

## Chapter IV

### 4. Transaction Audit Observations

Important audit findings noticed as a result of test check of transactions made by the State Government Companies and Corporations are included in this chapter.

#### Government companies

#### Rajasthan Renewable Energy Corporation Limited

#### Undue benefit to a contractor

**The Company reduced penalty by Rs.25.90 lakh in contravention of terms of agreement.**

**4.1** The Company executed an agreement (December 2000) with Suzlon Energy Limited (SEL), Ahmedabad for supply, erection, commissioning of 6 x 350 KW wind electric generators at a cost of Rs.8.10 crore (excluding operation and maintenance cost) at wind farm, Phalodi. Clause 8 of the work order stipulated that SEL would ensure to achieve minimum guaranteed electricity generation of 38,19,102 units per annum. In case of failure, the penalty at the rate of double the selling price per unit for the relevant year was to be recovered from SEL.

On completion of first year of operation (April 2002), the Company had a shortfall of 8,13,828 units from minimum guaranteed electricity generation. Against the shortfall, the Company asked SEL (May 2002) to deposit Rs.51.79 lakh towards penalty. In response, SEL represented (May 2002) that the actual wind profile during the year was lower than the data published by the Ministry of Non-conventional Energy Sources (MNES), hence the generation was on lower side. The Company, however, did not accept (June 2002) contention of the SEL.

On further representation of SEL (October 2002), the Board of Directors of the Company appointed (October 2002) a committee to examine the issue. The committee concluded that as per provision of the contract, no relaxation could be granted to the SEL. The Board after considering the recommendations of the committee, decided (December 2002) to re-examine the case further by the committee. After further examination, the committee submitted (June 2003) its report to the Board giving recommendations that the rate of penalty presently charged at twice the selling price may be considered based on actual selling price. The Board decided that the penalty for the first year of performance be recovered from SEL on applicable price basis and from second performance

year, penalty at 100 *per cent* of the deemed revenue loss based on actual wind data would be levied. Accordingly the penalty levied was reduced (July 2003) by Rs.25.90 lakh.

Audit observed that the reduction of penalty was not justifiable as it was made clear to bidders to make their own assessment of wind profile for estimating minimum annual generation taking into account all possible contingencies in the pre bid meeting itself. Further the minimum guaranteed generation and penalty on shortfall was the basis of evaluation of tenders and the SEL was legally liable to pay the penalty as per terms of agreement. Thus, the Company has extended undue favour of Rs.25.90 lakh to SEL.

The Government stated (September 2004) that, pursuant to article 109 (a) (vii) of the Memorandum and Article of Association of the Company, the Board of Directors of the Company was fully empowered to reduce penalty levied on SEL. Reply is not tenable because the Board should not have given undue benefit after completion of work order.

#### **Acceptance of incorrect assessment of minimum generation loss**

**The Company suffered loss of Rs.1.04 crore due to non-acceptance of consultant's advice.**

**4.2** Erstwhile Rajasthan State Power Corporation Limited (renamed as Rajasthan Renewable Energy Corporation Limited with effect from 9 August 2002) invited (September 1999) bids for supply, erection and commissioning of their second wind farm for 2000 KW at Devgarh and its maintenance for 25 years. On opening of the bids (October 1999), the offer of Asian Wind Turbines (AWT), Chennai was found lowest at the rate of Rs.9.30 crore for 2250 KW (three machines of 750 KW each). The consultant of the Company opined (October 1999) that the net minimum guaranteed generation (NMGG) of 53.39 lakh unit quoted by the responsive bidder was much on higher side and assessed NMGG of 34.37 lakh units from the machine offered by the AWT. The matter of higher NMGG was discussed in negotiation meeting (December 1999) where AWT accepted the fact and agreed to reduce it from 53.39 lakh to 47.39 lakh units. The Company accepted the offer of 47.39 lakh units NMGG and asked AWT to reduce the rate by Rs.73.70 lakh on account of present value of reduction in NMGG at 14 *per cent* discounted rate for 15 years period. The AWT accepted reduction in their offered price and the Company placed (January 2000) order with stipulated period of maintenance for 25 years.

Audit noticed that during first year of operation, the actual generation of electricity was 32.91 lakh units against the NMGG of 47.39 lakh units. For shortfall in NMGG, the Company asked (May 2002) AWT to deposit Rs.28.95 lakh towards penalty as per terms of contract. On request of AWT to review the case on technical grounds, the Board constituted (October 2002) a committee of three members to examine the issue. The Committee in its final report submitted to the Board on 28 June 2003, suggested that the NMGG be

reduced to 35 lakh units and present value of penalty for reduction in NMGG for 25 years may be recovered from AWT. The Board decided to accept reduced NMGG of 35 lakh units by levying penalty of Rs.75 lakh against Rs.1.45 crore worked out by Committee. Reasons for reduction in penalty amount were not found on record.

Had the reduction of 18.39 (53.39 – 35) lakh units as assessed by the consultant initially, been considered for 25 years, the offered price would have been reduced by Rs.2.53 crore against Rs.1.49 crore. Thus, due to non-acceptance of consultant's advice, the Company suffered a loss of Rs.1.04\* crore.

The matter was reported to the Government/Management (July 2004), their reply has not been received (September 2004).

### **Rajasthan State Mines and Minerals Limited and Rajasthan State Seeds Corporation Limited**

#### **Avoidable payment of interest due to delay in deposit of advance income tax**

#### **Improper system for estimation of budgeted profit and non-correlation of the same periodically with actual performance caused avoidable payment of interest Rs.51.53 lakh.**

**4.3** In terms of section 208 - 211 of the Income Tax Act, 1961, every assessee is required to deposit advance tax where the tax liability is Rs.5,000 or more. Section 234 (B) of the Act *ibid* states that an assessee is liable to pay interest at the rate of 1.5 *per cent* (1.25 *per cent* with effect from 1 June 2001) every month for failure to pay advance tax or less than 90 *per cent* of the assessed tax. Further as per Section 234(C) of the Act *ibid* the assessee is liable to pay simple interest at 1.5 *per cent* for three months, if the advance tax is not paid before the due date or is less than the amount prescribed under section 208 of the Income Tax Act, 1961.

**4.3.1** While reviewing the budgeted profit, actual profit, advance tax deposited and interest paid by the Rajasthan State Mines and Minerals Limited (Company) for last four financial years, audit observed that the difference between budgeted and actual profit indicated that the Company did not have a proper system for estimation of budgeted profit and correlation of the same with actual performance. Thus, due to incorrect estimation of profit and failure to correlate performance *vis-a-vis* tax liability during the year for depositing advance tax of Rs.12.88 crore, Rs.7.53 crore, Rs.4.07 crore and Rs.6.79 crore for the assessment year 2000-01, 2001-02, 2002-03 and 2003-04 respectively,

\* Rs.2.53 crore – Rs.1.49 crore (Rs.73.70 lakh + Rs.75.00 lakh)

the Company sustained avoidable payment of interest of Rs.1.61 crore under section 234 (B) & (C) of the Act *ibid*.

The Government stated (August 2004) that due to certain constraints, variation between budgeted and actual performance was inevitable. It was further stated that the Company has only incurred differential interest on working capital on the amount of tax short deposited. The reply is not tenable as the Company failed to deposit advance tax even as per budget estimates and also did not give due weightage to the actual performance before depositing of advance tax. Further, even after considering the differential interest, the Company had made avoidable payment of interest of Rs.29.96 lakh.

**4.3.2** Audit noticed that the Rajasthan State Seeds Corporation Limited (Company) estimated budgeted profit of Rs.5.09 lakh (March 2003) for the year 2002-03 though the Company had earned profit of Rs.2.44 crore during 2001-02. The Company paid only two instalments of advance tax of Rs.80 lakh (11 December 2002) and Rs.1.10 crore (4 and 13 March 2003) for the assessment year 2003-04. The taxable profit of the Company was Rs.8.94 crore based on its audited accounts and the tax liability worked out to Rs.3.22 crore. The Company paid remaining tax liability of Rs. 1.54 crore on 31 July 2003 including Rs.21.57 lakh towards interest under sections 234 (B) & (C) of the Act *ibid*. It was further noticed that quarterly progressive sale of the Company to the total sales (Rs.57.76 crore) was 23 *per cent* in first quarter and 39 *per cent* in second quarter, hence the Company could have deposited the advance tax on the basis of provisional figures.

Thus, incorrect estimation of profit and failure to correlate its sales, profit and tax liability for depositing advance tax led to avoidable payment of interest of Rs.21.57 lakh under section 234 (B) & (C) of the Act *ibid*.

Management stated (January 2004) that in view of drought conditions profit was projected as Rs.5.09 lakh only and no major sale was made in April - May 2003, hence first installment was not deposited. The management's reply is not tenable, as the Company earned profit of Rs.21.20 lakh and Rs.1.64 crore upto first and second quarter respectively which was more than the profit in respective quarters of previous two years. Moreover draught condition cannot be envisaged in assessment of advance tax.

The matter was reported to the Government (May 2004); their reply had not been received (September 2004).

#### **Excess payment on acquisition of land**

**The Company paid excess compensation of Rs.52.07 lakh ignoring the legal provisions of Land Acquisition Act, 1894.**

**4.4** The Rajasthan State Mines and Minerals Limited (Company) approached (September 1996) State Government to award land at Mata Sukh, Kasnau and Igyar villages for its lignite project. In terms of section 4 of Land

Acquisition Act 1894 (LAA), the State Government issued gazette notification (November 1997) for acquisition of 7510.06 bighas of land in favour of the Company. The notification, as required in LAA, was published in two newspapers and in locality (Mata Sukh, Kasnau and Igyar villages) on 21 and 23 May 1998.

Section 23 (1A) of the LAA, provides that additional compensation at the rate of 12 *per cent* per annum of the market value of land for the period from the date of publication of notification under Section 4 of LAA to date of award would also be paid. Audit observed that the Land Acquisition Officer (LAO) awarded (September 2000) compensation of Rs. 16.04 crore for landowners. In the award, additional 12 percent of the market value was calculated for three years from the date of gazette notification instead of from the date of publication of notification as per section 4(1) of LAA. Thus, as a result of taking gazette notification date for award, excess compensation of Rs.52.07 lakh was paid towards land acquisition.

Audit further observed that award included Rs.5.11 crore on account of cost of trees that existed on the land acquired. The Company while awarding mining contract (November 2002), did not safeguard its interest towards recovery of sale proceeds of trees standing on the land.

The matter was reported to Government/management (May 2004), their reply had not been received so far (September 2004).

### **Rajasthan State Road Development and Construction Corporation Limited**

#### **Loss due to faulty tendering**

**The Company sustained avoidable loss of Rs.29.74 lakh due to incorrect evaluation of bidding condition.**

**4.5** Rajasthan Urban Infrastructure Development Project, Jaipur (RUIDP), Government of Rajasthan, invited bids (December 2002) for providing, laying, jointing, testing and commissioning of sanitary sewers in various colonies and outfall sewer in north zone including construction of manholes and appurtenances alongwith restoration of roads in Jaipur. The work was divided in four lots and the bids were to be submitted separately for each lot.

Rajasthan State Road Development and Construction Corporation Limited (Company) submitted (January 2003) separate bids for all the four lots at a total cost of Rs.25.57 crore. While submitting the bids, the Company kept the rates of lot - 2 on lower side with a view that loss of lot-2 would be covered on award of all the four lots. On opening of the tender, RUIDP awarded the work of lot - 2 to the Company (April 2003) for Rs.2.97 crore being the lowest. After signing the agreement (April 2003), the Company invited (May 2003) tenders from sub contractors to execute the allotted work. On receipt of the

rates from sub contractors, the Company assessed the loss of Rs. 98.60 lakh and decided (June 2003) not to execute the work. RUIDP terminated (November 2003) the contract because of non-execution of the work and forfeited the performance bank guarantee of Rs.29.74 lakh. The RUIDP also barred the Company for participating in any future tenders and asked the Company to pay damage (Rs.1.49 crore) for breach of contract equivalent to 50 *per cent* of the incomplete work under clause 53 of section III of agreement.

Audit observed that while submitting bids in totality, the Company ignored the fact that works of each lot were separate. Thus, due to wrong evaluation of bidding condition, the Company sustained avoidable loss of Rs.29.74 lakh.

The Company stated (June 2004) that while submitting the bids for all the four lots the price quoted were worked out in totality. Had all the four lots been allotted to the Company, the work would have been profit making. The reply is not tenable in view of the fact that the Company should have worked out rates for each lot separately as the bidders were free to bid their rates even for single lot as per the conditions of bid documents.

The above matter was reported to the Government (May 2004); their reply had not been received (September 2004).

## **Rajasthan Rajya Vidyut Prasaran Nigam Limited**

### **Signing of power purchase agreement at higher rate**

#### **Signing of power purchase agreement at higher rate caused loss of Rs.50.98 lakh.**

**4.6** Government of Rajasthan, brought out a separate policy (February 2000) with the objective of creating capacity of 100 mega watt (MW) power generation through exploitation of wind resources. Rajasthan Energy Development Agency (REDA) was nominated as a nodal agency for promotion of power generation through non-conventional energy sources. The policy was operative upto March 2004. As per clause 14 of the policy, the Board/Rajasthan Rajya Vidyut Prasaran Nigam Limited (RRVPN) was to enter into a power purchase agreement (PPA), normally for a period of 20 years, with eligible investors (after approval of their project by nodal agency) for purchase of power at the rate of Rs.3.03 per unit for power supplied during financial year 2000-01 which would be increased at five *per cent* per annum during the entire period of PPA.

State Government introduced revised policy (April 2003), applicable to wind power plants commissioned up to 31 March 2009. This policy superseded the earlier policy of February 2000. However, the existing policy was allowed to be continued to those wind power projects up to the capacity of 100 MW, for

which Rajasthan Renewable Energy Corporation Limited (RREC)\* has given specific approval. As per clause 9.1 of the revised policy, RRVPN would pay a rate of Rs.3.32 per unit for power supplied during 2003-04 (against Rs.3.5076 per unit under old policy), to be increased at a simple rate of two *per cent* (of Rs.3.32) every year on first April of the year up to 10 years *i.e.* upto 2012-13 with base year 2003-04. Thereafter, from 2013-14 and onwards a fixed rate of Rs.3.92 per unit charges would be paid for the remaining period of agreement.

After introduction of new policy, RRVPN executed nine PPAs with different wind farm developers/investors (July 2003) for 101.75 MW capacity. Eight PPAs were signed as per the new policy, whereas one PPA of 25 MW wind power project at Jaisalmer was signed with RREC as per the earlier policy.

Thus due to signing the PPA with RREC at a higher rate even after introduction of new policy, RRVPN has made excess payment of Rs.50.98<sup>§</sup> lakh (July 2004). The Company would make excess payment at the rate of Re.0.43 to Rs.1.17 per unit upto 2012-2013. *i.e.* remaining period of the agreement.

The Government stated (May 2004) that capacity allocation in favour of RREC was decided by its Board prior to issue of new policy, accordingly PPA for 20-25 MW wind farm power project has been executed at the rates prescribed in the old policy. The reply is not tenable because RREC was not having any specific approval under clause 1.4 for its project to be covered under old policy. Moreover out of eight PPAs, three PPAs of 58 MW were registered with RREC from November 2002 to February 2003 *i.e.* prior to notification of new policy and also signed under new policy.

#### **Non refund of tax deducted at source**

**The Company failed to get refund of tax deducted at source of Rs.58.94 lakh due to non-accounting of interest income of fixed deposit receipts.**

**4.7** Rajasthan Rajya Vidyut Prasaran Nigam Limited (RRVPNL) invested Rs.20 crore in fixed deposit receipts (FDRs) with State Bank of Bikaner and Jaipur (Bank) (December 2000) for a period of 36 months at an interest rate of 10.75 *per cent* per annum. RRVPNL did not account for, in its books of accounts, the interest income of Rs.2.84 crore on the said FDRs (Rs.54.20 lakh for 2000-01 and Rs.2.30 crore for 2001-02). RRVPNL however, claimed refund of tax deducted at source (TDS) Rs.12.06 lakh for 2000-01 and Rs.46.88 lakh for 2001-02 in its Income Tax returns filed on 29 October 2001 and 29 October 2002 for the financial year 2000-01 and

\* A State PSU created with merger of REDA and Rajasthan State Power Corporation Limited (RSPCL).

§ At the rate of Re.0.29 per unit for purchase of power of 175.78 lakh units.

2001-02 respectively. Section 238(1) of the Income Tax Act, 1961 allows refund of TDS to an assessee only when the relevant income has been included in the total income of the relevant year. The incorrect accounting of interest incomes was pointed out by Audit during audit of annual accounts for the years 2000-01 and 2001-02. The Income Tax authority while assessing the returns (December 2002) for the assessment year 2001-02 did not allow any refund to the Company. As per section 239 (2) (c) of Act *ibid*, refund can be claimed within one year from the last day of such assessment year, but despite having an opportunity to file revised return, the Company did not include the interest income of these FDRs in the revised returns filed on 31 March and 28 September 2003 for the previous years 2000-01 and 2001-02 respectively.

Thus, due to non-accounting of interest income of FDRs in its accounts, the Company did not get refund of TDS of Rs.58.94 lakh.

While confirming the fact, the Government stated (July 2004) that the FDRs and its interest incomes were appearing in the books of Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL). Thus, it was not possible for the Company to claim the interest income of these FDRs in the original or revised income tax returns of RRVPNL. The reply was not tenable because the FDRs were in the name of RRVPNL hence interest incomes should have been taken in its accounts.

## **Jaipur Vidyut Vitran Nigam Limited**

### **Undue benefit to consumer**

#### **The Company reduced the rate for levy of extra charges for continuous supply of power.**

**4.8** The erstwhile Rajasthan State Electricity Board (RSEB) introduced (October 1997) a scheme for continuous power supply to industrial consumers, on their demand. The scheme required the consumers to pay five *per cent* extra charges on tariff for six months from November to April, in exchange for continuous power supply throughout the year, except in unavoidable circumstances beyond the control of RSEB.

The RSEB entered into (October 1997) an agreement with Air Liquid North India, Alwar (consumer) for continuous supply of power. In terms of the agreement the consumer began paying five *per cent* extra charges from December 1997.



In August/November 2001, the consumer represented to Jaipur Vidyut Vitran Nigam Limited\* (Company) for relief in electricity charges on the ground, that electricity cost was a major component of the cost, and the price of power had increased substantially in Rajasthan over the past few years. The consumer cited examples of various rebates given by neighboring states and asked for similar relief in electricity charges including five *per cent* extra charges.

Based on the consumer requests, the Company placed the matter before the Board for reduction of extra charges for continuous supply. The Board decided to reduce the extra charges from five to two *per cent* effective from November 2001 for uninterrupted power supply. Accordingly, the bills were raised to the consumer charging two *per cent* extra from December 2001.

As per agreement, the consumer was legally bound to pay five percent extra charge for uninterrupted power supply and the Company was not empowered to reduce the rate of extra charge without approval of Rajasthan Electricity Regulatory Commission (RERC) which was formed (January 2000) under the Rajasthan State Power Reforms Act, 1999 for tariff fixation. The RERC in its tariff order (March 2001) had categorically stated that all other provisions of tariff, as have not been modified by this order shall remain unchanged (clause 224).

Further the Company had extended this benefit favouring to a single consumer. Therefore by reducing the extra charges, the consumer availed an undue benefit of Rs.22.90 lakh from November 2001 to October 2003.

Government stated (April 2004) that five *per cent* extra charges for uninterrupted power supply is not a part of tariff, hence approval of RERC was not required. The reply is not tenable because all kind of charges related to the consumption of electricity, constitute tariff. For any change in charges connected with electricity consumptions, specific approval of RERC is required.

#### **Acceptance of relatively higher rates leading to extra expenditure**

#### **Failure to counter offer for the tender resulted in extra expenditure of Rs.67.13 lakh.**

**4.9** Jaipur Vidyut Vitran Nigam Limited (Company) invited (March 2000) tenders for purchase of 75,000 KM Weasel Conductor, which was reduced to 45,000/50,000 KM due to procurement of Aerial Bunched Cables (ABC) for theft prone areas. The offer of a Gujarat based firm at the rate of Rs.10,950 per KM was found lowest. The Rajasthan based bidders (43 numbers) quoted Free on Rail (FOR) destination rate of Rs.11,199 per KM and rest of the bidders (35 numbers) quoted different rates. Considering the decreasing trend of price

\* On unbundling of RSEB with effect from 19 July 2000, the matter is being dealt with by Jaipur Vidyut Vitran Nigam Limited.

during the last four years, the Chief Engineer, Material Management (MM) and Chief Accounts Officer (MM) suggested (June 2000) the Purchase Committee to counter offer the rates offered by Rajasthan based firms.

Audit observed (June 2003) that while placing the orders of supply with the said firms, no effort was made to counter offer the rates. The orders were thus placed at the rate originally quoted or agreed to by bidders. Had efforts been made to get the prices reduced to those offered by Gujarat firm, the Company could have saved Rs. 67.13 lakh as detailed below:

| No. of firms | Ordered quantity in Kms. | Ordering rate (per Kms.) | Lowest rate (per Kms.) | Difference with lowest rate (per Kms.) | Total supply received till finalisation of next tender* | Avoidable expenditure (in Rs.) |
|--------------|--------------------------|--------------------------|------------------------|--|---|--------------------------------|
| 3            | 2950                     | 10991                    | 10950                  | 41                                     | 2847.318  | 1,16,740                       |
| 50           | 43800                    | 11199                    | 10950                  | 249                                    | 26489.103   | 65,95,787                      |
|              |                          |                          |                        |  | <b>Total</b>  | <b>67,12,527</b>               |

Government stated (May 2004) that order on Rajasthan based firms were placed on consensus decision to encourage industries located in the State. Further, order on different rates had also been placed in the past. Besides the difference in prices offered by outside firms with those of Rajasthan based firms worked out to two *per cent* which was not found worth of negotiation. Government further stated (July 2004) that the reasonability of price received was analysed during purchase committee meeting and depending upon the circumstance/back ground prevailing, the decision was taken by the competent authority. The reply was not tenable, as the consensus decision to encourage industries in Rajasthan did not bar the Company to finalise the rate in the best financial interest of the Company. Moreover, there was nothing on the record to assess the basis on which the reasonability of prices of the local firms was considered. Further it was observed that in the previous as well as subsequent four purchases, the rates were finalised after negotiation even when the difference in rates were about two *per cent*.

## General

### Irregularities in application of Voluntary Retirement Scheme

#### PSUs made avoidable payment of Rs.52.11 lakh due to irregularities in implementing Voluntary Retirement Scheme.

**4.10** The Government of Rajasthan {Bureau of State Public Enterprises (BPE)} introduced (July 1989) a Voluntary Retirement Scheme (VRS) to reduce surplus manpower of the State Public Sector Enterprises (PSEs). Clause V of the scheme stipulates that the Scheme would be applicable to all employees where there is surplus manpower and vacancy caused by VRS would not be filled up. The scheme *inter alia* stipulate payment of one

\* The remaining supply of TN-1672 received in the next tender on reduced rates.

month/three months notice pay, as per condition of service applicable to the employees of the concerned PSE. In continuation of above, the BPE further instructed (December 2000) PSEs to follow the following steps in effective manpower restructuring and Scheme.

Assess the required strength of manpower of the organisation.

Prepare the list of excess employees and get approved from Board.

Declare cut off date of Scheme.

Retrench the excess manpower who do not opt for Scheme in accordance with the provisions of Industrial Dispute Act of 1947.

A review of Scheme in various PSEs revealed that:

Rajasthan State Ganganagar Sugar Mills Limited (Company) identified (December 2001) 140 employees as surplus due to extremely low off take of country liquor bottles. Accordingly, the Board of the Company decided (August 2002) to give the benefit of Scheme to its surplus employees. The employees were asked (March/July 2003) to submit their application by mid of August 2003. In response, only 86 out of 140 surplus employees opted VRS in July 2003. Audit observed that the Company had not taken any action for retrenchment of remaining 54 surplus employees as envisaged in BPE guidelines of December 2000. Thus, non-retrenchment of excess staff resulted in avoidable payment of Rs.18.69 lakh towards pay and allowances (August 2003 to March 2004).

Rajasthan State Hotels Corporation Limited (RSHC), Rajasthan State Handloom Development Corporation Limited (RSHDC), Rajasthan Tourism Development Corporation (RTDC) and Rajasthan State Mines & Minerals Ltd. (RSMM) adopted the Scheme in June 1990, December 1997, September 1989 and 1990, respectively for their employees. In response, RSHC, RSHDC, RTDC and RSMM, without identifying the surplus manpower, made payment Rs.10.09 lakh between June-July 2000 to 61 employees, Rs.7.98 lakh between July 1998 and June 2000 to 46 employees, Rs.5.99 lakh between 1999 to 2001 to 43 employees and Rs. 9.36 lakh between January 2001 and January 2004 to 83 employees respectively towards notice period pay. Thus, these companies made payment of Rs. 33.42 lakh disregarding the provisions of the service rules.

RSHDC stated (July 2002) that in order to encourage employees for seeking voluntary retirement, salary of the notice period was paid and that after receipt of clarification (March 2001) from the BPE stating that no salary for the notice period was payable to employees seeking voluntary retirement, payment towards notice period was not being made. Thus, payment (Rs.7.98 lakh) towards notice period pay was irregular.

The Government stated (July 2004) that RSHC was covered under Industrial Disputes Act, 1947 and had to adopt all the legal constitutional provisions, if an employee was retired/resign/terminate prematurely before his

superannuation date then it was must to allow either notice period of three months or notice period salary in lieu there of.

The contention was, however, not acceptable, as the provisions of Section 25 (F) of Industrial Dispute Act, 1947 were applicable only for the cases of retrenchments and not for voluntary retirements. Moreover as per the appointment letters, serving the notice was necessary in case an employee of RSHC retired prematurely. In the instant case, the concerned employees had submitted their applications for voluntary retirement.

#### **4.11 Follow-up action on Audit Reports**

##### ***Outstanding action taken notes***

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

Replies to 36 paragraphs pertaining to 39 Recommendations of the COPU presented to State Legislature between August 2002 and August 2003 had not been received as on September 2004 as indicated below:

| Year of the Audit Report | Total number of Recommendations involved | Number of paragraphs where replies not received |
|--------------------------|--|---|
| 1991-92                  | 7  | 17  |
| 1994-95                  | 15                                       | 15  |
| 1995-96                  | 1  | 1   |
| 1996-97                  | 4  | 2   |
| 1997-98                  | 12                                       | 1   |
| <b>Total</b>             | <b>39</b>                                | <b>36</b>                                       |

##### ***Action taken on persistent irregularities***

**4.11.2** To assist and facilitate discussions of paragraphs of persistent nature by the COPU, an exercise has been carried out to verify the extent of corrective action taken by the concerned auditee organisations and results thereof are indicated in **Annexure - 19**.

##### ***Power sector companies***

The irregularities of various natures having financial implication of Rs.5.83 crore (erstwhile Rajasthan State Electricity Board) were included in the Report of the Comptroller and Auditor General of India for the year's 1997-98 to 2001-02 (Commercial)-Government of Rajasthan respectively. Scrutiny in audit revealed that the irregularities were persisting and the Companies have not taken corrective action due to lack of seriousness on their part.

The matter was referred to the Government /management: replies had not been received (September 2004).

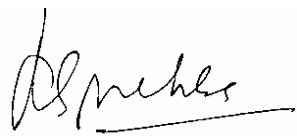
**Response to Inspection Reports, Draft Paras and Reviews**

**4.12** Irregularities/shortcomings noticed during periodical inspection of Government companies/corporations and not settled on the spot are communicated through Inspection Reports (IRs) to heads of PSUs and concerned departments of the State Government. The heads of PSUs are required to furnish replies to the IRs through respective heads of the department 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 of those IRs.

Review of Inspection Reports issued up to March 2004 pertaining to 20 PSUs disclosed that 3,709 paragraphs relating to 1,071 IRs involving monetary value of Rs.2,264.36 crore remained outstanding at the end of September 2004, of which 7 IRs containing 16 paragraphs had not been replied for more than two years. Even initial replies were not received in respect of 185 paragraphs of 12 PSUs. Department-wise break up of IRs and audit observations as on September 2004 is given in **Annexure – 20**. In order to expedite settlement of outstanding paragraphs, Audit Committees were constituted in 13 out of 26 departments. 37 Audit Committee meetings were held during 1999-2004 wherein positions of outstanding paragraphs were discussed with executive/administrative departments to ensure accountability.


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

**JAIPUR**  
The 04 March 2005

  
( **D.S. NEHRA** )  
Accountant General  
(Commercial & Receipt Audit), Rajasthan

Countersigned

**NEW DELHI**  
The 9 March 2005

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

