Paragraphs 4.4 and 4.6)

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

GOVERNMENT COMPANIES

The decision of **Rajasthan Rajya Vidyut Prasaran Nigam Limited** to award work on turnkey basis without ensuring timely completion resulted in deprival of intended benefits besides excess cost of project by Rs. 1.93 crore.

(Paragraph 4.1)

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 to **Rajasthan Rajya Vidyut Prasaran Nigam Limited**.

(Paragraph 4.2)

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 **Jaipur Vidyut Vitran Nigam Limited**.

(Paragraph 4.6)

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 to **Rajasthan State Mines and Minerals Limited**.

(Paragraph 4.15)

STATUTORY CORPORATION

Laxity in publication of tender notice for operation of mini parcel services caused revenue loss of Rs. 31.25 lakh to **Rajasthan State Road Transport Corporation**.

(Paragraph 4.19)