CHAPTER V: GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

5.1 Overview of State Public Sector Undertakings

Introduction

The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. The State PSUs registered a turnover of ₹ 331.33 crore as per their latest finalised accounts as of September 2011. This turnover was equal to 2.03 *per cent* of State Gross Domestic Product (GDP) for 2010-11. Thus, the State PSUs occupy an insignificant place in the State economy. Major activities of Tripura State PSUs were concentrated in power and agriculture sectors. The State PSUs incurred a loss of ₹ 4.36 crore in aggregate as per their latest finalised accounts as of September 2011. They had employed 8,251[1] employees as of 31 March 2011. The State PSUs do not include Departmental Undertakings (DUs), which carry out commercial operations but are a part of Government departments.

5.1.2 As on 31 March 2011, there were fourteen PSUs as per the details given below. None of the companies were listed on the stock exchange.

Table No. 5.1.1

Type of PSUs	Working PSUs	Non-working PSUs[2]	Total
Government Companies[3]	12	1	13
Statutory Corporations	1	-	1
Total	**13**	**1**	**14**

Audit Mandate

5.1.3 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which not less than 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and Corporations controlled by

[1] As per the details provided by 13 PSUs. Remaining one non-working PSU did not furnish the details.
[2] Non-working PSUs are those which have ceased to carry on their operations.
[3] includes two 619-B companies.

Government(s) is treated as if it were a Government company (deemed Government company) as *per* Section 619-B of the Companies Act.

5.1.4 The accounts of State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by CAG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 (4) of the Companies Act, 1956.

5.1.5 Audit of statutory corporations is governed by their respective legislations. CAG is the sole auditor of the only statutory corporation in the State viz. Tripura Road Transport Corporation.

Investment in State PSUs

5.1.6 As on 31 March 2011, the investment (capital and long-term loans) in 14 PSUs (including 619 B companies) was ₹ 705.69 crore as *per* details given below.

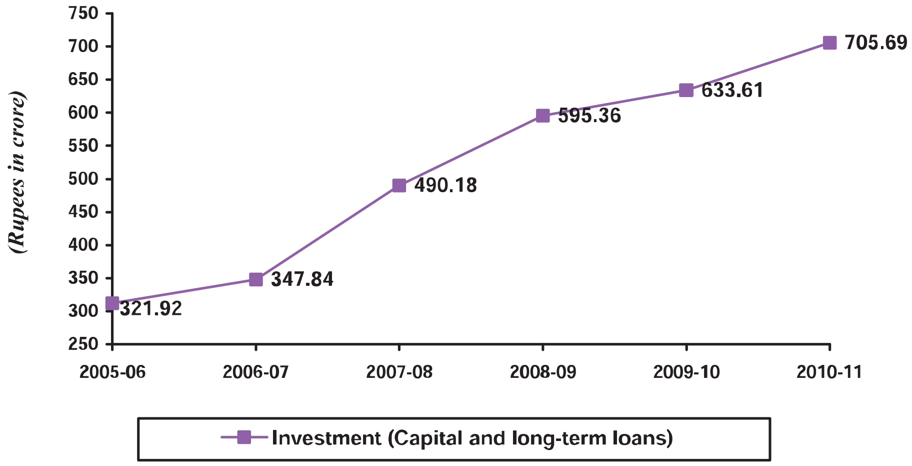
Table No. 5.1.2

(Rupees in crore)

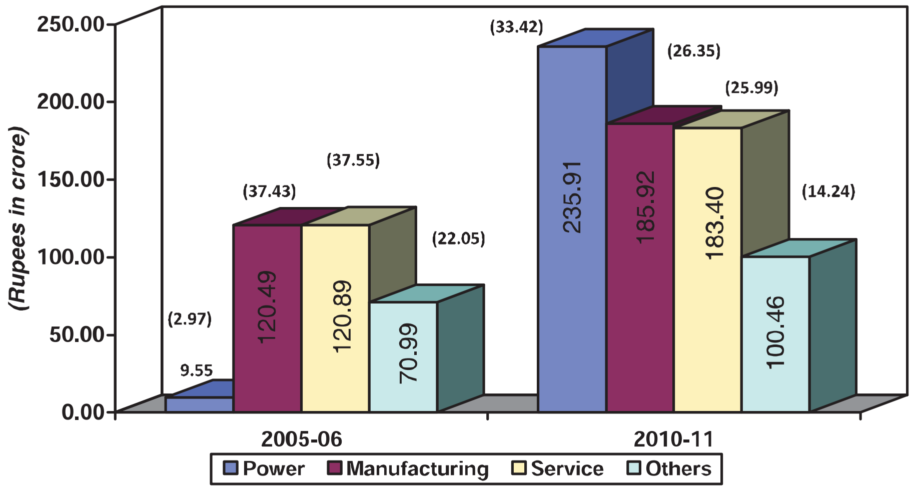
Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	394.63	128.03	522.66	182.74	0.25	182.99	705.65
Non-working PSUs	0.04	-	0.04	-	-	-	0.04
Total	**394.67**	**128.03**	**522.70**	**182.74**	**0.25**	**182.99**	**705.69**

A summarised position of Government investment in State PSUs is detailed in **Appendix 5.1**.

5.1.7 As on 31 March 2011, of the total investment in State PSUs, 99.99 *per cent* was in working PSUs and the remaining 0.01 *per cent* in non-working PSUs. This total investment consisted of 81.82 *per cent* towards capital and 18.18 *per cent* in long-term loans. The investment had grown by 119.21 *per cent* from ₹ 321.92 crore in 2005-06 to ₹ 705.69 crore in 2010-11 as shown in the graph below.



5.1.8 The investment in various important sectors at the end of 31 March 2006 and 31 March 2011 are indicated below in the bar chart.



(Figures in brackets show the percentage of total investment)

The thrust of investment in the power sector arose from transfer of the generation, transmission and distribution of electricity from the Power Department, Government of Tripura since January 2005 to a new company *viz.* Tripura State Electricity Corporation Limited, set up in June 2004. The other major sectors for investment were manufacturing and service.

Budgetary outgo, grants/subsidies, guarantees and loans

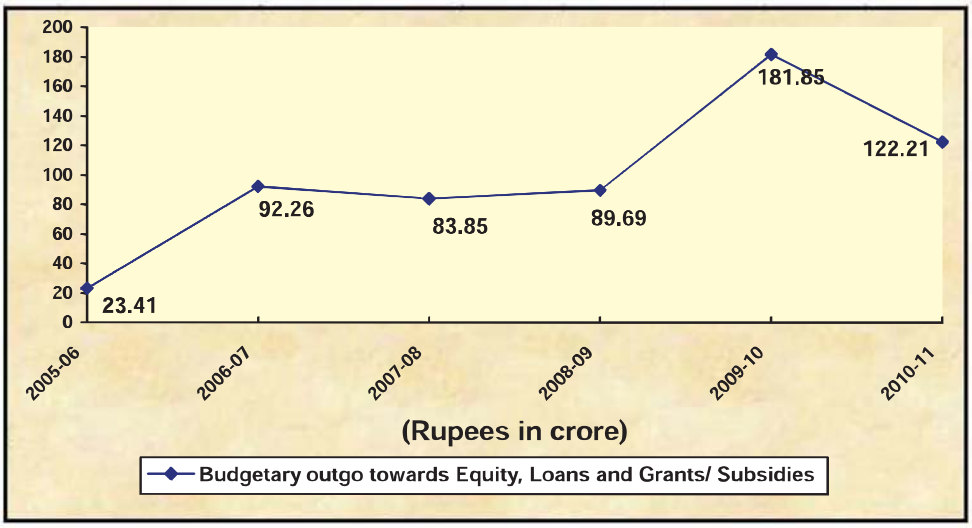
5.1.9 The details regarding budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Appendix 5.3**. The summarised details are given below for three years ended 2010-11.

Table No. 5.1.3

(Rupees in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	7	31.13	8	25.79	3	13.27
2.	Loans given from budget	1	30.50	1	16.50	-	-
3.	Grants/Subsidy received[4]	3	28.06	4	139.56	5	108.94
4.	Total Outgo (1+2+3)	9[5]	89.69	10[5]	181.85	7[5]	122.21
5.	Guarantee Commitment	-	-	-	-	-	-

5.1.10 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the past five years are given in a graph below:



The increase in the budgetary outgo of the State Government during 2005-10 was mainly directed to the power sector. The decrease in annual budgetary outgo in 2010-11 was due to decrease in outgo towards equity and grants to the PSUs. The State Government also provides financial support to Tripura Jute Mills Limited and Tripura Road Transport Corporation, to bridge the gap of income and expenditure of the PSUs.

Reconciliation with Finance Accounts

5.1.11 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance

[4] Amount represents outgo from State Budget only.
[5] The figure represents number of companies which have received outgo from budget under one or more heads i.e., equity, loans, grants/subsidies.

Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2010 and 31 March 2011 is stated below.

Table No. 5.1.4

(Rupees in crore)

Outstanding in respect of	Amount as per Finance Accounts		Amount as per records of PSUs		Difference	
	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11
Equity	722.62	820.96	517.24	568.71	205.38	252.25
Loans	33.50	33.50	107.51	127.92	74.01	94.42
Guarantees	2.68	2.68	-	-	2.68	2.68

We observed that the increase in the difference by ₹ 46.87 crore during the year 2010-11 on account of equity investment was mainly due to the following.

i) Classification of the amount of ₹ 73.28 crore provided to TSECL during the year 2010-11 as equity in the Finance Accounts whereas the same was accounted by TSECL as grants.

ii) As per the information received from TRTC, an amount of ₹ 27.99 crore was stated to have been received as equity during the year 2010-11 whereas as per the Finance accounts only ₹ 0.60 crore was provided as equity.

iii) As per the Finance Accounts, an amount of ₹ 4.94 crore was provided as equity to Tripura Tourism Development Corporation during the year 2010-11 whereas as per the information received from the Company, the same was not reflected.

The increase in the difference by ₹ 20.41 crore during the year 2010-11 on account of loans as per the PSU records was due to TSECL classifying an amount of ₹ 20.41 crore as loan received during the year 2010-11 whereas as per the Finance Accounts no loan was provided.

It is recommended that the Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

5.1.12 As of September 2011, the latest accounts finalised by the PSUs ranged from 2000-01 to 2009-10 i.e., upto 2000-01 (one PSU), 2004-05 (two PSUs), 2005-06 (one PSU), 2006-07 (two PSUs), 2008-09 (two PSUs) and 2009-10 (five PSUs).

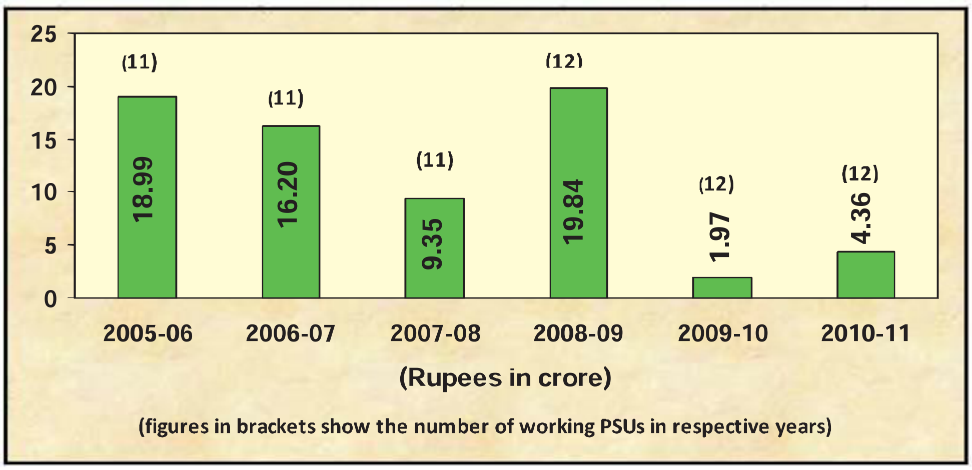
The financial results of PSUs, financial position and working results of the only working statutory corporation prepared based on their respective latest finalised accounts (as of September 2011) are detailed in **Appendices 5.2, 5.5 and 5.6.** A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSU turnover and State GDP for the period 2005-06 to 2010-11.

Table No. 5.1.5

(Rupees in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Turnover[6]	53.79	50.43	251.65	260.69	288.48	331.33
State GDP	9,826.02	10,914.23	11,797.07	13,104.47	14,604.28	16,327.89[7]
Percentage of Turnover to State GDP	0.55	0.46	2.13	1.99	1.98	2.03

5.1.13 Net losses[8] incurred by State working PSUs during 2005-06 to 2010-11 based on their respective latest finalised accounts during the above period are given below in a bar chart:



Based on their latest finalised accounts of various accounting period as of September 2011, out of 12 working PSUs, 7 PSUs[9] earned net profit of ₹ 32.28 crore and 5 PSUs incurred a net loss of ₹ 36.64 crore, resulting in the net loss of ₹ 4.36 crore. The major contributors to profit were Tripura Forest Development & Plantation Corporation Limited (₹ 18.86 crore) and Tripura State Electricity Corporation Limited (₹ 9.87 crore) and heavy losses were incurred by Tripura Road Transport Corporation (₹ 19.24 crore) and Tripura Jute Mills Limited (₹ 13.21 crore).

5.1.14 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. During the year 2010-11, we selected two PSUs namely Tripura State Electricity Corporation Limited and Tripura Forest Development and Plantation Corporation Limited for detailed audit. The details of revenue, cost, net profit of these

[6] Turnover as per the latest finalised accounts of PSUs as of 30 September 2011.
[7] Based on Quarterly Review Report of the Finance Minister for third quarter of 2010-11.
[8] It arrived before the below the line adjustment like income tax penalty, refund of income tax etc
[9] Sl Nos. A(1), A(3), A(5), A(6), A(9), A(10) & A(12) of **Appendix 5.2.**

PSUs as per their latest finalised accounts and the money value of audit objections are summarised below.

Table No. 5.1.6

(Rupees in crore)

Name of the Company	Revenue	Cost	Net Profit	Money value of audit objections	
				Excess cost incurred	Revenue forgone
Tripura State Electricity Corporation Limited (latest finalised accounts-2006-07)	356.62	452.42	9.87	1.18	21.48
Tripura Forest Development and Plantation Corporation Limited (latest finalised accounts-2009-10)	42.17	23.31	18.86	0.85	1.03

5.1.15 The above losses pointed out are based on test check of records of PSUs. The actual losses would be much more. The above table shows that with better management, the losses can be eliminated. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

5.1.16 Some other key parameters pertaining to State PSUs based on their latest finalised accounts are given below.

Table No. 5.1.7

(Rupees in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Return on Capital Employed (*Per cent*)	NEGATIVE IN ALL YEARS				0.59	0.50
Debt	8.81	8.50	23.74	98.29	108.37	128.28
Turnover[10]	53.79	50.43	251.65	260.69	288.48	331.33
Debt/ Turnover Ratio	0.16	0.17	0.09	0.38	0.38	0.39
Interest Payments[9]	5.68	5.69	6.31	5.89	7.27	9.37
Accumulated losses [9]	196.39	197.98	210.18	243.74	303.21	320.31

5.1.17 Debt had increased in the past three years on account of loans of Tripura State Electricity Corporation Limited.

5.1.18 The State Government had not yet formulated a dividend policy and therefore, no PSU had declared dividend during 2010-11. However, as per Statement 14 of the Finance Accounts, 2010-11 the State Government had received dividend for an amount of ₹ 12.76 lakh from TIDCL. As per their latest finalised accounts, seven PSUs earned an aggregate profit of ₹ 32.28 crore.

Arrears in finalisation of accounts

5.1.19 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of

[10] Turnover of working PSUs and interest as well as accumulated losses as per the latest finalised accounts as of 30 September 2011.

Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

The table below provides the details of progress made by working PSUs in finalisation of accounts as of September 2011:

Table No. 5.1.8

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Number of working PSUs	12	12	12	13	13
2.	Number of accounts finalised during the year	5	6	24	38	27
3.	Number of accounts in arrears	80	86	74	49	35
4.	Average arrears per PSU (3/1)	6.67	7.17	6.17	3.77	2.69
5.	Number of Working PSUs with arrears in accounts	12	12	12	13	13
6.	Extent of arrears	1 to 13 years	2 to 14 years	2 to 15 years	1 to 9 years	1 to 10 years

5.1.20 The reasons for arrears in accounts were lack of skilled personnel in PSUs as well as delays in preparation of accounts.

5.1.21 The State Government had invested ₹ 319.86 crore (Equity: ₹ 148.25 crore, loans: ₹ 36.59 crore and grants: ₹ 135.02 crore.) in 8 PSUs during the years for which accounts have not been finalised as detailed in **Appendix 5.4**. In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

5.1.22 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed of the arrears in finalisation of accounts by Audit from time to time, remedial measures were taken belatedly. As a result of this the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up from time to time with the State Government. In the light of relaxed norms of CAG for expeditious clearance of the backlog in arrears, all PSUs had been categorically instructed by the State Government to show results in overcoming arrears in accounts.

Winding up of non-working PSUs

5.1.23 There was one non-working Company viz. Tripura State Bank Limited, as on 31 March 2011, which had been non-functional for around 41 years. It was in the process of liquidation under Section 560 of the Companies Act, 1956. The non-working PSU is required to be closed down since its existence is not going to serve any purpose. The Company continues to await liquidation for almost four decades. The Government may expedite winding up of the Company.

Accounts Comments and Internal Audit

5.1.24 Eleven working companies had forwarded their 24 audited accounts to AG during the year 2010-11(up to 30 September 2011). Of these, 14 accounts of ten companies were finalised during 2010-11 (including issue of 11 NRCs).10 annual accounts were pending finalisation due to delay in receipt of accounts and manpower shortage. Besides, 20 annual accounts received from Companies in previous years were finalised (including 3 NRCs) during the year 2010-11 (up to September 2011). Therefore, 34 annual accounts (including 14 NRCs) were finalised during the year. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG based on the accounts audited during the period from 2008-09 to 2010-11 (till 30 September 2011) are given below:

Table No. 5.1.9

(Rupees in crore)

Sl. No.	Particulars	During 2008-09		During 2009-10		During 2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Increase in profit	1	0.02	7	0.29	1	0.06
2.	Decrease in loss	5	1.71	11	0.42	6	2.29
3.	Decrease in profit	1	0.01	9	11.94	5	2.64
4.	Increase in loss	8	9.73	9	8.79	12	14.99
5.	Non-disclosure of material facts	5	12.17	4	3.91	0	0
6.	Errors of classification	9	17.06	11	34.41	0	0

5.1.25 Based on their latest finalised accounts as of September 2011, PSUs registered a net loss of ₹ 4.36 crore with the accumulated loss of ₹ 320.31 crore. However, this would further increase by ₹ 15.28 crore if the net impact of audit comments made during the year 2010-11 is taken into account. During the year, the statutory auditors had given qualified certificates on all the audited accounts received upto September 2011. The audit comments were based mainly on the non-compliance of Companies with the Accounting Standards namely AS-1 (Disclosure of Accounting Policies), AS-2 (Valuation of Inventories), AS-15 (Employee benefits) AS-22 (Accounting for taxes on income) and AS-26 (Intangible Assets).

5.1.26 Some of the important comments in respect of accounts of Companies audited during the year 2010-11 (up to 30 September 2011) are stated below:

Tripura Jute Mills Limited

2008-09

- Non-provisioning for arrear salaries payable to employees of the company, resulted in understatement of other liabilities and loss for the year by ₹ 71.28 lakh.

2009-10

- Non-provisioning of the demand raised by Employees State Insurance Corporation resulted in understatement of current liabilities and loss for the year by ₹ 24.88 lakh.

Tripura Tea Development Corporation Limited

2008-09

- Non-accounting for writing off of assets transferred had resulted in overstatement of fixed assets by ₹ 2.65 crore with corresponding understatement of accumulated loss by the same extent.

2009-10

- Non-provision of actuarial valuation of the liability towards leave encashment of employees resulted in understatement of current liabilities and provisions by ₹ 18.08 lakh with corresponding understatement of loss for the year by the same extent.

5.1.27 The only working Statutory Corporation viz., Tripura Road Transport Corporation had forwarded three accounts to AG during the year 2009-10 and three accounts during the year 2010-11. All these accounts were audited and Separate Audit Reports were issued (as of September 2011). The details of aggregate money value of comments issued by CAG during the last three years are given below.

Table No. 5.1.10

(Rupees in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	-	-	-	-
2.	Increase in loss	-	-	-		6	9.26
3.	Non-disclosure of material facts	-	-	-	-	-	-
4.	Errors of classification	-	-	-	-	3	0.41

5.1.28 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of six companies[11] for the year 2010-11 are given below.

Table No. 5.1.11

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as *per* Appendix 5.2
1.	Non-fixation of minimum/ maximum limits of store and spares	Six	A(1), A(3), A(5), A(6), A(7), A(8)
2.	Absence of internal audit system commensurate with the nature and size of business of the company	Five	A(1), A(3), A(5), A(6), A(7)
3.	Non maintenance of cost record	Six	A(1), A(3), A(5), A(6), A(7), A(8)
4.	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	Five	A(1), A(5), A(6), A(7), A(8)

Status of placement of Separate Audit Reports

5.1.29 Separate Audit Reports (SARs) issued by the CAG on the accounts of Tripura Road Transport Corporation was placed in the Legislature by the Government up to 2002-03.

The SARs for the years 2003-04, 2004-05 and 2005-06, which were issued in January 2011 were yet to be placed in the Assembly (September 2011) and SARs for the years 2006-07, 2007-08 and 2008-09 were issued in September 2011. The Government should ensure prompt placement of SARs in the Legislature.

Disinvestment, Privatisation and Restructuring of PSUs

5.1.30 No disinvestment, privatisation or restructuring of PSU occurred during 2010-11.

[11] Sl. No. A(1), A(3), A(5),A(6), A(7) & A(8) in **Appendix 5.2**.

SECTION A
POWER DEPARTMENT
(Tripura State Electricity Corporation Limited)

5.2 Performance Audit of the Power Distribution Utility

Executive Summary

Power is an essential requirement for all facets of life and has been recognized as a basic requirement for development. In Tripura, generation, transmission, distribution and trading activity has not been unbundled. These activities are carried out by Tripura State Electricity Corporation Limited (Company), which was incorporated on 9 June 2004 under the Companies Act 1956.

As on 31 March 2011, the State had distribution network of 0.29 lakh Circuit Kilo Meters (CKM) of lines (33/11 KV and LT), 8639 Distribution transformers (DTRs) and 28 sub-stations catering to 4.88 lakh consumers.

Distribution Network planning

As against the growth of connected load from 392.45 MVA in 2006-07 to 650.35 MVA in 2009-10 (66 per cent), the corresponding increase in DTR capacity was from 681.95 MVA to 700.95 MVA (3 per cent). The distribution capacity was adequate to match the consumer demand. There was substantial increase in LT lines though the increase in HT lines was very nominal.

Implementation of centrally sponsored schemes

As on 31 March 2008, out of 858 villages in the State, 491 villages were electrified. Under the RGGVY Scheme, the electrification of villages was taken up from November 2008. The percentage of achievement of electrification of villages during the year 2009-10 and 2010-11 remained at 60 and 41 percent and still 290 villages remained unelectrified. Out of 1.95 lakh BPL households targeted for electrification, only 0.57 lakh were electrified up to 31 March 2011, out of which 0.25 lakh were not energized but provided with electrical kits only for want of transformers, which resulted in idle investment of ₹ 6.76 crore and non-provision of electricity to the intended beneficiaries.

Under the R-APDRP Scheme, the Company received fund of ₹ 10.31 crore from 2009-10 onwards, of which only ₹ 0.35 crore was spent. The award of contracts under the Scheme

was delayed due to pending court cases.

Procurement

The procurement system is weak as the procurement was based only on tentative requirement of materials and not against any annual plans and budgets. The Company has not adopted the scientific methods of inventory control such as fixing of minimum, maximum, re-order stock levels, ABC Analysis etc. The contract management remained poor leading to excess/irregular payment of ₹ 1.18 crore to the suppliers under the price variation clause.

Operational efficiency

The Company traded the power available, which ranged from 231 MUs to 412 MUs during the period from 2006-07 to 2010-11 on the grounds of transmission constraints in importing the power to the State during the peak hours, while the domestic demand was not met in full. There was load shedding in Tripura on an average of one to one and half hours per day during the review period. The revenue fetched in trading of power during the year 2010-11 was lower than the domestic realization by ₹12.39 crore.

Sub-Transmission and Distribution Losses

The Company did not have mechanism to work out segment wise actual AT&C losses viz., Transmission, Sub-transmission, Distribution and Commercial losses. The Company could not achieve the projected AT&C loss reduction of 28 per cent as of 2010-11 whereas the actual AT&C losses stood at 36 per cent. The reasons for high AT&C losses were long distribution lines extending over rural areas, non-revamp of the existing distribution network, continued existence of unmetered consumers, theft of power etc.

Financial position

Accumulated profits of the Company increased by 566 per cent from ₹18.70 crore in 2006-07 to ₹124.47 crore in 2009-10 by making profit in all the years. However,, the Company incurred a loss of ₹95.79 crore during the year 2010-11.

Billing and Revenue collection efficiency

The percentage of energy billed decreased from 94.08 per cent in 2006-07 to 91.29 per cent in 2010-11 due to reasons such as existence of unmetered Kutir Jyoti consumers drawing more power than stipulated quantum, theft of energy, increased billing on provisional basis in the absence of meter readings etc.

There was under-assessment of revenue amounting to ₹4.15 crore due to incorrect computation of units consumed by the Energy Billing System (EBS). The increased tariff on account of Fuel and Power Purchase Cost Adjustment (FPPCA) was not billed from the effective date of tariff resulting in short-realisation of revenue amounting to ₹1.54 crore.

The outstanding dues increased from ₹ 13.81 crore in 2006-07 to ₹ 31.25 crore, out of which the dues from the State Government alone accounted for ₹ 26.19 crore (84 per cent). The details of age wise outstanding dues were not prepared by the Company, which would aid effective collection.

Financial Management

The delay in filing of tariff petition in 2006-07 resulted in short-realisation of revenue of ₹ 2.52 crore. The tariff could not be revised thereafter due to non-finalisation of annual accounts. The extent of tariff was lower than break-even levels and the Company could not recover fixed cost during the review period and even the variable cost during the year 2010-11. The subsidy commitment during the years 2006-07 and 2010-11 was not fully met by the State Government.

The idle funds kept in the current accounts were on the increasing trend.

The delay in transfer of revenue collection to the Corporate Office by three divisions test checked out of twenty divisions resulted in loss of interest of ₹ 71.15 lakh. The Divisions did not prepare bank reconciliation statements periodically and there was no monitoring mechanism in place to identify the cases of stale and dishonoured cheques.

Energy Audit

The company did not conduct energy audit though it was mandatory from March 2007 as per the TERC's directives.

Monitoring by Top Management

The monitoring system is inadequate due to the reasons such as absence of sound comprehensive Management Information System (MIS), internal audit, physical verification of stores, segment wise assessment of performance (Generation, Transmission and Distribution) etc.

Introduction

5.2.1 The distribution system of the power sector constitutes the final link between the power section and the consumer and therefore very significant. Therefore, the real challenge of reforms in the power sector lies in efficient management of the distribution system. The National Electricity Policy *inter-alia* laid emphasis on the restructuring of distribution utilities, efficiency improvements and recovery of cost of services provided to consumers to make power sector sustainable. The focus was on system upgradation, controlling the T & D losses and power thefts and making the sector commercially viable besides restructuring financing strategy to generate adequate resources.

Electricity Reforms in Tripura

5.2.2 As part of power sector reforms, the erstwhile Department of Power under the Government of Tripura was corporatized on 9 June 2004 by forming Tripura State Electricity Corporation Limited (TSECL) under the Companies Act, 1956. The Company is not unbundled and carries out all the activities of generation, transmission, distribution and trading of power. The Company is under the administrative control of the Department of Power, Government of Tripura. The Management of the Company is vested with a Board of Directors comprising five members, all appointed by the State Government. The day-to-day operations are carried out by the Chairman-cum-Managing Director, who is the Chief Executive of the Company with the assistance of the Director (Technical), Director (Finance) and two General Managers (Technical).

Vital parameters of Electricity Supply in Tripura

5.2.3 During 2006-07, 827.88 MUs of energy was sold by the Company which increased to 973.38 MUs in 2010-11, i.e. an increase of 17.57 *per cent* during 2006-11. As on 31 March 2011, the Company had distribution network of 0.29 lakh CKM, 28 nos. of 33 KV sub-stations and 8639 transformers of various categories. The number of consumers was 4.88 lakh. The turnover of the Company was ₹ 305.94 crore in 2010-11, which was equal to 92.34 *per cent* and 1.87 *per cent* of the State PSUs turnover[1] and State Gross Domestic Product, respectively. It employed 4443 employees as on 31 March 2011.

Performance Review of electricity sector

5.2.4 A review on Performance of the Power Generating Stations of TSECL was included in the Report of the Comptroller and Auditor General of India (Civil/ Commercial), Government of Tripura for the year ended 31 March 2010. The Report is yet to be discussed by COPU (September 2011).

Scope of Audit

5.2.5 The present performance audit conducted during March 2011 to June 2011 covers the performance of the Company in Distribution of the Power during the period from 2006-07 to 2010-11 to ascertain whether it was able to achieve the aims and objectives stated in the National Electricity Policy and Plan and the extent of the reforms achieved in the Distribution sector. The review mainly deals with Network Planning and execution, Implementation of Central Schemes, Operational Efficiency, Billing and Collection efficiency, Financial Management, Consumer Satisfaction, Energy Conservation and Monitoring.

[1] As per latest finalized accounts of PSUs as of September 2011

Sampling Plan

5.2.6 The audit examination involved scrutiny of records at the Head Office and three out of the total 20 Divisions namely Division-III, Ambassa and Udaipur along with its 13 sub-divisions, which were selected based on Random Sampling. The revenue of the selected Divisions constituted 21.39% of the total revenue of the Company during the review period.

Methodology

5.2.7 The methodology adopted for attaining the audit objectives with reference to audit criteria consisted of explaining audit objectives to top management, scrutiny of records at Head Office and selected units, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with the Management and issue of draft review to the Management for comments.

Audit Objectives

5.2.8 The objectives of the performance audit were to assess whether:

The objectives of the performance audit were to assess:

- whether aims and objectives of National Electricity Policy;/Plans were adhered to and distribution reforms achieved;
- adequacy and effectiveness of network planning and its execution;
- efficiency and effectiveness in implementation of the central schemes such as, Revised Accelerated Power Development & Reform Programme (RAPDRP) and Rajiv Gandhi Grameen Vidyutikaran Yojna (RGGVY);
- Operational Efficiency in meeting the power demand of the consumers in the state;
- Billing and Collection Efficiency of revenue from consumers;
- whether Financial Management was effective and surplus funds, if any, were judiciously invested;
- whether a system is in place to assess consumer satisfaction and redressal of grievances;
- that energy conservation measures were undertaken; and
- that a monitoring system is in place and the same is utilised in review of overall working of Company.

Audit Criteria

5.2.9 The audit criteria adopted for assessing the achievement of the audit objectives were:

- ❖ National Electricity Plan, Plans and norms concerning distribution network of TSECL and Planning criteria, if any, fixed by the TERC;
- ❖ Standard procedures for award of contract with reference to principles of economy, efficiency and effectiveness;
- ❖ Norms prescribed by various agencies with regard to operational activities;
- ❖ Norms of technical and non-technical losses;
- ❖ Guidelines/ instructions/ directions of TERC;
- ❖ terms and conditions contained in the Central Scheme Documents;
- ❖ comparison with best performers in the regions/all India averages; and
- ❖ Provisions of Electricity Act 2003.

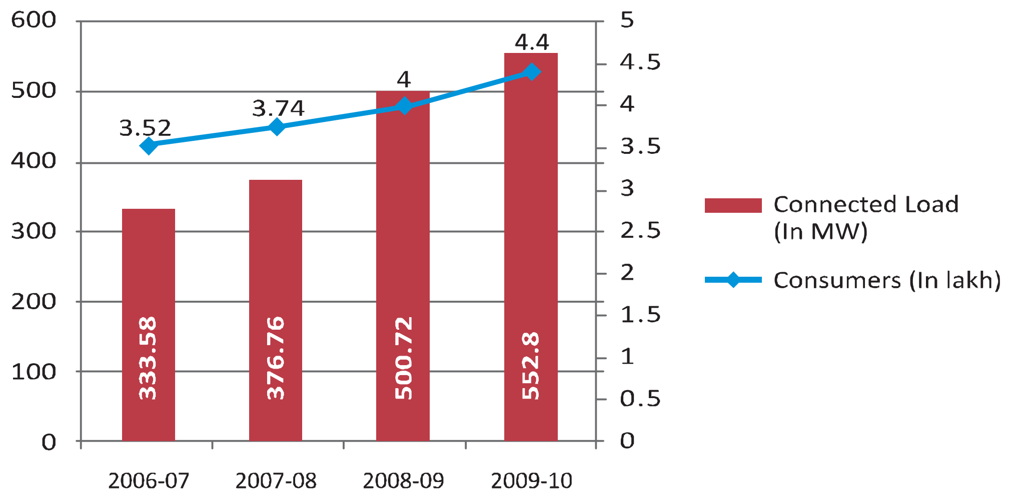
Audit Findings

5.2.10 We explained the audit objectives to the Company during an 'Entry Conference' held on 11 April 2011. Subsequently, audit findings were reported to the Company and the State Government in September 2011 and discussed in an 'Exit Conference' held on 13 October 2011. The Exit Conference was attended by the Secretary to the Government of Tripura, Power Department and the Chairman-cum-Managing Director of the Company. The Company replied to audit findings in September 2011. The views expressed by them have been considered while finalising this Review. The audit findings are discussed in subsequent paragraphs.

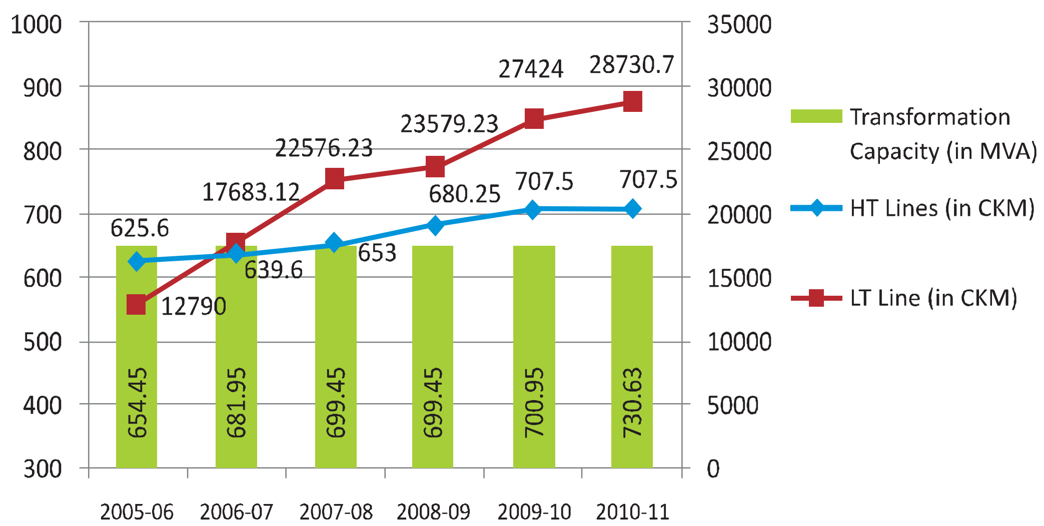
Distribution Network Planning

5.2.11 TSECL is required to prepare long term/ annual plan for creation of infrastructural facilities for efficient distribution of electricity so as to cover maximum population in the State. Besides the upkeep of the existing network, additions in distribution network are planned keeping in view the demand/ connected load, anticipated new connections and growth in demand based on Electric Power Survey. Considering physical parameters, Capital Investment Plans are submitted to the State Government. The major components of the outlay include normal development and system improvement besides rural electrification and strengthening of IT enabled systems.

5.2.12 The particulars of consumers and their connected load during period from 2006-07 to 2009-10 are given below in the following chart.



5.2.13 The distribution network in terms of HT, LT lines and transformation capacity during the period from 2005-06 to 2010-11 is depicted in the following graph.



5.2.14 It may be seen from the above that though there was substantial increase in the LT lines from 12790 CKM since 2006-07 to 28730.70 CKM in 2010-11, there was only nominal increase in the HT lines from 625.60 CKM in 2006-07 to 707.50 CKM in 2010-11. Further, as compared to the growth of connected load of 333.58 MW in 2006-07 to 552.80 MW (equivalent to 392.45 MVA and 650.35 MVA at 0.85 Power Factor) in 2009-10 (65.72 *per cent*) as depicted in the previous graph, the increase in transformer capacity was from 681.95 MVA to 700.95 MVA (2.79 *per cent*). Though the distribution capacity was adequate to match the consumer demand by maintaining the ideal ratio of 1:1, we observed that there were power cuts during peak hours on an average of 1 to 1.5 hours per day during the review period. The reasons for the power cuts are analyzed under the Para 'Operational efficiency' of this review.

At the exit conference, the Government stated that a World Bank aided project was under consideration for revamping of sub-transmission and distribution system.

Implementation of Centrally Sponsored Schemes

Rural Electrification

5.2.15 The key development objective of the power sector is supply of electricity to all areas including rural as mentioned in Sec 6 of the Electricity Act. Rural Electrification Corporation of India is the nodal agency to implement the programme of giving access to electricity to all households in the next five years beginning from 2005. The Rajiv Gandhi Gramin Vidyutikaran Yojana (RGGVY) scheme initiated by REC aims at electrifying all villages and habitations

As per the new definition of village electrification w.e.f 2004-05, a village would be declared as electrified if,

a) Basic infrastructure such as Distribution Transformers and Distribution lines are provided in the inhabited locality as well as the Dalit Basti hamlet where it exists.
b) Electricity is provided to public places like schools, Panchayats office, health centers, dispensaries, community centers etc.

The number of households electrified should be at least 10% of the total number of households in the village.

5.2.16 As on 31 March 2006, out of 858 villages in the State (as per 2001 Census), 491 villages were electrified (57.23 *per cent*). The work under RGGVY was commenced in four districts in phases, the first being in Dhalai district w.e.f November 2008. The year-wise target *vis-à-vis* achievement of electrification under RGGVY scheme during the review period is shown in the table below.

(In numbers)

Year	Electrified in the beginning of the year	Targeted for electrification during the year	Electrified during the year	Electrified in the end of the year	Percentage of achievement against target during the year
2006-07	491	Work was commenced w.e.f November 2008.		491	NA
2007-08	491			491	NA
2008-09	491			491	NA
2009-10	491	58	35	526	60
2010-11	526	102	42	568	41

We observed that the objective of REP was not achieved and still 290 villages out of 858 villages remained unelectrified (34 *per cent*). Further, out of the total 2.81 lakh BPL households in the State, 0.86 lakh were already electrified and the remaining1.95 lakh BPL households were targeted for electrification and up to 31 March 2011, only 0.57 lakh were electrified leaving 1.38 lakh totally unelectrified (71 *per cent*).

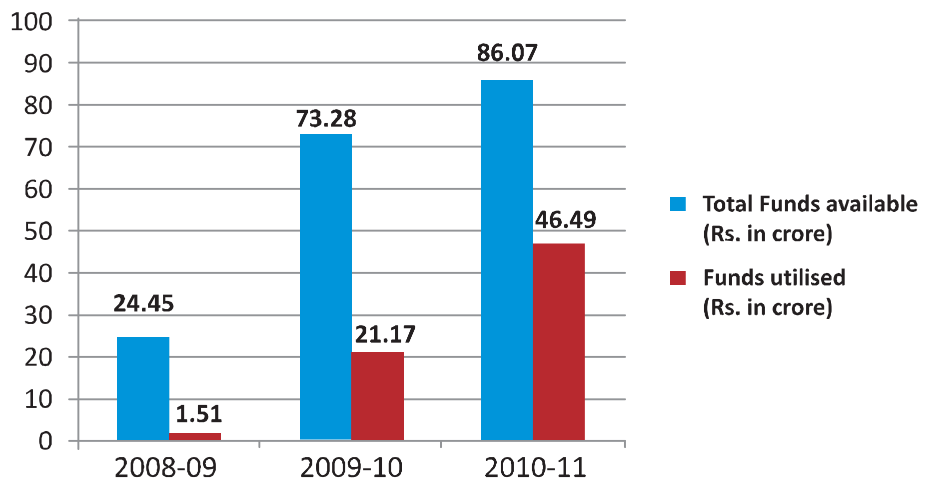
5.2.17 It was further observed that out of 0.57 lakh BPL households provided with the service connections, only 0.32 lakh were energized and the balance 0.25 lakh were not energized (March 2011), for want of transformers. This resulted in ₹ 6.76 Crore invested towards purchase and installation of kits remaining idle in addition to non-providing of electricity to the intended beneficiaries under the Scheme with possibility of de-electrification of lines in the near future.

At the exit conference, the Government endorsed the need for formulation of a time frame for energisation to avoid de-electrification/ illegal extraction of power.

5.2.18 In Ambassa and Udaipur Divisions, 1469 service connections were provided during the period from October 2009 to February 2011 and also energized. However, billing was not commenced by the Division leading to non-realisation of at least ₹ 4.27 lakh considering the minimum flat rate of tariff of ₹ 26/ 35 per month as applicable to Kutir Jyoti consumers.

The Company stated (September 2011) that the matter was being taken up and corrective measures would be taken accordingly.

5.2.19 The Company received funds under RGGVY for rural electrification from 2008-09 onwards. The position of the funds available *vis-à-vis* utilised under the scheme during the three years ending 31 March 2011 is depicted in the graph below.



It is evident from the above graphs that the utilization of fund was far lesser than the available fund during the period from 2008-09 to 2010-11. The reasons for under-utilization of fund were mainly attributable to delay in construction of the proposed 33/11 KV sub-stations, Distribution sub-stations and 33 KV lines etc.

The Company stated (September 2011) that the reason for under- utilization of fund was not due to delay in construction works but to non-making of full payment to the agencies till fulfillment of the stipulated work.

The reply is not tenable since the payments to the contractors were related to the physical progress of the works. Since the progress was slow, the funds remained unutilised. Out of the 8 nos. of 33/11 KV sub-stations proposed to be constructed under the project, only one sub-station could be commissioned in January 2011 and out of 1.95 lakh targeted households, only 0.57 lakh households could be provided with electrical kits for energisation.

5.2.20 We further observed that funds amounting to ₹ 23.46 lakh meant for RGGVY scheme was diverted for other purpose *viz.,* construction of approach road to chamahour sub-station in Tulashikar Block of West District.

The Company stated (September 2011) that the approach road was an integral part of the project and hence could not be considered as diversion of fund.

The reply is not tenable as PGCIL, the executing agency, had already reduced the present sanctioned cost by ₹ 23.46 lakh treating the above as diversion of fund as the said work was not covered under the sanctioned project.

Other points in Contract Management

5.2.21 We observed that the Company did not prepare any annual plans and budget for procurement of materials relating to distribution system and the procurement was based on tentative requirements of materials. The periodical physical verification of stores materials was not carried out. The Company has not fixed stock levels *viz.,* minimum stock, maximum stock, re-order level etc and there was no classification of stores materials based on ABC analysis.

Out of 180 order valuing ₹ 135.21 crore placed during 2006-2011 by Material Management Division of the Company, a test check of 24 nos. of Purchase Orders valuing ₹ 40.90 crore (30.25 *per cent*) was done, we observed that in 13 nos. of Purchase Orders valuing ₹ 27.47 crore, there was total excess payment/ non-recovery/ irregular payment totalling ₹ 1.18 crore under the Price Variation Clause as detailed below.

5.2.22 A Purchase Order was placed (April 2006) on M/S Prag Electricals (P) Ltd for supply of 1044 nos. of various capacity DTRs at a value of ₹ 6.92 crore inclusive of all taxes, duties, freight and insurance. As per the agreement, price variation was applicable as per IEEMA formula. The Supplier had supplied only 443 nos. of DTRs within the scheduled completion period of supply i.e., by November 2006 and the entire supply was completed in February 2008 only. As per IEEMA formula, price variation shall be computed only on the basic price (i.e., excluding duties, taxes etc).We observed that the price variation was incorrectly computed by considering the awarded price, which was inclusive of duties, taxes etc instead of considering the basic price after excluding the duties, taxes etc in line with the IEEMA formula. Further, the price variation was incorrectly computed for the entire contractual quantity assuming that the entire supplies were made as per the contract schedule of November 2006 instead of restricting the price variation only for the actual quantity of 443 nos. of DTRs delivered within the scheduled period. The Company had paid a sum of ₹ 83.37 lakh towards price variation as against admissible amount of ₹ 31.58 lakh

Further, we observed that in respect of the repeat supply order issued on the same supplier under the same agreement, the Company had correctly allowed price variation only on the actual quantities received within the delivery schedule by considering only the basic price of materials (i.e., excluding taxes, duties, freight & insurance). Hence, payment of ₹ 51.79 lakh made towards price variation was irregular.

5.2.23 The Company placed (May 2007) a Purchase Order on M/S M & B Switchgears (P) Ltd for supply of 82 nos. of 200 KVA and 36 nos. of 500 KVA at the rate of ₹ 1,99,776 and ₹ 4,67,286 per DTR respectively. The repeat orders were also placed in June 2008 and July 2009 for total additional quantities of 46 nos. and 24 nos. DTRs respectively. The supply was commenced from October 2007 onwards and completed in December 2009. As per the tender conditions, price variation (*plus* or *minus*) was applicable as per IEEMA formula with base index as December 2006.

The Company continued to make the payment based on the awarded price without regulating the payment based on the price variation applicable from time to time. We observed that during the period of supply, there was a net cumulative negative price variation amounting to ₹ 31.14 lakh recoverable from the supplier as per the IEEMA indices (after considering positive escalation in certain months). However, the Company had not recovered the said amount of ₹ 31.14 lakh resulting in extending of undue favour to the supplier.

The Company stated (October 2011) that the matter had been taken up with the supplier for submission of PV calculation.

5.2.24 The Board of Directors in their meeting held on 5th September 2007 approved to pay taxes and duties on price variation applicable on supplies made on or after 1st April 2006 subject to submission of supporting documents by the suppliers for payment of the additional tax and duties. However, in the test checked cases of 11 nos. of Purchase Orders, we observed that in violation of the above guidelines of the Board, the Company paid the taxes and duties amounting to ₹ 35.17 lakh on the price variation amount without insisting on the suppliers to produce the proof of payment of additional taxes and duties. This resulted in irregular payment of ₹ 35.17 lakh.

While not explaining the reasons for payment of excise duty on price variation to the suppliers without submission of the proof of payment in violation of the Board of Director's decision, the Company stated (October 2011) that all the concerned agencies were now being asked to submit the relevant documents.

Restructured Accelerated Power Development Reforms Programme

5.2.25 The Government of India (GOI) approved the Accelerated Power Development Reforms Programme (APDRP) to leverage the reforms in power sector through the State Governments. This scheme was implemented by the power sector companies through the State Government with the objective of upgradation of sub-transmission and distribution system including energy accounting and metering, for which financial support was provided by GOI.

In order to carry on the reforms further, the GOI launched the Restructured APDRP (R-APDRP) in July 2008 as a Central Sector Scheme for XI Plan. The R-APDRP scheme comprises of Part A and B. Part A was dedicated to establishment of IT enabled system for achieving reliable and verifiable baseline data system in all towns besides installation of SCADA[2]/Distribution Management System. For this, 100 *per cent* loan is provided, and was convertible into grant on completion and verification of same by Third Party independent evaluating agencies. The Part B of the scheme deals with strengthening of regular sub-transmission & distribution system and upgradation projects.

Financial Performance

5.2.26 The Company received funds to the tune of ₹ 10.31 crore under Part-A of R-APDRP from the year 2009-10 onwards, out of which ₹ 35 lakh were utilized. The Part-A of the Scheme covers the projects for establishment of Base line data and IT applications for energy accounting, auditing and IT based Consumer service centres. As decided by the Ministry of Power, Government of India, all North-Eastern Region Utilities shall have one Common Data Centre to be established at Guwahati, the execution of which was entrusted with the Assam Power Distribution Corporation Ltd (APDCL). The awarding of the letter of intent for the appointment of IT Implementing Agency (ITIA) was delayed by APDCL due to pending court case (March 2011) filed by tenderers at Hon'ble Guwahati High Court. As a result of delay in establishment of the Common Data Centre, the allied works under Part-A to be executed by TSECL were also delayed. Hence, the execution of the various projects under the Scheme had not even commenced and the plan performance remained very poor.

---

[2] **Supervisory Control And Data Acquisition** – It generally refers to industrial control systems: computer systems that monitor and control industrial, infrastructure, or facility-based processes.

The Company stated (September 2011) that subsequent to interim order issued by the Hon'ble Guwahati High Court, LOA had since been issued to the contractor and agreement was expected to be signed shortly.

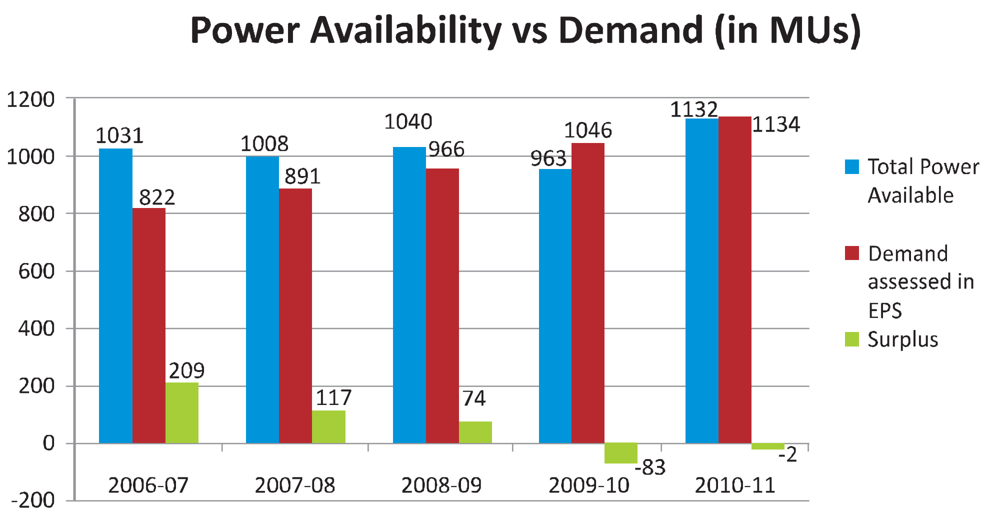
Operational efficiency

5.2.27 The operational performance of the TSECL is judged on the basis of availability of adequate power for distribution, adequacy and reliability of distribution network, minimizing line losses, detection of theft of electricity, *etc*. These aspects have been discussed below.

Purchase and Trading of Power

5.2.27.1 The demand for energy has been increasing year after year in the State due to economic development. Assessment of future demand and requirement of power is calculated on the basis of past consumption trends, present requirement, load growth trends and T & D losses and its trend. In addition to its own generation, the company purchases power from the Central Power Generating Stations based on allocation to the State in accordance with the Memorandum of Understandings (MOUs) entered into with the constituent States.

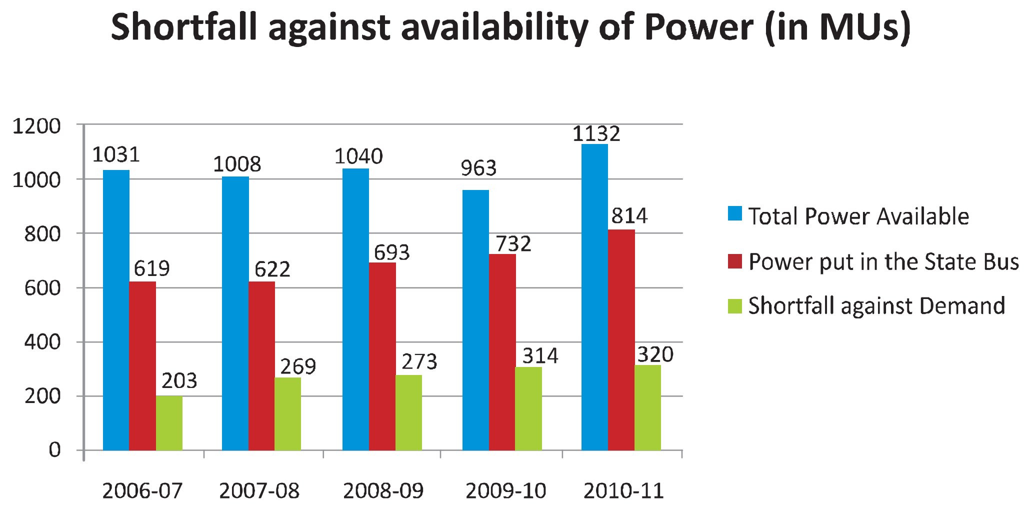
5.2.27.2 The details of demand of power assessed for the State by the Electric Power Survey Committee in its 17th report, the total availability of power (including own generation and the net power purchased after excluding the share of Manipur and Mizoram States[3]) are depicted in the graph below:



[3] Since committed share of power from own generation has to be allocated to the States of Manipur & Mizoram, the same has been excluded while finding out the total power available.

There was availability of surplus power to meet the requirement of the consumers within the State for the years 2006-07 to 2008-09. In 2009-11, there was a shortage 83 and 2 MU.

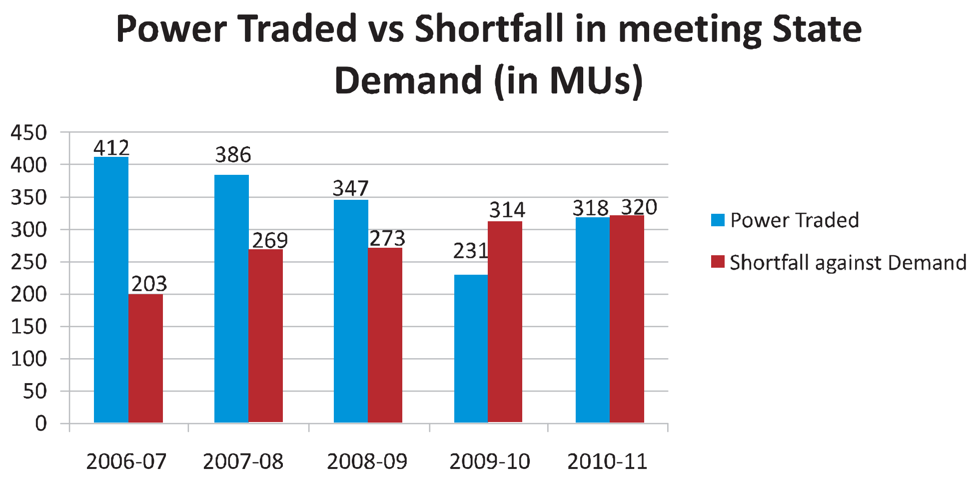
5.2.27.3 The details of power put in the State Bus and the shortfall in meeting the demand during the review period are depicted in the graph below.



It may be seen from the above that the power available was not fully put in the State Bus and there was shortfall in meeting the demand of the consumers in all the years.

5.2.27.4 We observed that instead of meeting the State demand in full, the Company had resorted to trading of power *viz.,* through Bi-lateral agreements, Power Exchange, Unscheduled Interchange (UI) etc.

5.2.27.5 The details of the power traded *vis-a-vis* the shortfall in meeting the State demand are depicted in the graph below.



It may be seen from the above that the Company had resorted to trading of power ranging from 231 MUs to 412 MUs as against the shortfall in State demand ranging from 203 MUs to 320 MUs by depriving the consumers of the State.

5.2.27.6 We observed that the Utility did not have any documented policy for sale of power through trading with regard to quantum to be traded or specified floor prices at which the power should be traded.

5.2.27.7 The details of revenue realization in sale of power through trading to outsiders (excluding committed sale to Manipur & Mizoram) *vis-à-vis* the sale to the local consumers in the State during the period from 2006-07 to 2010-11 is shown below.

	2006-07	**2007-08**	**2008-09 (P)**	**2009-10 (P)**	**2010-11 (P)**
Quantity traded (in MU)	**412.16**	**386.18**	**347.36**	**230.70**	**317.70**
Revenue earned in sale through trading (₹ in Crore)	133.81	143.18	224.84	120.89	93.41
Average realization in trading per unit(in ₹)	3.25	3.71	6.47	5.24	**2.94**
Quantity sold in intra state (In MU)	394.60	397.81	450.85	494.56	568.84
Revenue billed in intra State sale (₹ in Crore)	96.95	105.73	112.42	137.50	189.21
Average realization per unit for sale within the State (in ₹)	2.46	2.66	2.49	2.78	**3.33**
Total cost per unit (in ₹)	3.12	3.16	3.81	3.77	4.65
Load Shedding imposed in Tripura (in MW)	36.00	36.00	36.00	54.00	39.75

P- Provisional

It may be seen from the above that the utility had sold power through trading during the period from 2006-07 to 2009-10 at an average realization rate, which was higher than the total cost per unit and the average realization rate of sale of power within the state and increased its revenue whereas the total requirement of the domestic consumers was not met and load shedding of 162 MW was imposed. However, during the year 2010-11, the Management traded the power by imposing unannounced load shedding of 39.75 MW locally and earned at an average realization rate, which was lower than the total cost per unit and the average realization rate of sale of power within the state and decreased its revenue by ₹ 12.39 Crore(₹ 3.33 – ₹ 2.94 X 317.70 MU) in 2010-11.

The Company stated (September 2011) that it had traded only the surplus power available during off- peak hours and the power that could not be imported to Tripura from its allocation from Central Power Generating Stations during the peak hours due to transmission constraints. Further, trading became mandatory as the domestic tariff was subsidized through trading. If the AT & C loss of 30.44% in case of sale of power within the State as compared to the traded power (5.43%) was factored in, the realization in trading was higher than the domestic realization.

We, however, observed that commissioning of 132 KV 2nd Circuit from Kopili to Khandong w.e.f. 14/10/2010 enabled the company to draw more power. At the exit conference, the Company stated that there would be no shortage of power during the peak hours in the near future after commissioning of Palatana Gas based power project.

Sub-transmission & Distribution Losses

5.2.27.8 The distribution system is an important and essential link between the power generation source and the ultimate consumer of electricity. For efficient functioning of the system, it must be ensured that there are minimum losses in sub-transmission and distributing the power. While energy is carried from the generation source to the consumer, some energy is lost in the network. The losses at 33KV stage are termed as sub-transmission losses while those at 11 KV and below are termed as distribution losses. These are based on the difference between energy available for sale to the Company and energy billed to consumers. The percentage of losses to available power indicates the effectiveness of Distribution system. The losses occur mainly on two counts, *i.e.*, technical and commercial. Technical losses occur due to inherent character of equipment used for transmitting and distributing power and resistance in conductors through which the energy is carried from one place to another. On the other hand, commercial losses occur due to theft of energy, defective meters and drawal of unmetered supply etc.

5.2.27.9 TSECL does not have mechanism to work out segment wise actual losses *viz.,* Transmission, Sub-transmission, Distribution and Commercial separately. As a result, the difference between the total energy put in the State Bus for sale and the net energy sold is treated by the utility as T & D loss. Similarly, the difference between the net energy sold and the total energy billed is treated as Commercial loss. The total of T&D and Commercial losses is termed as "Aggregate Technical & Commercial Losses" (AT&C).

5.2.27.10 The table below indicates the AT & C losses for TSECL for the last five years up to 2010-11.

(In Million Units)

Sl. No.	Particulars	2006-07	2007-08	2008-09 (P)	2009-10 (P)	2010-11 (P)
1	Energy put in State Bus (Own Generation+ Purchase from CPSUs put in State Bus)	618.70	622.35	692.96	732.42	814.01
2	Energy sold-Intra State	394.60	397.80	450.85	494.56	568.83
3	T&D losses (1 – 2)	224.10	224.55	242.11	237.86	245.18
4	Energy billed by Divisions	371.25	379.25	428.17	466.18	519.30
5	Commercial Losses (2-4)	23.35	18.55	22.68	28.38	49.53
6	AT &C Losses (3+5)	247.45	243.10	264.79	266.24	294.71
7	Actual Percentage of AT &C losses (*per cent*) {(6 / 1) x 100}	40.00	39.06	38.21	36.35	36.20
8	Percentage of AT &C losses allowed by TERC[4] as well as target of the Company	40.90	38.03	34.99	31.49	27.71
9	Excess AT&C losses (in MUs)	(-) 5.56	6.41	22.31	35.60	69.15
10	Average realisation rate per unit (in ₹) for intra state sale	2.46	2.66	2.49	2.78	3.33
11	Value of excess losses (₹ in crore) (9 x 10)	(-) 1.37	1.70	5.55	9.90	23.03

P- Provisional

It would be seen from the above table that AT & C losses ranged between 36.20 and 40.00 *per cent* during the last five years ending 31 March 2011.It was more than norms by 6.41 MU to 69.10 during 2007-08 to 2010.11. .

Though AT&C losses had slightly decreased from 40 per cent in 2006-07 to 36 *per cent* in 2010-11, the Company could not achieve the targeted reduction of AT & C losses as projected by it from the years 2007-08 onwards even after completion of cent *per cent* metering of 11 KV feeders in the distribution system

We observed that the main reasons for high AT&C losses were long distribution lines extending over rural areas, non-reconducturing of the old transmission, sub-transmission and Distribution lines, non-improvement of the ratio of HT to LT lines, non-augmentation of the network, unmetered consumers, theft of electricity, delay in implementation of R-APDRP scheme etc.

The Company stated (September 2011) that the reduction of AT&C loss from 40.90 *per cent* in 2006-07 to 27.71 *per cent* in 2010-11 as projected in the tariff petition could not be achieved due to non-availability of required investment for the improvement of distribution infrastructure. However, AT&C losses would be reduced through R-APDRP Scheme, which was under implementation.

[4] In the absence of any specific norms by TERC for AT&C losses, the ATC losses as projected by TSECL in the Tariff Petition for the year 2006-07, which were also accepted by TERC, have been considered.

Consumer metering

5.2.27.11 Attainment of 100 *per cent* metering is a significant step towards reduction of Commercial loss. The status of the unmetered consumers, defective meters *vis-à-vis* the total consumers during the period from 2006-07 to 2010-11 is given below.

Year	Total consumers (Nos.)	Metered consumers (Nos.)	Unmetered consumers (Nos.) & per centage to total consumers	Defective Meters (Nos.) and its percentage to metered consumers
2006-07	352576	319831	32745 (9%)	36202 (11%)
2007-08	373729	338851	34878 (10%)	47959 (14%)
2008-09	399644	369036	30608 (8%)	47165 (13%)
2009-10	440216	397103	43113 (10%)	49587 (12%)
2010-11	487763	413203	74560 (15%)	61493 (15%)

It may be seen from the above that both the number of unmetered consumers and consumers having defective meters increased from 9 *per cent* to 15 *per cent* and from 11 *per cent* to 15 *per cent* respectively during the review period. The Management had not fixed any target for metering the unmetered consumers. The year wise details of number of meters installed against the unmetered consumers were not maintained by the Company.

Out of the total 43113 numbers of unmetered consumers as on 31 March 2010, 33529 (78 *per cent*) were Kutir Jyoti consumers, who were paying energy charges at a flat rate of ₹ 26 per month for consumption of 15 units. However, as per the Company's own assessment, such consumers were consuming power more than the stipulated quantum resulting in loss of revenue.

We observed that there was no concrete effort to meter all the consumers in spite of availability of sufficient financial resources resulting in increase of Commercial losses.

The Company stated (September 2011) that a team had been constituted to conduct inspection on consumer's premises and assess the exact number of defective meters for replacement and similar action would be taken against consumers drawing higher energy exceeding the limit specified in TERC tariff.

Performance of Distribution Transformers

5.2.27.12 The TERC had not fixed the norm with regard to the failure of Distribution Transformers (DTRs) in its tariff orders. The details regarding the failure of DTRs are given in the table below.

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Existing DTRs at the close of the year(in Numbers)	5994	6585	7273	7910	8639
2.	DTR Failed (in Numbers)	570	636	633	791	1103
3.	Percentage of failures	10	10	9	10	13

It may be seen from the above table that the percentage of failure of DTRs had almost static except 2010-11.

During the audit of three selected divisions, we observed that the history cards of DTRs were not maintained. The Company stated (September 2011) that failure of DTRs had mostly occurred due to thundering, imbalance load etc., and effort would be taken henceforth to keep the history cards of DTRs.

At the exit conference, the Company further stated that the manufacturer wise details of performance of distribution transformers would be maintained, for possible black listing.

Delay in repair of Distribution Transformers

5.2.27.13 The Company undertakes repair of the defective DTRs through its three workshops. The workshops repair the DTRs both by in-house and also outsourcing. We test checked the records of the workshop at Agartala, where repairing of about 75 *per cent* of the failed DTRs were undertaken was done.

The details of DTRs received by the Workshop for repair and as actually repaired during the period from 2006-07 to 2010-11 are given below:

		2006-07	2007-08	2008-09	2009-10	2010-11
1	No. of DTRs to be repaired	786	905	1036	806	886
2	No. of DTRs actually repaired	463	506	825	599	674
3	No. of DTRs not repaired	323	399	211	207	212
3	Percentage of DTRs repaired (%)	59	56	80	74	76

It may be seen that the during the review period, the Workshop had repaired DTRs ranging from 56 *per cent* to 80 *per cent* of the DTRs received for repair. There were capacity constraints in repairing the DTRs in-house due to absence of the state- of- the-art plant & machinery, space constraints, etc. We found that outsourcing quantities were not increased to meet the requirement despite capacity constraints in in-house repairs. We further observed that the age-wise details of DTRs lying unrepaired along with reasons thereof were not maintained by the Workshop.

Capacitor Banks

5.2.27.14 Capacitor bank improves power factor by regulating the current flow and voltage regulation. In the event of voltage falling below normal, the situation can be set right by providing sufficient capacity of capacitor banks to the system as it improves the voltage profile and reduces dissipation of energy to a great extent thereby saving loss of energy. However, we observed that the Company has not installed Capacitor Banks and as a result the energy loss could not be minimized.

The Company stated (September 2011) that installation of capacitor bank at Agartala and Udaipur was under progress.

5.2.27.15 Commercial losses

The majority of commercial losses relate to consumer metering and billing besides pilferage of energy. The other observations relating to commercial losses are discussed below.

5.2.27.16 Conversion of LT Conductors into Aerial Bunch Cables

Aerial Bunch cables prevent illegal tapping of low voltage distribution lines and help in reducing overloading of Distribution Transformers and maintain voltage of the supply. However, we observed that the Company has not used Aerial Bunch Cables, which could have prevented the theft of power and reduced Commercial losses.

5.2.27.17 High incidence of theft & Performance of Raid Team

Substantial commercial losses are caused due to theft of energy by tampering of meters by the consumers and unauthorised tapping/hooking by the non-consumers. As per section 135 of Electricity Act 2003, theft of energy is an offence punishable under the Act.

In order to minimise the cases of pilferage/loss of energy and to save the company from sustaining heavy financial losses on this account, Section 163 of Electricity Act 2003, provides that the licensee may enter into the premises of a consumer for inspection and testing the apparatus. Vigilance Squads in three districts headed by the three Additional General Managers at the Circle Offices were entrusted with the work of conducting raids and checking the meters in the premises of the consumers. Following is the position of raids conducted during review period.

Year	Total consumers as on 31 March	No. of Raids conducted	Coverage in raids		Realised amount (₹ in lakh)	Percentage of checking
			No. of Hook Lines removed	No. of meters checked		
2006-07	352576	1846	11610	23090	44.51	6.55
2007-08	373729	1414	8863	17435	31.28	4.66
2008-09	399644	1947	11433	18460	59.98	4.62
2009-10	440216	1909	12320	19424	55.92	4.41
2010-11	487875	1785	12566	24263	63.82	4.97

We observed that no targets were fixed for conducting raids during the above period. Though the number of consumers increased from 3.52 lakh in 2006-07 to 4.88 lakh in 2010-11, the percentage of checking of number of consumers decreased from 6.55 per cent to 4.97 per cent and the number of raids conducted had also decreased from 1846 to 1785. This shows that there was need to conduct more raids to drastically reduce the theft of energy by fixing targets.

The Company stated (September 2011) that effort was currently in progress towards conducting more raids as advised by Audit to reduce the theft of power.

Financial Position and Working Results

5.2.28 The financial position of the Company for the five years ending 2010-11 is given below.

(Rupees in crore)

Particulars	2006-07	2007-08	2008-09 (P)	2009-10 (P)	2010-11 (P)
A. Liabilities					
Paid up Capital	9.55	109.29	109.29	109.29	109.29
Reserve & Surplus (including Capital Grants but excluding Depreciation Reserve and Accumulated Profit)	661.14	701.62	751.14	866.43	939.73
Accumulated Profit/ General Reserve	18.70	50.11	107.38	124.47	16.34
Borrowings (Loan Funds)					
Secured	Nil	8.13	7.75	Nil	Nil
Unsecured	130.60	66.36	101.47	126.62	158.66
Current Liabilities & Provisions	42.36	102.11	189.85	202.61	280.57
Total	**862.35**	**1037.62**	**1266.88**	**1429.42**	**1504.59**
B. Assets					
Gross Block	681.78	763.83	806.20	814.50	930.40
Less: Depreciation	54.35	90.94	128.22	167.20	209.45
Net Fixed Assets	627.43	672.89	677.98	647.30	720.95
Capital works-in-progress	44.58	10.67	81.64	166.82	137.55
Investments	Nil	Nil	Nil	Nil	Nil
Current Assets, Loans and Advances	189.19	353.26	506.79	615.17	646.09
Miscellaneous expenditure (to the extent not written-off or adjusted)	1.15	0.80	0.47	0.13	Nil
Total	**862.35**	**1037.62**	**1266.88**	**1429.42**	**1504.59**
Debt : Equity	**0.25:1**	**0.21:1**	**0.31:1**	**0.30:1**	**0.41:1**
Net Worth	**688.24**	**860.22**	**967.37**	**1100.06**	**1065.36**

P- Provisional

5.2.28.1 It may be seen from the above that the Accumulated profits of the Company increased by 566 per cent from ₹ 18.70 crore in 2006-07 to ₹ 124.47 crore in 2009-10 by making profit in all the years. The increase was attributable mainly to the profit on sale of power through trading outside the State, which amounted to ₹ 307.69 crore from 2006-07 to 2009-10. However, during the year 2010-11, the Company incurred a loss of ₹ 95.79 crore mainly due to decrease in the average realization rate per unit through trading of power from ₹ 5.24 in 2009-10 to ₹ 2.94 in 2010-11.

The Company stated (September 2011) that the loss in 2010-11 was mainly due to increase in cost of purchase of gas and purchase of power by 90 *per cent*. However, we observed that the increased cost of purchase of gas and power was already compensated by hike in the tariff from September 2010 through levy of Fuel and Power Purchase Cost Adjustment (FPPCA).

5.2.28.2 The details of the overall profitability, elements of cost and profitability per unit of the Company during the period from 2006-07 to 2010-11 are shown in the following tables.

Table A

Overall Profitability ***(Rupees in crore)***

Sl.No.	Description	2006-07	2007-08	2008-09 (P)	2009-10 (P)	2010-11 (P)
1.	**Income**					
(i)	Revenue from Sale of Power	234.93	264.65	350.87	273.68	305.94
(ii)	Revenue subsidy & grants	22.00	24.00	25.00	28.00	19.76
(ii)	Other income	10.02	18.83	37.09	38.46	30.92
	Total Income	**266.95**	**307.48**	**412.96**	**340.14**	**356.62**
2	**Total expenditure on Distribution of Electricity**	**258.08**	**271.85**	**331.11**	**303.65**	**452.42**
	Profit/ Loss (-) (1-2)	**8.87**	**35.63**	**81.85**	**36.49**	**(-) 95.80**

Table B

Elements of Cost ***(Rupees in crore)***

		2006-07	2007-08	2008-09 (P)	2009-10 (P)	2010-11 (P)
(a)	**Fixed cost**					
(i)	Employees cost	46.25	54.84	58.06	71.17	80.60
(ii)	Administrative and General expenses	6.04	8.65	8.38	8.34	9.64
(iii)	Depreciation	28.79	36.60	37.27	38.98	42.25
(iv)	Interest and finance charges	0.17	0.22	0.70	0.50	1.19
(v)	Other Expenses	0.34	0.34	0.34	0.34	0.13
	Total fixed cost (a)	**81.59**	**100.65**	**104.75**	**119.33**	**133.81**
(b)	**Variable cost**					
(i)	Purchase of Gas	52.87	54.42	72.74	70.66	163.04
(ii)	Purchase of Power	114.25	101.35	137.70	97.86	139.00
(iii)	Transmission/ Wheeling Charges (included in (b) (ii))	-	-	-	-	-
(iv)	Repairs & Maintenance	9.37	15.43	15.92	15.71	16.57
	Total variable cost (b)	**176.49**	**171.20**	**226.36**	**184.23**	**318.61**
(c)	**Total cost (c)= (a) + (b)**	**258.08**	**271.85**	**331.11**	**303.56**	**452.42**

Table C

Profitability per unit ***(in rupees)***

		2006-07	2007-08	2008-09 (P)	2009-10 (P)	2010-11 (P)
1	Realisation per unit (including revenue subsidy)	3.10	3.36	4.33	3.74	3.35
2	Fixed cost per unit	0.99	1.17	1.21	1.48	1.37
3	Variable cost per unit	2.13	1.99	2.61	2.29	3.27
4	Total cost per unit ₹) (2+3)	3.12	3.16	3.82	3.77	4.64
5	Contribution per unit (1-3)	0.97	1.37	1.72	1.45	0.08
6	**Profit (+)/Loss(-) per unit (1-4)**	**(-)0.02**	**0.20**	**0.52**	**(-)0.03**	**(-)1.29**

P- Provisional

5.2.28.3 The financial viability of the Company is generally influenced by the various factors such as

a) Timely revision of tariff;
b) Impact of non-revision of tariff;
c) Timely release of committed subsidy by the Government;
d) Cross subsidization policy of the Government and its implementation by the Company;
e) The Financial Management of the Company; and
f) The Revenue billing and collection efficiency.

Each of these factors is discussed in the following paragraphs.

Timely revision of tariff

5.2.28.4 The financial viability of the Company depends upon generation of surplus (including fair returns) from the operations to finance their operating needs and future capital expansion programmes by adopting prudent financial practices. Revenue collection is the main source of generation of funds for the Company. While other aspects relating to revenue collection have been discussed in succeeding paragraphs, the issues relating to tariff are discussed here under.

Table below shows the due date of filing ARR, actual date of filing, date of approval of tariff petition and the effective date of the revised tariff.

Year	Due date of filing	Actual date of filing	Delay in days	Date of approval	Effective date
2006-07	01/12/2005	04/08/2006	246	14/09/2006	01/07/2006
2007-08	NF	NF	-	-	-
2008-09	NF	NF	-	-	-
2009-10	NF	NF	-	-	-
2010-11	-	05/07/2010 (FPPCA)	-	13/09/2010	01/09/2010

NF: Not Filed

It may be seen that there was delay in filing of ARR for the year 2006-07, which resulted in short realization of ₹ 2.52 crore on sale of 251.58 MU energy between April- June 2006. Moreover, due to failure to compile the annual accounts, TERC refused (September 2007) to revise the tariff for the remaining years. Consequently, the tariffs remained static till August 2010.

At the exit conference, the Company stated that non-filing of tariff petition was due to non-finalisation of annual accounts and since the accounts had now been compiled up to 2010-11, the tariff petition would be filed by December 2011.

Impact of non-revision of tariff

5.2.28.5 The Realisation *per* unit increased from ₹ 3.10 in 2006-07 to ₹ 3.35 in 2010-11 (8.06 *per cent*), the cost per unit increased from ₹ 3.12 to ₹ 4.65 (49.04 *per cent*) during the corresponding period. Further, the contribution per unit had decreased by 91.75 *per cent* during the period 2006-2011.

We observed that purchase of gas, purchase of power and Employees cost and Administrative and general expenses constituted the major elements of cost in 2010-11 which represented 36.04, 30.72 and 19.95 *per cent* of the total cost in that year. On the other hand sale of power and Revenue subsidy and grants constituted the major elements of revenue in 2010-11 which represented 85.79 and 5.54 *per cent* of the total revenue.

Detailed analysis revealed that the extent of tariff was lower than breakeven levels (in percentage terms) of revenue from sale of power at the present level of operations and efficiency for the last five years ending 31 March 2011 as shown in the table below:

(Rupees in crore)

Year	Sales (excluding subsidy)	Variable costs	Fixed costs	Contribution	Surplus/ Deficit (-) in recovery of fixed costs	Surplus/ Deficit (-) as percentage of sales
(1)	(2)	(3)	(4)	(5) = (2) – (3)	(6) = (4) – (5)	(7)={(6)/ (2)} X 100
2006-07	234.93	176.49	81.59	58.44	(-) 23.15	(-) 9.85
2007-08	264.65	171.20	100.65	93.45	(-) 7.20	(-) 2.72
2008-09 (P)	350.87	226.36	104.75	124.51	19.76	5.63
2009-10 (P)	273.68	184.23	119.33	89.45	(-) 29.88	(-) 10.91
2010-11 (P)	305.94	318.67	133.81	(-) 12.73	(-) 146.54	(-) 47.90

P- Provisional

It could be seen from the above table that Company could not recover the fixed cost in all the years except in the year 2008-09 and even the variable cost could not be recovered in the year 2010-11. The main reason for the deficit in recovery of the cost was due to non-revision of tariff from the year 2007-08 onwards except the tariff hike on account of FPPCA in September 2010. The reason for the hike in variable cost during the year 2010-11 was attributable to the increase of fuel purchase price.

The Company was not able to recover its cost of operations during the years 2006-07, 2009-10 and 2010-11.

It may be seen from the working results that there remained a revenue gap of ₹ 1.15 crore in 2006-07 (even after including revenue subsidies and grants), which increased to ₹ 126.72 crore in 2010-11. The steep increase in revenue gap needs immediate attention of the State Government for necessary remedial action. Our analysis revealed that the main reasons for high cost of energy as compared to revenue from sale of power were decrease in the average realization rate of sale of power through Trading/ Unscheduled Interchange from ₹ 3.25 per unit in 2006-07 to ₹ 2.94 per unit in 2010-11 and increase in purchase cost of gas from ₹ 2340 per Standard Cubic Meter (SCM) in 2006-07 to ₹ 5153 per SCM in 2010-11.

The Management stated (September 2011) that based on the steep increase in revenue gap in 2010-11, the Company was contemplating to file tariff petition as quickly as possible.

Though it appears that the tariff is on lower side and needs to be revised for recovery of the costs, it may be highlighted here that the same can be brought in by improving operational efficiency, *viz.,* reduction in/ control of AT & C losses, conversion of LT lines to HT lines, metering of unmetered connections/ defective meters, improving billing and collection efficiency, etc., which have been discussed separately in the review. Further, reduction of cross subsidisation among various categories of consumers might also help in improving the position.

Timely release of committed subsidy by the Government

5.2.28.6 There is an urgent need for ensuring recovery of cost of service from consumers to make the power sector sustainable. The Company sells energy to the consumers in the State at the rates specified in the tariff orders of TERC in the years 2006-07 and 2010-11. The difference between the sale price and the input cost is either subsidised through trading or claimed in the form of subsidy from the State Government.

Against the subsidy claim of ₹ 147.76 crore over the review period on above account, only ₹ 119.86 crore was actually paid by the State Government as detailed in the table below.

(Rupees in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Opening balance	Nil	18.00	18.00	18.00	18.00
Add: Committed by State Government during the year[5]	40.00	24.00	25.00	28.00	30.76
Less: Received during the year	22.00	24.00	25.00	28.00	19.76
Closing balance	18.00	18.00	18.00	18.00	29.00

It may be seen from the above table that during the years 2006-07 and 2010-11, the Company had not received the subsidy due from the State Government in full.

At the exit conference, the Government stated that due to acute financial constraints, the Finance Department was unable to provide funds as per commitment.

Cross subsidization policy of the Government and its implementation

5.2.28.7 Section 61 of Electricity Act 2003 stipulates that the tariff should progressively reflect the average cost of supply (ACOS) of electricity and also reduce cross subsidy in a

[5] Based on commitment given by the State Government to TERC when tariff for 2006-07 was fixed. From 2007-08 onwards, the State Govt decided to convert Budgeted non-plan grant to the Company into subsidy

phased manner as specified by the Commission. National Tariff Policy envisaged that the tariff of all categories of consumer should range within plus or minus 20 *per cent* of the ACOS by the year 2010- 2011. The position as regards cross-subsidies in various major sectors in respect of intra state consumers is depicted in the table below.

Particulars	2006-07		2007-08		2008-09 (Provisional)		2009-10 (Provisional)		2010-11 (Provisional)	
Average cost of supply (ACOS) (Paise per KWH)	417		437		478		415		556	
Average Revenue from										
	Paise per unit	Percentage of ACOS	Paise per unit	Percentage of ACOS	Paise per unit	Percentage of ACOS	Paise per unit	Percentage of ACOS	Paise per unit	Percentage of ACOS
Domestic	255	61.15	262	59.95	265	55.44	288	69.40	315	56.65
Commercial	325	77.94	334	76.43	338	70.71	368	88.67	482	86.69
Industrial	289	69.30	297	67.96	301	62.97	327	78.80	551	99.10
Bulk supply	373	89.45	383	87.64	388	81.17	422	101.69	533	95.86
Tea Garden	370	88.73	380	86.96	385	80.54	418	100.72	564	101.44
Public Lighting	184	44.12	189	43.25	191	39.96	208	50.12	361	64.93
Irrigation & Water	130	31.18	134	30.66	135	28.24	147	35.42	267	48.02
Public Water Works	185	44.36	190	43.48	192	40.17	209	50.36	345	62.05
Kutir Jyoti	173	41.49	173	39.59	173	36.19	173	41.69	233	41.91

It was observed that the tariff in respect of the domestic, public works/lighting and irrigation& water were subsidized. Thus, there is a need to correct this imbalance by progressively and gradually reducing the existing cross subsidies levels.

Financial Management of the Company

5.2.28.8 Efficient fund management serves as a tool for decision making, for optimum utilisation of available resources and borrowings at favourable terms at appropriate time. The financial management of the Company includes revenue collection, billing, grants, transfer of funds, security deposits, bank reconciliations and other related transactions. While the revenue and billing have been dealt in the succeeding paragraphs, the other areas are discussed below.

The Company did not have any investment policy for deployment of its surplus funds. It was observed that that the cash and cash equivalents had increased from ₹174.27 crore in 2006-07 to ₹ 556.60 crore (219 *per cent*) in 2010-11 whereas the investment other than in fixed deposits of banks was 'nil' in all the years. The retention of funds in idle current accounts increased from ₹ 24.19 crore in 2006-07 to ₹ 99.06 crore in 2010-11.

In test check of three divisions out of 20 Divisions, we observed that the Divisions, instead of periodically depositing the collection amount into the Corporate Office account, had retained minimum monthly balance in the current accounts ranging from ₹ 5.34 lakh to ₹ 399.64 lakh in the review period. We calculated an avoidable loss of interest of ₹ 71.15 lakh.

While accepting the audit observation, the Company stated (September 2011) that to overcome unnecessary holding of revenue collection, a separate Bank account had been opened with SBI for all revenue divisions with Auto-Sweep facility and it was expected that there would be improvement during 2011-12.

5.2.28.9 Un-cashed cheques

In three divisions test checked out of 20 divisions, we observed that cheques worth ₹ 13.80 lakh deposited in bank during the review period were not credited into the accounts of the Company by the concerned banks. The divisions neither had details of consumers, their billing months, etc. against payment of these cheques nor prepared any bank reconciliation statements for the same. Due to delay beyond six months, cheques became time barred and the proceeds of the same amounting to ₹ 13.80 lakh could not be realised.

5.2.28.10 Dishonoured cheques

In the test check of three divisions, we observed that the Divisions did not have monitoring mechanism to identify the cases of dishonoured cheques. Hence, the actual amount of revenue not realised due to dishonour of cheques could not be quantified in audit.

The Company stated (September 2011) that action had already been taken to facilitate easy identification of stale/ dishonoured cheques.

Revenue Billing and Collection Efficiency

Billing Efficiency

5.2.28.11 As per the Tripura Electricity Regulatory Commission (Standard of Performance)- Regulations, 2004, TSECL shall raise the bill for every billing cycle based on actual meter readings. The bills sent to consumers should reflect details e.g. current and last meter readings, rate, quantity of electricity consumed during the cycle, total amount to be paid for current consumption etc. Sale of energy to metered categories consists of two parts viz., metered and assessed/ provisional units. The assessed/ provisional units refer to the units billed to consumers in case meter reading is not available due to meter defects, door lock etc. Billing of all the consumers were being done at sub-division level. All the consumers were being billed on monthly basis.

The efficiency in billing of energy lies in timely issue of bills to every consumer and to realise the revenue therefrom in time. The position of energy billing during the review period is given below.

Sl. No.	Particulars	2006-07	2007-08	2008-09 (P)	2009-10 (P)	2010-11 (P)
1	Net energy available for sale (in MUs)	394.60	397.80	450.85	494.56	568.83
2	Free Supply (in MUs)	Nil	Nil	Nil	Nil	Nil
3	Energy billed (in MUs)	371.25	379.25	428.17	466.18	519.30
4	Percentage of billing to sales (%)	94.08	95.34	94.97	94.26	91.29
5	Commercial loss/unbilled energy (in MUs)	23.35	18.55	22.68	28.38	49.53
6	Average realization per unit for intra state sale (in ₹)	2.46	2.66	2.49	2.78	3.33
7	Value of commercial loss energy/ unbilled (₹ in crore) (5X 6)	5.74	4.93	5.65	7.89	16.49
8	Assessed sales as percentage of metered sales	NA	NA	NA	NA	NA

P- Provisional ; NA- Not Available

It would be seen from the above that the percentage of energy billed had decreased from 94.08 *per cent* in 2006-07 to 91.29 *per cent* in 2010-11 and the quantity of energy commercial loss/unbilled had increased from 23.35 MU in 2006-07 to 49.53 MU in 2010-11 due to existence of unmetered consumers, theft of energy etc which resulted in less realisation of annual revenue ranging from ₹ 4.93 crore to ₹ 16.49 crore during the review period.

We observed that the norm in terms of percentage of assessed sales to metered sales had not been fixed by TERC during the review period. In this connection, we observed on test check basis that during the period from 2006-07 to 2010-11, in respect of 130 consumers of seven sub-divisions, 5693 nos. of bills were raised continuously on assessment basis for a period ranging from 8 months to 66 months in excess of the limit of 2 months stipulated by TERC.

Instances of undue favour to consumers in various forms as observed during the test check are illustrated below:

5.2.28.12 Incorrect application of tariff

As per the Tariff applicable to Kutir Jyoti consumers, billing was to be done at a flat rate of ₹ 26 per month up to August 2010 and at a rate of ₹ 35 per month from September 2010 onwards for a maximum consumption of 15 units per month. In case the consumption exceeded the ceiling, such consumers should be brought under the normal billing tariff as applicable for domestic consumers. However, on a test check in seven sub-divisions, we observed that in 1230 out of 96,041 cases, though the actual consumption had exceeded the stipulated quantity, billing was incorrectly done at a flat rate instead of at the domestic rate.

The Company stated (September 2011) that in respect of the unmetered Kutir Jyoti consumers, bills were prepared at flat rate and all such consumers would be converted into metered consumers and bill would be raised as per meter readings.

The reply is not tenable. The observation related only to the cases of metered Kutir Jyoti consumers, who were continued to be charged at a flat rate, irrespective of the actual meter readings.

Under assessment of revenue

5.2.28.13 A review of the billing done by seven sub-divisions under the computerised Energy Billing System (EBS) revealed that in 42,247 out of 25.42 lakh cases, the total units consumed by the consumers were incorrectly calculated with reference to the previous meter readings and the current meter readings leading to under-assessment of revenue amounting to ₹ 4.15 crore.

The Company stated (September 2011) that the provisional billings were done only in case of stop meters, door lock etc. In all other cases, bills were prepared as per actual readings and EBS did not permit any manipulation in the column of 'Unit consumed'.

The reply is not tenable as there was no indication in the EBS that these were provisional bills. The Company did not explain the reasons as to why the units consumed billed under the EBS were not tallying with the figures of current readings minus previous readings.

5.2.28.14 The tariff revision on account of Fuel and Power Purchase Cost Adjustment (FPPCA) was approved by TERC on 13/09/2010 with retrospective effect from 01/09/2010. We observed that, instead of billing the consumers for FPPCA from the effective date of tariff revision i.e., 01/09/2010, the Company had, however, billed the same only with effect from 10/09/2010 resulting in short-realisation of revenue for nine days amounting to ₹ 1.54 crore.

While accepting the observation, the Company stated (September 2011) that billing of FPPCA was started only after up-dating the EBS software of all the sub-divisions under each concerned division by the National Informatics Center (NIC).

Loss due to inaction against consumers running with low power factor

5.2.28.15 In case a consumer is billed on KWH basis and its power factor falls below 0.85, the consumer pays for less energy than the energy actually supplied to him. However, to compensate this loss the tariff does not make it obligatory on the part of the consumer to maintain an average power factor of not less than 0.85. The Company did not take have any mechanism to ascertain the actual power factor of the consumers and consequently no action could be taken against consumers running with low power factor, if any. Consequently, loss of energy on this account could not be analyzed by audit.

The Company stated (September 2011) that due to absence of Power factor Meter (not mandatory for all class of consumers), it was not possible to detect the power factor of any consumer.

Collection efficiency

5.2.28.16 As revenue from sale of energy is the main source of income of TSECL, prompt collection of revenue assumes great significance. The salient features of the collection mechanism being followed by the Company are as follows:

Consumers may make payments of the bills by cash, cheques or by demand draft.

Revenue billed is collected at collection counters located at sub-division offices.

The consumers are required to pay current charges within 15 days, failing which the consumers are liable for payment of delayed payment surcharge @ 2 *per cent* per month or part thereof on the amount of the bill for the period of the delay in addition to the withdrawal of rebate of 10 paise per unit already allowed in the bill.

The table below indicates the balance outstanding at the beginning of the year, revenue assessed during the year, revenue collected and the balance outstanding at the end of the year during last five years ending 2010-11.

(Rupees in crore)

Sl. No.	Particulars	2006-07	2007-08	2008-09 (P)	2009-10 (P)	2010-11 (P)
1	Balance outstanding at the beginning of the year	32.98	13.81	22.41	18.25	18.03
2	Revenue assessed/Billed during the year	96.95	105.73	112.42	137.50	178.35
3	Total amount due for realisation (1+2)	129.93	119.54	134.83	155.75	196.38
4	Amount realised during the year	116.13	96.71	108.26	137.28	165.13
5	Amount written off during the year	Nil	0.42	Nil	Nil	Nil
6	Balance outstanding at the end of the year	13.81	22.41	18.25	18.03	31.25
7	Percentage of amount realised to total dues (4/3)	89	81	80	88	84
8	Arrears in terms of No. of months assessment (12/col.2 X col 6)	1.70	2.54	1.95	1.57	2.10

P- Provisional

We observed from the above details that:

The balance dues outstanding at the end of the year increased from ₹ 13.81 crore in 2006-07 to ₹ 31.25 crore in 2010-11.

Out of the outstanding dues of ₹ 31.25 crore as on 31.03.2011, dues from the State Govt departments alone accounted for ₹ 26.19 crore (84 *per cent*).

Age-wise details of above outstanding dues were not prepared by the Company in any of the years. Hence, Audit could not analyse the collection efficiency against the pending old dues.

The details of debts outstanding in respect of disconnected services were not prepared by the Company.

The Company stated (September 2011) that persuations were going on for realisation of Government outstanding.

Consumer Satisfaction

5.2.29 One of the key elements of the Power Sector Reforms was to protect the interest of the consumers and to ensure better quality of service to them. The consumers often face problems relating to supply of power such as non-availability of the distribution system for the release of new connections or extension of connected load, frequent tripping on lines and/ or transformers and improper metering and billing.

The Company was required to introduce consumer friendly actions like introduction of computerized billing, online bill payment, establishment of customer care centres, etc. to enhance satisfaction of consumers and reduce the advent of grievances among them. The billing issues have already been discussed in preceding paragraphs.

As per the returns furnished by the Company to CEA, there were power cuts during the review period on an average of one to one and half hours per day in the peak and off-peak hours. However, we observed that there was no formal announcement of power cuts to the public, which would adversely affect the consumer satisfaction levels. The Company has also not yet established customer care centres.

Redressal of Grievances

5.2.30 The TERC specified the mode and time frame for redressal of grievance in Consumer Grievance Redressal Forum & Appointment of Ombudsman Regulations, 2005 in pursuance of the Electricity Act 2003. The Commission had also prescribed the Standards of Performance for Company in which the time limit for rendering services to the Consumers and compensation payable for not adhering to the same was prescribed. The nature of services contained in the Standards *inter-alia* include line breakdowns, Distribution Transformer failures, period of load shedding/ scheduled outages, voltage variations, meter complaints, installation of new meters/ connections or shifting thereof, etc.

Though the Regulations of 2005 mandated creation of Consumer Redressal Forum within 6 months, we observed that the Company belatedly created the Forum only in November 2009. The Forum was created in three tiers viz., Division Office, circle Office and Headquarters Office.

The TERC also had directed (September 2006) the Company to submit an Annual Report regarding total status of grievance received and disposed of during the previous financial year and separately confirm action taken to avoid recurrence of such nature of hardships or grievances to consumers and suggestions, if any, along with tariff petition.

In the test checked three Divisions, we, however, observed that no separate registers were maintained indicating the details of total complaints received, complaints redressed within time, beyond time, pending complaints, compensation, if any paid etc.. Only call registers were maintained without indicating in most of the cases the date of receipt and the nature of complaint, date of settlement of complaint etc. Hence, the performance of the Company on the consumer redressal grievance aspect could not be analysed in audit.

At the exit conference, the Government observed that the possibility of having pre-announced schedule of power cuts as followed in other states would be explored. The Company also felt that there was a lot needed to be done in the area of consumer satisfaction.

Energy Audit

5.2.31 As per the time frame fixed by TERC, energy audit was mandatorily to be conducted by the Company with effect from March 2007 with the objective of segregation of technical and commercial losses. However, we observed that the Company has so far not conducted any energy audit.

Monitoring by top Management

5.2.32 The Company plays an important role in the State economy. To succeed in operating economically, efficiently and effectively, there has to be a Management Information System (MIS) for monitoring by top Management. Audit review of the system existing revealed the following deficiencies:

- The Register of Returns along with the nature and periodicity was not maintained. Hence the efficacy of the MIS in place was not verifiable.
- The operational and financial performance of the Company was not reviewed periodically by either the Board of Directors or the top Management.
- The physical verification of stores and the Internal Audit was not conducted.
- The division wise performance, weaknesses and corrective measures, if any, taken by the Management were not reported to the Board of Directors.
- The basis of fixation of plan targets was not available on record.
- Comprehensive Management Reporting system was not developed.
- No systematic segment wise Annual Budget (*viz.,* Generation, Transmission and Distribution) was prepared.
- There was data inconsistency across various reports/ returns and hence the best fit data approach was adopted by audit.

At the exit conference, the Company agreed to the need for developing sound Management Information System.

Conclusion

- While the State is already having sufficient power, which is planned to be increased shortly, daily power cuts are an anachronism which can be attributed to faulty distribution planning and execution.
- The objective of REP for electrification of rural households by 2009 was not achieved. Service connections provided to BPL households under centrally sponsored RGGVY Scheme were not energized resulting in the benefits of the Scheme not reaching the intended beneficiaries.
- The procurement system is very weak leading to irregular payments to contractors.
- The Company did not contain the distribution losses as projected by it to TERC.
- Delay in filing of tariff petition, non-filing of tariff revision petitions periodically, incorrect billing of consumers led to loss of revenue.
- Dues from consumers as well as state Government were not pursued promptly to improve the financial health.
- Energy audit was not done and energy conservation measures were not adequate.
- Monitoring was not effective due to absence of sound Management Information System (MIS).

Recommendations

- A plan in consonance with REP is to be drawn and implemented timely to catch up with the deficit and also to ensure cent *per cent* rural electrification.
- The procurement system needs to be strengthened, as it is adhoc and contract administration is also not error free.
- The Company may take effective steps to reduce distribution losses.
- The Company may take necessary steps for metering all consumers.
- The system of efficient financial management especially the internal controls on cash management are not effective and poses a serious risk factor. The Management may take urgent action to address this vulnerability.
- The Company may conduct intensive drives for collection of arrears.
- Effective steps may be taken for prompt filing of ARRs in view of alarming increase in revenue gap.
- The Company may take steps to derive the envisaged benefits by timely implementation of schemes and projects.
- The Company may take adequate measures for effective implementation of energy conservation.
- Energy Audit may be conducted for reduction of energy losses.

SECTION - B

FOREST DEPARTMENT

(Tripura Forest Development and Plantation Corporation Limited)

5.3 Avoidable interest on short deposit of income tax

Tripura Forest Development and Plantation Corporation Limited paid avoidable interest of ₹ 41.54 lakh due to short payment of advance tax/ self-assessment tax and incorrect estimation of income for the years from 2005-06 to 2010-11. It was also liable to further interest payment of ₹ 10.16 lakh for 2008-09 and 2009-10 till March 2011, and penalty of at least ₹ 31.71 lakh on suppression of income.

(a) Under the provision of Section 139 and 140 A of Income Tax Act, 1961, at the close of each financial year, every company must assess its tax liability for the year, adjust both advance tax paid and tax deducted at source, deposit balance tax payable on self assessment and file returns within 30 September.of the assessment year. As per section 234 C of the Act, if the total advance tax deposited during the year is less than 90 *per cent* of the assessed tax, then interest at one *per cent per* month or part thereof on unpaid amount of tax shall be payable from 1 April of the subsequent year till the entire tax was deposited.

The Act, *ibid*, also provides that the Company has to estimate and deposit[1] four quarterly installments of advance tax aggregating to 15 *per cent*, 45 *per cent*, 75 *per cent* and 100 *per cent* respectively of assessed tax[2]. If the aggregate advance tax deposited falls short of the installments, the Company would have to pay monthly interest at one *per cent* on the amount of shortfall under section 234 B.

Tripura Forest Development and Plantation Corporation Limited (Company) was earning profits continuously since 2002-03. However, the Company did not pay any advance tax till the year 2004-05 resulting in payment of interest of ₹ 22.39 lakh towards non-payment of advance tax. This was pointed out by C&AG in the Audit Report for 2007-08.

Scrutiny of tax records of the Company from 2005-06 to 2010-11 revealed that while the Company had deposited advance tax, it was always less than the prescribed 90 *per cent* of the tax payable in all the years resulting in payment of interest amounting to 22.56 lakh[3] under section 234 C of the Act.

Besides, out of 24 quarterly installments of advance tax deposited during the period from 2005-06 to 2010-11, there was shortfall in payment of advance tax in 20

[1] On or before 15 June, 15 September, 15 December and 15 March of the financial year.
[2] The total income tax liability for a financial year as reduced by tax deducted at source credits received.
[3] For 2005-06: ₹ 4.17 lakh, for 2006-07: ₹ 1.42 lakh, for 2007-08: ₹ 0.16 lakh, for 2008-09: ₹ 2.62 lakh for 2009-10: ₹ 4.12 lakh and ₹ 10.07 lakh for 2010-11

installments and the Company paid interest amounting to ₹ 18.98 lakh[4] under section 234 B.

We observed that the Company deposited quarterly payment of advance tax based on the projected income for the year without having regard to the actual cumulative turnover till the end of the quarter plus the projected turnover for the balance period duly factoring in the growth rate. The shortfall in payment of advance tax was not made good by the Company even while making the payment for the last quarter in March in each year, when the actual income figures till 15 March were duly available. Besides, the taxable income was projected on the lower side in all the years by computing it as a percentage of turnover, without any logic or detailed computations.

In reply, the Management stated (July 2011) that the trend of the demand of the rubber was not uniform throughout the year and the sudden increase in the sale price of rubber in March could not be predicted and that necessary action had already been taken to avoid such penalties for the year 2011-12.

The reply is not tenable. We observed that the sales figures of rubber during the month of March was not higher when compared with the sales figures during the preceding months, both in terms of the monthly quantity of sale as well as the monthly average sale price per MT.

Thus, persistent under-estimation of payments of instalments of advance tax in the above years resulted in avoidable payment of interest amounting to ₹ 41.54 lakh[5].

(b) The Income Tax Act, 1961, *ibid*, provides that if the Company furnishes inaccurate particulars of income leading to short levy of income tax, besides interest on short deposit of advance and self-assessed tax, it would be liable to minimum penalty equal to the amount of tax sought to be escaped and maximum penalty of three times. To avoid penalty, the Company should correctly disclose its annual taxable income and not suppress any material facts.

The Company had commenced commercial operation of the Tripura Rubber Wood Factory (TRWF) at Anandanagar Industrial Estate from July 2008. In 2008-09 and 2009-10, the value of accretion to closing stocks at TRWF had been excluded from income computation and thereby taxable income of ₹ 74.68 lakh and ₹ 37.21 lakh respectively was suppressed. This led to short computation of income tax by

---

[4] For 2005-06: ₹ 4.17 lakh, for 2006-07: ₹ 1.42 lakh, for 2007-08: ₹ 0.16 lakh, for 2008-09: ₹ 2.62 lakh for 2009-10: ₹ 4.12 lakh and for 2010-11: ₹ 6.49 lakh

[5] ₹ 22.56 lakh + 18.98 lakh

₹ 31.71 lakh and it may attract payment of interest of ₹ 10.16 lakh till March 2011 and penalty of, at least, ₹ 31.71 lakh.

In reply, the Management stated that the rubber wood was extracted from matured/ uneconomical plantations of rubber and hence hitherto these were not shown in the stock and assured that necessary action would be taken after discussion with consultant.

The State Government endorsed (August 2011) the replies of the Management.

Thus, due to incorrect estimation of its income for income tax purpose, the Company had incurred total avoidable interest and penalty of ₹ 83.41 lakh[6].

5.4 Opportunity to earn additional interest not availed

Tripura Forest Development and Plantation Corporation Limited had lost opportunities to earn additional interest of ₹ 1.03 crore between April 2006 and December 2010 due to its failure to draw up cash budgets and accordingly invest its surplus funds for optimal tenor.

In the interest of prudent cash management, a Public Sector Undertaking should deploy funds not immediately required for the purpose of business, optimally to earn best returns. In order to do so, it should draw up cash budgets, evaluate options and take optimal investment decisions.

Tripura Forest Development and Plantation Corporation Limited (Company) had continuously earned profits from 2002-03 and also had positive cash flows. The year-end balances of cash and cash equivalents rose from ₹ 22.90 crore in 2006-07 to ₹ 74.58 crore in 2009-10. Scrutiny (February – March 2011) of records of the Company from April 2006 to December 2010 (57 months) with respect to cash management revealed the following:

There was no volatility in the income and expenditure pattern over the period to make preparation of a cash budget difficult. However, the Company did not prepare periodic cash forecasts to ascertain the quantum of surplus funds or identify options for their deployment.

The Company retained substantial balances of idle cash in its six[7] current accounts. Though the Company did not strike daily balances, audit examination of daily balances during the period showed that the minimum daily balance[8] for a month ranged from ₹ 2.67 crore to ₹ 14.37 crore. It is very clear that in any case, these sums would have been available for investment in a deposit for, at least, a month, which

---

[6] (a) ₹ 41.54 lakh + (b) ₹ 41.87 lakh (₹ 10.16 lakh + ₹ 31.71 lakh)

[7] State Bank of India, United Bank of India, Indian Overseas Bank, Tripura Gramin Bank, Axis Bank Limited and IDBI Bank Limited since September 2006.

[8] As compiled from the bank statements.

would have earned interest of ₹ 68.01 lakh on these balances as detailed at **Appendix 5.7**.

Besides, the Company had parked funds of ₹ 6.50 crore (March 2006) to ₹ 67.99 crore (December 2010) in term deposits with six[9] banks and earned interest of ₹ 15.11 crore. The deposits were made mostly for one year tenor, with subsequent renewals. As no cash forecast was prepared, the Company did not deploy the funds for longer tenors, yielding higher interest, though it was feasible. This was even more significant as interest rates were declining annually, as the Company was receiving lower interest rates on every renewal.

In the absence of complete details of rates of interest offered by these banks for different tenors at different periods, the actual interest that could have been earned by depositing funds at higher rates for longer terms could not exactly be worked out. However, a test check of five deposits made by the Company indicated (**Appendix 5.8)** that the Company could have invested for longer tenors of up to four years rather than renewing them on annual basis and earned further interest of ₹ 34.78 lakh, as depicted below:

- Two deposits of ₹1.50 crore each with IDBI Bank were made and renewed annually for a period of one year each from March/ May 2007 to April/ May 2011 to earn interest @ 7.80/ 7.56 *per cent* p.a. instead of 9.50 *per cent* by depositing it for four years at the first instance. It yielded less return of ₹ 30.20 lakh.
- A deposit of ₹1.25 crore with Indian Overseas Bank was invested (July 2009) for a year and renewed (July 2010) for the next year to earn interest @ 6.64 *per cent* p.a. instead of 7.75 *per cent* for deposit of two years at a stretch, thereby earning less interest of ₹ 3.12 lakh.
- Two deposits of rupees one crore each for 90 days with United Bank of India were renewed (February/ March 2010) for one more year earning interest @ 5.46 *per cent* p.a., instead of opting for deposit of more than one year at six *per cent*, yielding less interest of ₹ 1.46 lakh.

In reply, the Management, while accepting the audit observations stated (July 2011) that the cash budgets were not prepared since the post of the Chief Accounts Officer was lying vacant for a long time. The Management also agreed to formulate an investment policy for surplus fund in consultation with the Government, Board of Directors and financial expert to avoid such lapses in future. The State Government endorsed (August 2011) the reply of the Management.

[9] United Bank of India, Indian Overseas Bank, IDBI Bank Limited, Tripura Gramin Bank, Axis Bank Limited and Tripura State Co-operative bank, a non-scheduled bank.

Thus, the Company's failure to draw up cash budgets and investing its surplus fund for the optimal tenor on that basis, resulted in losing out an additional interest of ₹ 1.03 crore.

(K. Srinivasan)

Agartala **Accountant General (Audit),**
The 2012 **Tripura, Agartala**

Countersigned

(Vinod Rai)

New Delhi
The 2012 **Comptroller and Auditor General of India**