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REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

FOR THE YEAR ENDED 31 MARCH 2008

COMMERCIAL

GOVERNMENT OF RAJASTHAN

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COMMERCIAL

GOVERNMENT OF RAJASTHAN

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Preface

Government commercial concerns, the accounts of which are subject to audit by the Comptroller and Auditor General of India, fall under the following categories:

(i) Government Companies,

(ii) Statutory Corporations, and

(iii) Departmentally managed commercial undertakings.

2. This Report deals with the results of audit of Government Companies and Statutory Corporations and has been prepared for submission to the Government of Rajasthan under Section 19A of the Comptroller and Auditor General's (CAG) (Duties, Powers and Conditions of Services) Act, 1971, as amended from time to time. The results of audit relating to departmentally managed commercial undertakings are included in the Report of the Comptroller and Auditor General of India (Civil) - Government of Rajasthan.

3. Audit of the accounts of Government Companies is conducted by the Comptroller and Auditor General of India under the provisions of Section 619 of the Companies Act, 1956.

4. In respect of Rajasthan State Road Transport Corporation which is a Statutory Corporation, the Comptroller and Auditor General of India is the sole auditor. In respect of Rajasthan State Warehousing Corporation, he has the right to conduct the audit of their accounts in addition to the audit conducted by the Chartered Accountants appointed by the State Government in consultation with CAG. As per the State Financial Corporation's (Amendment) Act 2000, CAG has the right to conduct the audit of the accounts of Rajasthan Financial Corporation in addition to the audit conducted by the Chartered Accountants appointed by the Corporation out of the *panel* of auditors approved by the Reserve Bank of India. The Audit Reports on annual accounts of all these Corporations are forwarded separately to the State Government.

5. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2007-2008 as well as those which came to notice in earlier years but were not dealt with in the previous Reports. Matters relating to the period after 31 March 2008 have also been included, wherever necessary.

6. The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

1. Overview of Government Companies and Statutory Corporations

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

(Paragraph 1.1)

The total investment in working PSUs increased from Rs. 16,471.83 crore as on 31 March 2007 to Rs. 21,983.74 crore as on 31 March 2008. The total investment in non-working PSUs increased from Rs. 13.58 crore to Rs. 13.64 crore during the same period.

(Paragraphs 1.2 and 1.16)

The budgetary support in the form of capital, loans and grants/subsidy disbursed to working PSUs increased from Rs. 2,105.95 crore in 2006-07 to Rs. 3,256.07 crore in 2007-08. The State Government guaranteed loans aggregating Rs. 12,705.31 crore in respect of five working Government Companies during 2007-08. The total amount of outstanding loans guaranteed by the State Government to working PSUs increased from Rs. 13,139.82 crore as on 31 March 2007 to Rs. 18,153.83 crore as on 31 March 2008.

(Paragraph 1.5)

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

(Paragraph 1.6)

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

(Paragraphs 1.7 to 1.11)

2. Performance Audit relating to Government Companies

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

Implementation of Rural Electrification Schemes by Ajmer Vidyut Vitran Nigam Limited

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

Some other important points noticed are as under:

- The declaration of 185 villages as electrified out of 336 villages by December 2007 without obtaining certificates from *Gram Panchayat,* was not in accordance with the guidelines of RGGVY.

- Only 8 feeders had losses below 15 *per cent* out of 433 feeders declared renovated. The declaration of 425 feeders as renovated was not in accordance with the criteria of achieving distribution losses below 15 *per cent* prescribed in the guidelines of scheme.

- The Company assumed avoidable liability of Rs. 25.28 crore towards inspection charges by awarding work of third party inspection.

(Chapter 2.1)

Redressal of Consumer Grievances in Jaipur Vidyut Vitran Nigam Limited

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

Some other important points noticed are as under:

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

(Chapter 2.2)

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

Ignoring the advice of the original consultant who prepared the detailed feasibility report, to invite global tenders for purchase of a suitable plant for use of lignite having high sulphur content, Rajasthan Rajya Vidyut Utpadan Nigam Limited (Company) invited a single offer only from BHEL, which did not have any experience of establishing such plants, resulting in heavy delay in commissioning of the project. The Company, further, relaxed crucial qualifying criteria to enable the appointment of a project consultant despite the fact that their manpower was inexperienced and past track record with the Company unsatisfactory; ignoring the specific advice of the committee set up for the purpose. This decision of the Company, was *prima facie* not based on sound considerations as there was failure of the consultant in various stages of the project implementation including the fact that the designs of the main plant approved by the consultant suffered from several shortcomings. Faulty planning and lack of monitoring of contracts resulted in delay in execution of the project and avoidable extra expenditure, which was substantial. Against the projected norms of electrical power generation of 8,063.53 LU from 28 February 2007 to 31 March 2008, the plant produced only 1,800.25 LU resulting in shortfall of 6,263.28 LU. Since various problems remained unresolved even after 18 months of its synchronisation, the commercial operation date (COD) could not be fixed.

Some other important points noticed are as under:

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

(Chapter 2.3)

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

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

Some other important points noticed are as under:

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

(Chapter 2.4)

3. Performance Audit relating to Statutory Corporation

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

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

Some other important points noticed are as under:

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

(Chapter 3)

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

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

Unproductive expenditure and loss of interest amounting to Rs. 3.47 crore in three cases.

(Paragraphs 4.1, 4.2 and 4.3)

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

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

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

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

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

(Paragraphs 4.4 and 4.6)

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

GOVERNMENT COMPANIES

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

(Paragraph 4.1)

Non availment of payment facility either through post dated cheques/warrants or through core banking led to loss of interest earning of Rs. 1.11 crore to **Rajasthan Rajya Vidyut Prasaran Nigam Limited**.

(Paragraph 4.2)

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

(Paragraph 4.6)

Delay in surrendering of area not required despite its identification led to an extra expenditure of Rs. 1.25 crore on account of land tax to **Rajasthan State Mines and Minerals Limited**.

(Paragraph 4.15)

STATUTORY CORPORATION

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

(Paragraph 4.19)

CHAPTER I

Overview of Government Companies and Statutory Corporations

Chapter I

Overview of Government Companies and Statutory Corporations

Introduction

1.1 As on 31 March 2008, there were 29 Government Companies (25[$] working Companies and four non-working Companies[*]) and three working Statutory Corporations as against 26 Government Companies (22 working Companies and four non-working Companies) and three Statutory Corporations as on 31 March 2007 under the control of the State Government. The accounts of the Government Companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit to be conducted by the CAG as per the provisions of Section 619 of the Companies Act, 1956. The audit arrangements of the Statutory Corporations are as shown below:

Sl. No.	Name of the Corporation	Authority for audit by the CAG	Audit arrangement
1.	Rajasthan State Road Transport Corporation (RSRTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by the CAG
2.	Rajasthan Financial Corporation (RFC)	Section 37(6) of the State Financial Corporations Act, 1951	Audit by Chartered Accountants and supplementary audit by the CAG
3.	Rajasthan State Warehousing Corporation (RSWC)	Section 31(8) of the Warehousing Corporations Act, 1962	Audit by Chartered Accountants and supplementary audit by the CAG

The State Government formed the Rajasthan Electricity Regulatory Commission (RERC) in January 2000 and its audit is entrusted to the Comptroller and Auditor General of India, under Section 104(2) of the Electricity Act, 2003.

$ Three working Companies were incorporated in years 2006-07 and 2007-08 *i.e.* Rajasthan Civil Aviation Corporation Limited on 20 December 2006, Kota City Transport Services Limited on 22 December 2006 and Jaipur City Transport Services Limited on 6 February 2008.

* Non-working Companies/Corporations are those, which are under the process of liquidation/closure/merger, *etc.*

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2008, the total investment[#] in 28 working PSUs (25 Government Companies and three Statutory Corporations) was Rs. 21,983.74 crore[*] (equity: Rs. 6,178.71 crore; long-term loans[**]: Rs. 15,803.88 crore and share application money: Rs. 1.15 crore) as against total investment of Rs. 16,471.83 crore (equity: Rs. 5,088.95 crore; long-term loans: Rs. 11,373.10 crore and share application money: Rs. 9.78 crore) as on 31 March 2007 in 25 working PSUs (22 Government Companies and three Statutory Corporations). The particulars of investments in the working PSUs have been given in **Annexure 1**. An analysis of the investment in PSUs is given in the following paragraphs.

[#] Figures are as furnished by the Companies/Corporations.

[*] State Government's investment in working PSUs was Rs. 7,743.71 crore (others: Rs. 14,240.03 crore). Figures as per finance accounts 2007-08 is Rs. 8,341.22 crore. The difference is under reconciliation.

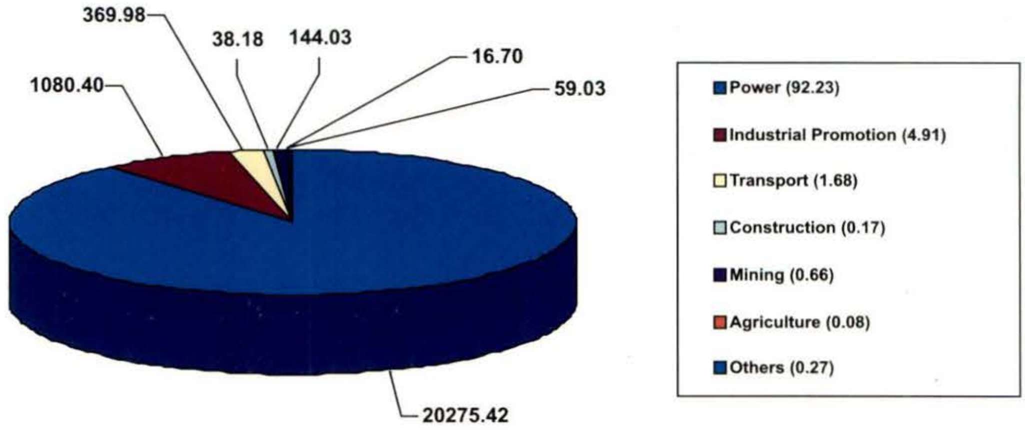
[**] Long-term loans exclude interest accrued and due on loans.

Sector wise investment in working Government Companies and Statutory Corporations

The investment (equity and long-term loans) in various sectors and percentages thereof at the end of 31 March 2008 and 31 March 2007 are indicated in the pie charts.

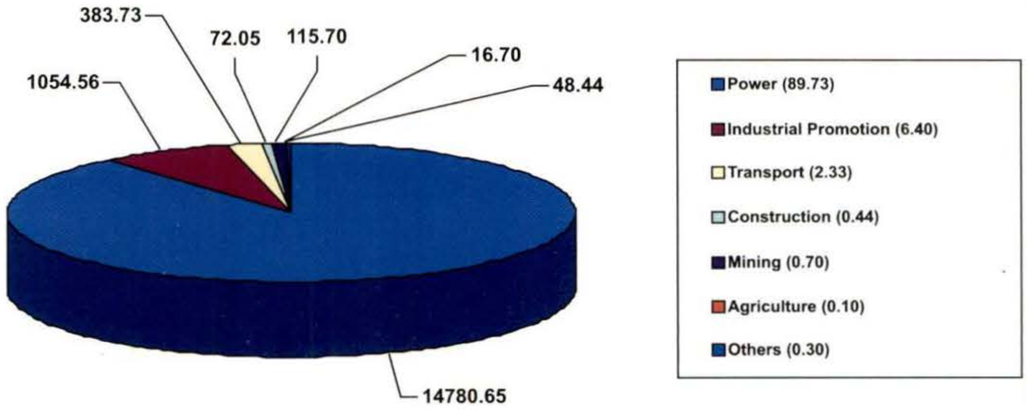
INVESTMENT AS ON 31 MARCH 2008

(Figures in brackets represent percentage of total investment)
(Amount: Rupees in crore)



INVESTMENT AS ON 31 MARCH 2007

(Figures in brackets represent percentage of total investment)
(Amount: Rupees in crore)



Working Government Companies

1.3 The total investment in working Government Companies at the end of March 2007 and March 2008 was as follows:

(Amount: Rupees in crore)

Year	No. of Companies	Equity	Share application money	Loans	Total
2006-07	22	4779.51	9.78	10478.22	15267.51
2007-08	25	5864.28	1.15	14901.41	20766.84

As on 31 March 2008, the total investment in working Government Companies comprised of 28.24 *per cent* equity capital and 71.76 *per cent* loans as compared to 31.37 and 68.63 *per cent* respectively as on 31 March 2007.

Working Statutory Corporations

1.4 The total investment in three working Statutory Corporations at the end of March 2007 and March 2008 was as follows:

(Amount: Rupees in crore)

Name of Corporation	2006-07		2007-08	
	Capital	Loan	Capital	Loan
Rajasthan State Road Transport Corporation	220.06	163.67	220.06	149.21
Rajasthan Financial Corporation	81.53	731.21	86.53	753.25
Rajasthan State Warehousing Corporation	7.85	-	7.85	-
Total	**309.44**	**894.88**	**314.44**	**902.46**

As on 31 March 2008, the total investment in working Statutory Corporations comprised of 25.84 *per cent* equity capital and 74.16 *per cent* loans as compared to 25.69 and 74.31 *per cent* respectively as on 31 March 2007.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.5 The details of budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of working Government Companies and Statutory Corporations are given in **Annexures 1** and **3**.

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to working Government

Companies and Statutory Corporations for the three years up to 2007-08 are indicated below:

(Amount: Rupees in crore)

	2005-06		2006-07		2007-08			
	Companies		Companies		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity Capital	7	635.88	7	700.30	8	1065.71	1	5.00
Loans	3	176.96	3	151.76	3	668.44	-	-
Grant/Subsidy towards: (1) Projects/ programmes/schemes	9	1043.99	8	1253.89	10	1516.92	-	-
(2) Others	-	-	-	-	-	-	-	-
Total (1+2)	**9**	**1043.99**	**8**	**1253.89**	**10**	**1516.92**	-	-
Total outgo		**1856.83**		**2105.95**		**3251.07**		**5.00**

During the year 2007-08, the Government had given guarantee for loans aggregating Rs. 12,705.31 crore obtained by five working Government Companies. As on 31 March 2008, guarantees amounting to Rs. 18,153.83 crore against six working Government Companies (Rs. 18,015.66 crore) and one working Statutory Corporation (Rs. 138.17 crore) were outstanding, as against Rs. 13,139.82 crore against seven working Government Companies (Rs. 12,982.64 crore) and one working Statutory Corporation (Rs. 157.18 crore) outstanding as on 31 March 2007. The guarantee commission paid/payable to the Government by six Government Companies and one Statutory Corporation during 2007-08 was Rs. 15.07 crore and Rs. 1.52 crore respectively.

Finalisation of accounts by working PSUs

1.6 The accounts of the Companies for each financial year are to be finalised within six months from the end of the relevant financial year, as required under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of the financial year. Similarly, in case of Statutory Corporations their accounts are required to be finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

It can be seen from **Annexure 2** that only 16[1] out of 25 working Government Companies and two[2] out of three working Statutory Corporations could finalise their accounts for the year 2007-08 (up to September 2008). During the period from October 2007 to September 2008, seven working Government Companies and one Statutory Corporation finalised their prior period accounts.

[1] Sr. Nos. A 1 to 4, 6, 7, 10, 11, 14 to 18 and 20 to 22 of Annexure 2.
[2] Sr. Nos. B 2 and 3 of Annexure 2.

The accounts of eight[3] working Government Companies and one[4] Statutory Corporation for the year 2007-08 were in arrears for one to two years as on 30 September 2008. Out of these eight working Government Companies, in five[11] working Government Companies the State Government has made an investment of Rs. 239.01 crore (equity: Rs. 120.31 crore and long-term loans: Rs. 118.70 crore) and provided a subsidy of Rs. 657.62 crore during the year 2007-08 as shown in **Annexure 8**. Further, out of these five Companies, two[12] Government Companies incorporated in year 2006-07 are yet to finalise their first accounts (September 2008).

Financial position and working results of working PSUs

1.7 The summarised financial results of working PSUs (Government Companies and Statutory Corporations) as per their latest finalised accounts are given in **Annexure 2**. Besides, statements showing the financial position and working results of individual working Statutory Corporations for the last three years, for which accounts were finalised, are given in **Annexures 4** and **5** respectively.

According to the latest finalised accounts of 25 working Government Companies and three working Statutory Corporations, three[5] Companies and one[6] Corporation had incurred loss of Rs. 3.09 crore and Rs. 19.14 crore respectively; ten[7] Companies and two[8] Corporations earned profit of Rs. 391.23 crore and Rs. 11.74 crore respectively while five[9] power sector Companies, incorporated in 2000-01, did not show any profit/loss in the accounts finalised for the years 2006-07 and 2007-08 as per the provisions of financial restructuring plan. Seven Companies incorporated in the year 2006-07 and 2007-08 did not commence commercial activities in the year 2007-08.

Working Government Companies

Profit earning working Companies and dividend

1.8 Six[10] working Government Companies (**Annexure 2**), which finalised its accounts for 2007-08 by September 2008, earned an aggregate profit of Rs. 389.45 crore and declared dividend of Rs. 41.19 crore. The dividend as a percentage of share capital in the above profit earning Companies worked out to 13.21 *per cent*. The total return by way of the above dividend worked out to 0.70 *per cent* in 2007-08 on total equity investment of Rs. 5,843.10 crore by the State Government in all the working Government Companies as against 0.25 *per cent* in 2006-07.

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[3] Sr. Nos. A 5, 8, 9, 12, 13, 19, 23 and 25 of Annexure 2.
[4] Sr. Nos. B 1 of Annexure 2.
[5] Sr. Nos. A 1, 4 and 5 of Annexure 2.
[6] Sr. No. B 1 Annexure 2.
[7] Sr. Nos. A 2, 3, 6 and 8 to 14 of Annexure 2.
[8] Sr. Nos. B 2 and 3 of Annexure 2.
[9] Sr. Nos. A 15 to 19 of Annexure 2.
[10] Sr. Nos. A 2, 3, 6, 10, 11 and 14 of Annexure 2.
[11] Sr. Nos. A 5, 12, 19, 23 and 25 of Annexure 2.
[12] Sr. Nos. A 23 and 25 of Annexure 2.

Loss incurring working Government Companies

1.9 Of the three loss incurring working Government Companies, Rajasthan State Handloom Development Corporation Limited had accumulated loss of Rs. 45.01 crore up to March 2007, which exceeded its paid-up capital of Rs. 6.15 crore and Rajasthan State Hotels Corporation Limited (though earned profit during the year 2006-07) had accumulated loss of Rs. 2.66 crore upto March 2007, which exceeded its paid-up capital of Rs. 1.46 crore.

Working Statutory Corporations

Profit earning Statutory Corporations and dividend

1.10 Out of the three Statutory Corporations, two[13] Corporations finalised their accounts for 2007-08. Rajasthan Financial Corporation earned a profit of Rs. 5.49 crore but did not declare any dividend. Rajasthan State Warehousing Corporation earned a profit of Rs. 6.25 crore and declared a dividend of Rs. 0.79 crore during the year 2007-08.

Loss incurring Statutory Corporations

1.11 Out of the three Statutory Corporations, Rajasthan State Road Transport Corporation finalised accounts for 2006-07 and incurred a loss of Rs. 19.14 crore. The accumulated loss of Rs. 394.70 crore exceeded its paid up capital of Rs. 220.06 crore. Rajasthan Financial Corporation (though earned profit during the year 2007-08) had accumulated loss of Rs. 53.95 crore against its paid-up capital of Rs. 86.52 crore.

Operational performance of working Statutory Corporations

1.12 The operational performance of the working Statutory Corporations is given in **Annexure-6**.

Return on capital employed

1.13 As per the latest finalised accounts (upto September 2008), the capital employed* worked out to Rs. 31,755.59 crore in 25 working Companies. Total return thereon amounted to Rs. 1,883.19 crore (5.93 *per cent*) as compared to total return of Rs. 1,523.64 crore (6.13 *per cent*) in the previous year. Similarly, the capital employed and total return[$$] thereon in case of three working Statutory Corporations as per their latest finalised accounts (upto September 2008) worked out to Rs. 903.59 crore and Rs. 74.07 crore

13 Sr. Nos. B 2 and 3 of Annexure 2.

* Capital employed represents net fixed assets (including capital works-in-progress) plus working capital, except in finance Companies and Corporations, where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

$$ For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss accounts.

(8.20 *per cent*), respectively against the total return of Rs. 86.20 crore (8.86 *per cent*) in the previous year. The details of capital employed and total return on capital employed in case of working Government Companies and Statutory Corporations are given in **Annexure 2**.

Power sector reforms

Status of implementation of Memorandum of Understanding between Government of India and Government of Rajasthan

1.14 In pursuance of the decisions taken at the Chief Ministers' conference on power sector reforms, held in March 2001, a Memorandum of Understanding (MOU) was signed on 23 March 2001 between the Ministry of Power, Government of India (GOI) and the Government of Rajasthan (GOR), as a joint commitment for implementation of the reforms programme in the power sector, with identified milestones. Status of implementation of the reforms programme against each commitment made in the MOU is detailed below:

<table>
<tr><th>S.No.</th><th>Commitment as per MOU</th><th>Targeted completion schedule</th><th>Status (as on 31 March 2008)</th></tr>
<tr><td></td><td colspan="3">Commitments made by the State Government</td></tr>
<tr><td>1.</td><td>Reduction in transmission and distribution losses</td><td>20 per cent by 2007-08</td><td><table><tr><th>Name of the Company</th><th>Transmission loss</th><th>Distribution loss</th><th>Total</th></tr><tr><td>RRVPNL</td><td>5.94</td><td>-</td><td>5.94</td></tr><tr><td>JVVNL</td><td>5.60</td><td>28.68</td><td>34.28</td></tr><tr><td>AVVNL</td><td>5.94</td><td>34.16</td><td>40.10</td></tr><tr><td>JdVVNL</td><td>5.65</td><td>27.88</td><td>33.53</td></tr></table></td></tr>
<tr><td>2.</td><td>100 per cent metering of all 11 KV distribution feeders</td><td>September 2001</td><td><table><tr><th>Name of the Company</th><th>11KV feeders to be metered</th><th>11KV feeders metered upto March 2008</th><th>Percentage</th></tr><tr><td>JVVNL</td><td>3640</td><td>3227</td><td>88.65</td></tr><tr><td>AVVNL</td><td>4291</td><td>3954</td><td>92.15</td></tr><tr><td>JdVVNL</td><td>4547</td><td>4499</td><td>98.94</td></tr></table></td></tr>
<tr><td>3.</td><td>100 per cent electrification of all villages</td><td>37,889 villages by 2005</td><td>36,125 villages electrified i.e. 95.34 per cent.</td></tr>
<tr><td>4.</td><td>100 per cent metering of all consumers</td><td>30 June 2002</td><td>No connection of any category is being released without meter. All flat rate agricultural connections are being converted to metered category. 1,70,258 consumers have been converted from agricultural flat rate to metered category in urban/rural areas.</td></tr>
<tr><td>5.</td><td>Securitisation of outstanding dues of Central Public Sector Undertakings</td><td>Not given</td><td>State Government has securitised following outstanding dues of CPSU's.
NTPC- Rs. 290.00 crore
NHPC- Rs. 56.98 crore
PGCIL- Rs. 21.80 crore
Rs. <u>368.78 crore</u>
Notification was issued by GOR on 18 August 2003 for issue of bonds.</td></tr>
<tr><td>6.</td><td colspan="3">State Electricity Regulatory Commission (SERC)</td></tr>
<tr><td></td><td>(1) Establishment of the SERC</td><td>-</td><td>The SERC was formed in January 2000.</td></tr>
<tr><td></td><td>(2) Implementation of tariff orders issued by SERC during the year</td><td>An order for distribution tariff was to be implemented from January 2005.</td><td>The tariff was implemented from May 2005 as the State Government provided subsidy for the period January 2005 to April 2005.</td></tr>
<tr><td></td><td colspan="3">Commitments made by the Central Government</td></tr>
<tr><td>7.</td><td>Supply of additional power</td><td>The Central Government will allocate additional power as under:
(1) Additional 100 MW of surplus power from Eastern grid on firm basis.
(2) Ministry of Power (MOP) will take immediate steps to restore the special allocation of one-third of the capacity of Anta Grid Power Station i.e. 112 MW, withdrawn by MOP in November 1999.</td><td>(1) About 113 MW power has been allotted from Eastern Grid w.e.f. 23 October 2007 on firm basis.
(2) No firm allocation of power from Anta Grid Power Station made so far.</td></tr>
<tr><td>8.</td><td>Any other help to be provided. (please specify)</td><td>Financial support under the Accelerated Power Development Programme (APDP and renamed as APDRP) to upgrade the transmission and distribution system and renovation and maintenance of thermal plants</td><td>Amount released by the Government of India under APDRP is as follows:<table><tr><th rowspan="2">Year</th><th colspan="2">Amount in crore</th><th rowspan="2">Total</th></tr><tr><th>Loan</th><th>Grant</th></tr><tr><td>2002-03</td><td>62.82</td><td>62.82</td><td>125.64</td></tr><tr><td>2003-04</td><td>109.85</td><td>109.85</td><td>219.70</td></tr><tr><td>2004-05</td><td>20.245</td><td>20.245</td><td>40.49</td></tr><tr><td>2005-06</td><td>Nil</td><td>Nil</td><td>Nil</td></tr><tr><td>2006-07</td><td>24.225</td><td>24.225</td><td>48.45</td></tr><tr><td>2007-08</td><td>Nil</td><td>Nil</td><td>Nil</td></tr></table></td></tr>
<tr><td></td><td colspan="3">General</td></tr>
<tr><td>9.</td><td>Monitoring of MOU</td><td>Monitoring was required on quarterly basis</td><td>Monitoring is being done regularly by SE (Plan) of Jaipur Vidyut Vitran Nigam Limited. Last report was sent in March 2008.</td></tr>
</table>

Rajasthan Electricity Regulatory Commission

1.15 The Rajasthan Electricity Regulatory Commission (Commission) was formed on 10 January 2000 under Section 17 of the Electricity Regulatory Commissions Act, 1998[$] with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licences. The Commission is a body corporate and comprises of three members including a Chairperson, who are appointed by the State Government. All expenditure of the Commission is to be charged to the Consolidated Fund of the State. The Commission had finalised its accounts for the years 1999-2000 to 2001-02.

During 2007-08, the Commission scrutinised 37 petitions and 35 cases were dealt with by it while discharging its judicial function.

Non-working PSUs

Investment in non-working PSUs

1.16 As on 31 March 2008, the total investment in four non-working Government Companies was Rs. 13.64 crore (equity: Rs. 9.26 crore, long-term loans: Rs. 4.38 crore) as against total investment of Rs. 13.58 crore (equity: Rs. 9.26 crore, long-term loans: Rs. 4.32 crore) in the four non-working Companies as on 31 March 2007. The details of investment in non-working PSUs are given in **Annexure 1**.

There is no Company under liquidation.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.17 The State Government did not release any fund to non-working Companies during the year 2007-08.

Total establishment expenditure of non-working PSUs

1.18 The total establishment expenditure of Rs. 7.88 lakh (2005-06 Rs. 5.34 lakh, 2006-07 Rs. 1.44 lakh and 2007-08 Rs. 1.10 lakh) of one non-working Company *viz.* Rajasthan Electronics Limited was financed by its holding Company. The remaining three non-working Companies did not incur any expenditure towards establishment.

[$] Since replaced by the Electricity Act, 2003.

Finalisation of accounts by non-working PSUs

1.19 Out of four non-working Companies, three[14] Companies finalised their accounts for 2007-08. The account of one[15] non-working Company was in arrear for one year (as on 30 September 2008) as shown in **Annexure 2** in which the State Government has made investment of Rs.6.02 lakh in the year 2007-08 as shown in **Annexure 8.** Two non-working Companies also finalised accounts for the previous year.

Financial position and working results of non-working PSUs

1.20 The summarised financial results of non-working Government Companies as per their latest finalised accounts are given in **Annexure 2.** The net worth of four non-working Government Companies was Rs. (-) 37.55 crore against their total paid-up capital of Rs. 9.26 crore. These Companies suffered a cash loss of Rs. 1.31 crore and their accumulated loss worked out to Rs. 46.97 crore.

Status of placement of Separate Audit Reports on the accounts of Statutory Corporations in the Legislature

1.21 The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory Corporations issued by the CAG, in the Legislature by the Government:

Sl. No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in the Legislature
1.	Rajasthan State Road Transport Corporation	2006-07	2007-08	-	-
2.	Rajasthan Financial Corporation	2006-07	2007-08	-	-
3.	Rajasthan State Warehousing Corporation	2006-07	2007-08	17 September 2008	-

Disinvestment, privatisation and restructuring[$] of Public Sector Undertakings

1.22 No disinvestment or privatisation of Public Sector Undertakings has taken place during 2007-08. The managements of Rajasthan State Hotels Corporation Limited and Rajasthan Tourism Development Corporation

[14] Sr. Nos. C 2 to 4 of Annexure 2.
[15] Sr. Nos. C 1 of Annexure 2.
[$] Restructuring includes merger and closure of PSUs.

Limited proposed a merger of the two Companies in February/August 2001 which has so far not materialised.

Results of audit of accounts of PSUs by the Comptroller and Auditor General of India

1.23 During the period from October 2007 to September 2008, the accounts of 17 Government Companies (16 working and one non-working) and three working Statutory Corporations were selected for audit. The net impact of the major audit observations as a result of audit of their accounts was as follows:

Details	Government Companies				Statutory Corporations	
	No of accounts		Rupees in crore		No. of accounts	Rupees in crore
	Working	Non working	Working	Non working	Working	
Decrease in profit	4	-	21.66	-	1	35.27
Increase in loss	-	-	-	-	1	3.43

Errors and omissions noticed in case of Government Companies

1.24 (a) As a result of audit of accounts of various Companies under Section 619(3) of the Companies Act 1956, the following some of important observations were made by the Statutory Auditors:

Rajasthan Jal Vikas Nigam Limited (2007-08)

- The Company did not follow the Accounting Standard (AS) 2 - Valuation of inventories.

Rajasthan State Seeds Corporation Limited (2007-08)

- The Company did not comply with the following Accounting Standards:

AS 9: Revenue Recognition, AS 12: Accounting for Government Grants, AS 15: Accounting for retirement benefits, AS 17: Segment Reporting and AS 28: Impairment of Assets.

Rajasthan State Industrial Development and Investment Corporation Limited (2007-08)

- Non valuation of stock of land measuring 361.66 acres valuing Rs. 11.16 crore on 31 March 2008 being under litigation and/or encroachment, though the said land was treated as saleable.

- Expenditure relating to maintenance of transferred industrial areas amounting to Rs. 2.68 crore was treated as expenditure of the Company without retaining income from such areas.

Rajasthan Small Industries Corporation Limited (2007-08)

- The Company did not comply with the following Accounting Standards:

AS 1: Disclosure of Accounting policy, AS 15: Accounting for retirement benefits, AS 28: Impairment of assets and AS 29: Provisions, Contingent Liabilities and Contingent Assets.

- The Company did not provide interest amounting to Rs. 2.64 crore upto 31 March 2008 on the overdue amount of Rs. 3.19 crore payable to Rajasthan State Mines and Minerals Limited. The same resulted in understatement of current liabilities and loss by the similar amount.

Rajasthan State Mines and Minerals Limited (2007-08)

- The Company did not provide for liability of additional excavation amounting to Rs. 1.93 crore in the books of accounts and therefore the Profit was overstated and Current Liabilities were understated to that extent. The effect of liability of additional excavation of earlier years amounting to Rs. 13.93 crore approximately was also not provided in the books.

Rajasthan State Ganganagar Sugar Mills Limited (2007-08)

- The Company did not comply with the following Accounting Standards:

AS 2: Valuation of inventories, AS 15: Accounting for retirement benefits, and AS 28: Impairment of assets.

- Short provision of Rs. 12.14 crore against Gratuity as per actuarial valuation resulted into overstatement of General Reserve and understatement of Current Liabilities and Provisions to this extent.
- Cost of past services for leave encashment of Rs. 3.27 crore was charged to Profit and Loss account instead of General Reserve.

Rajasthan Rajya Vidyut Utpadan Nigam Limited (2007-08)

- The Company did not comply with the following Accounting Standards:

AS 2: Valuation of inventory, AS 3: Cash flow statement, AS 10: Accounting for fixed assets, AS 15: Accounting for retirement benefits, AS 22: Accounting for taxes on income and AS 28: Impairment of assets.

- The Company had capitalized administrative and financing cost of Rs. 27.44 crore to the fixed assets of Giral-I Unit after the project was ready for production. This resulted into over statement of capital work in progress and over statement of profit and loss account by this amount.

- In Suratgarh Thermal Power Station (STPS) - MMH units, Rs. 3.72 crore had been shown as Work-in-Progress. However, the construction works in these units had already been completed long before and assets were put to use. As a result, the fixed assets were understated and capital work in progress was overstated by same amount.

- The value of inventory as per financial statements was not reconciled with the value of inventory as per store ledgers. The difference in figures of two records was of Rs. 20.89 crore.

- The Company instead of adjusting interest subsidy of Rs. 46.88 crore received from the State Government from the receivables had accounted the same as income in the year of receipt. This had resulted in under statement of prior period expenditure and over statement of other Assets by Rs. 46.88 crore.

Rajasthan Rajya Vidyut Prasaran Nigam Limited (2007-08)

- The Company did not comply with the following Accounting Standards:

AS 2: Valuation of inventory, AS 4: Contingencies and events occurring after the balance sheet date, AS 5: Net Profit or loss for the period, prior period items and change in accounting policies, AS 6: Depreciation accounting, AS 9: Revenue recognition, AS 10: Accounting for fixed assets, AS 15: Accounting for retirement benefits, AS 16: Borrowing costs, AS 22: Accounting for taxes on income, AS 27: Financial reporting of interests in joint ventures, AS 28: Impairment of assets, and AS 29: Provisions Contingent Liabilities and Contingent Assets.

- A sum of Rs. 15.80 crore due from BBMB* had been shown under other receivables. Realisability of the same was considered doubtful for which no provision had been made.

- Common pool expenditure of Rs. 47.81 crore, receivable (net of payable) from other Boards was not confirmed/reconciled. Hence, nothing could be commented on realisability of the above amount.

- Proper records relating to fixed assets had not been maintained and the system of physical verification was deficient and hence discrepancies including non existence of assets and their not being in working condition could not be commented upon.

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* Bhakra Beas Management Board

- Income by way of interest on deferred subvention receivable from Government amounting to Rs. 26.39 crore for the current year and Rs. 79.46 crore of earlier years had not been accounted for.

- The capitalisation was found to be improper, resulting in incorrect charging of depreciation in the following cases:

  a. A sum of Rs. 2.06 crore pertaining to the works commissioned in earlier years was accounted for in the current year.

  b. Errors of Rs. 0.71 crore in capitalisations of fixed assets in earlier years.

  c. Works completed in earlier years but not capitalized in respective years amounting to Rs. 18.90 crore.

  d. Works on which no expenditure was incurred during the year but not capitalized during earlier years amounting to Rs. 7.12 crore.

The corresponding impact on depreciation could not be quantified for want of complete details.

- Balance (Dr.) of Rs. 26.01 crore in Inter Unit Account included old amounts being carried over without adjustments due to non reconciliation of the inter unit accounts. The corresponding impact could not be quantified as the details of old balances were not available.

Jaipur Vidyut Vitran Nigam Limited (2007-08)

- The Company did not comply with the following Accounting Standards:

AS 2: Valuation of Inventory, AS 3: Cash Flow Statement, AS 6: Accounting for Depreciation, AS 9: Revenue Recognition, AS 10: Accounting for Fixed Assets, AS 11: Account for the effects of changes in foreign Exchange Rates, AS 12: Accounting for Government Grants, AS 15: Accounting for retirement benefits, AS 16: Borrowing Costs, AS 22: Accounting for Taxes on Income and AS 28: Impairment of Assets.

- The Company had accounted for Rs. 693.87 crore being subvention receivable against revenue gap for the year 2007-08 and Rs. 31.72 crore being subsidy receivable from the State Government against rebate allowed to agricultural consumers subject to confirmation thereof; which was not in accordance with AS 9. Further, total subsidy receivable of Rs. 2218.89 crore from the Government was also subject to confirmation.

- Addition of employees costs Rs. 71.59 crore and administrative costs Rs. 11 crore to the fixed assets was on adhoc basis, which were in contravention of AS 10.

- The Company had eliminated Rs. 98.78 crore from fixed assets where benefit was still expected from its use and not held for disposal. The same resulted in understatement of Fixed Assets and overstatement of inventories by the similar amount. Impact on depreciation could not be quantified.

Jodhpur Vidyut Vitran Nigam Limited (2007-08)

- The Company did not comply with the following Accounting Standards:

AS 1: Disclosure of accounting policies, AS 2: Valuation of inventories, AS 5: Net Profit or Loss for the period prior period items and change in the accounting policies, AS 6: Depreciation accounting, AS 9: Revenue recognition, AS 10: Accounting for fixed assets, AS 12: Accounting for Government grants, AS 15: Accounting for retirement benefit, AS 16: Borrowing cost and AS 22: Accounting for taxes on income.

- The information and explanations relating to reconciliation of bank statement, reconciliation of net salary payable account, reconciliation of inter unit accounts, details of liability for O&M supply and details of staff advance & liabilities were not provided by the Company.

In the absence of proper details and reconciliation, accounts did not show true and fair position in this regard.

- Reserves for material costs variation *i.e.* difference of standard rate of material and actual cost, was a hypothetical figure and the same was directly credited to reserve and surplus head which resulted into over capitalisation and over charging in revenue expenditure. This was in violation of AS 2, AS 6 and AS 10 and resulted into creation of fictitious reserve to the extent of Rs. 83.04 crore as on 31 March 2008, affecting the true and fair position of the state of affairs and profit/loss of the Company.

- The provision for obsolete and unserviceable stores Rs. 2.65 crore was carried forward from earlier years and there were no details of such provisions. In absence of such basic accounting data, the true and fair position of stock and its effect on Profit and Loss could not be ascertained.

- The Company had transferred Rs. 18.71 crore being a portion of interest on borrowings attributable to construction. The basis of borrowed cost capitalised was not accordance with the AS 16. In absence of details the extent of under/over capitalisation of interest and finance charges could not verified.

- The Company had not maintained proper fixed assets register. However, details in form of fixed assets register were prepared upto 31 March 2005 and depreciation was charged on estimated basis.

1.24 (b) As a result of Supplementary audit of accounts of various Companies under Section 619(4) of the Companies Act 1956, the following important points were noticed by the Comptroller and Auditor General of India:

Rajasthan State Industrial Development and Investment Corporation Limited (2006-07)

- Fixed assets included Rs. 32 lakh being unamortised amount of additional demand of Rs. 40 lakh raised during June 2006 by the State Government for the right to use of the rooms in Rajasthan State Guest House at New Delhi which was allotted during 2001-02. This had resulted in overstatement of fixed assets (net block) and net profit by Rs. 32 lakh.

Rajasthan State Industrial Development and Investment Corporation Limited (2007-08)

- The Interest on Tax was understated by Rs. 1.43 crore due to non-accountal of the liability of interest payable on income tax for the assessment year 2005-06. Consequently, Current Assets (Advance to Income Tax Office) were also overstated to that extent.

- The other liabilities were understated by Rs. 8.71 crore, being liability towards gratuity premium demanded by Life Insurance Corporation of India, based on the actuarial valuation. Consequently, the profit was also overstated to that extent.

Rajasthan Tourism Development Corporation Limited (2006-07)

- The provision was understated by Rs. 11.85 crore in respect of gratuity and leave salary encashment liability as on 31 March 2007. Non-provision for shortfall had resulted in understatement of provisions for gratuity liability (Rs. 7.60 crore), leave salary encashment (Rs. 4.25 crore) and overstatement of profit for the year by Rs. 11.85 crore.

Rajasthan Renewable Energy Corporation Limited (2006-07)

- The incidental expenditure during construction period was overstated by Rs. 1.52 crore due to non-writing off of the expenditure incurred on salary, office expenses, consultancy charges for 140 MW Integrated Solar Combined Cycle Mathania Project, which was found to be commercially unviable. Consequently, Reserve and Surplus had also been overstated to this extent.

Jodhpur Vidyut Vitran Nigam Limited (2006-07)

- The subvention against Electricity Duty had been overstated by Rs. 2.60 crore due to non-adjustment of excess subsidy paid which was subsequently adjusted by the State Government. Consequently, Other Current Liabilities had been understated to that extent.

- The subvention had been understated by Rs. 2.57 crore due to non-accountal of interest subsidy receivable from the Government of Rajasthan on World Bank Loan. Consequently, Current Assets (other receivables) had been understated to that extent.

- Depreciation had been overstated by Rs. 55.97 crore due to charging of depreciation at the rates notified by Government of India instead of rates prescribed by the Rajasthan Electricity Regulatory Commission. Consequently, the Fixed Assets (Net Block) had been understated to that extent.

- The purchase of power had been understated by Rs. 1.60 crore due to non-adjustment of final cost of purchase of power as intimated by Rajasthan Rajya Vidyut Utpadan Nigam Limited. Consequently, sundry creditors had been understated to that extent.

- The Loan Funds - Secured Loans had been overstated by Rs. 209.84 crore due to inclusion of loans secured by the Government guarantee only, instead of being secured against tangible assets. As a result, unsecured loans had been understated to that extent.

- The loan funds (unsecured) had been overstated by Rs. 7.47 crore due to inclusion of World Bank Loan (Rs. 5.18 crore) and APDRP Loan of (Rs. 2.29 crore) which had become due for payment on 1 October 2006. Consequently current liabilities had been understated to that extent.

- The grants towards cost of capital assets had been understated by Rs. 2.15 crore due to non-accountal of subsidy in respect of Rajiv Gandhi Grameen Vidhutikaran Yozana which was released by the Rural Electrification Corporation Limited (REC) on 31 March 2007. Consequently, Other Assets (Other receivables) had been understated to that extent.

Errors and omission noticed in case of Statutory Corporations

1.25 (a) As a result of audit of accounts of various Corporations, the following important observations were made by the Statutory Auditors:

Rajasthan Financial Corporation (2007-08)

- The preparation of financial statements on cash (receipts and disbursement) basis, resulted in non compliance of following Accounting Standards:

AS 3: Cash flow statements, AS 4: Contingencies and events occurring after the balance sheet date, AS 5: Net profit or loss for the period, prior period items and change in accounting policies, AS 9: Revenue recognition, AS 13: Accounting for investments, AS 15: Accounting for retirement benefits, AS 17: Segment reporting, AS 18: Related party disclosures, AS 22: Accounting for taxes on income, AS 28: Impairment of assets, and AS 29: Provisions, Contingent Liabilities and Contingent Assets.

- Loans and Advances of Rs. 929.83 crore had been shown at gross value without deducting therefrom Special Reserve of Rs. 58.04 crore (created u/s 36(1)(viii) of the Income Tax Act) and provision for Non Performing Assets (NPA) of Rs. 94.85 crore in contravention of various SIDBI circulars in respect of NPA classification and provisioning.

- The amount and the details of the cases where the possession of the units was taken by the Corporation were not available and hence the unsecured portion of Loans and Advances on this account was not ascertainable.

- Rs. 19.35 lakh and Rs. 10.56 crore representing Advance Interest Tax and Income Tax Deposit respectively had been shown as "Other Assets" in the Balance Sheet, since appellate proceedings at various forums were pending and the Corporation was confident of full refund thereagainst. However, provision of additional tax liability in respect of certain additions sustained in IT proceedings and said addition not being subject matter of further appeals, had neither provided for, nor quantified.

1.25 (b) As a result of audit of accounts of various Corporations, the following important points were noticed by the Comptroller and Auditor General of India:

Rajasthan Financial Corporation (2006-2007)

- The interest on borrowings, bonds and deposits did not include Rs. 67.33 lakh on account of interest on matching contribution payable in Provident Fund account for the years 2005-06 and 2006-07 due to withdrawal of Pension Scheme in 2004-05. This had resulted in understatement of interest on borrowings, bonds and deposits *etc.* by Rs. 43.33 lakh, prior period expenditure by Rs. 24 lakh and overstatement of net profit by Rs. 67.33 lakh. This had also resulted in understatement of other liabilities by Rs. 67.33 lakh.

- The personal and administrative expenditure did not include Rs. 1.15 crore payable as contribution to Provident Fund Scheme due to withdrawal of Pension Scheme. Non-provision of PF contribution had resulted in overstatement of net profit and understatement of other liabilities by Rs. 1.15 crore.

- The provision for Non Performing Assets (NPA) did not include Rs. 15.26 crore short provided by the Corporation against non-performing assets which was required to be made as per directions issued by SIDBI effective from 31 March 2007. This had resulted in understatement of Provision for NPA and overstatement of net profit by Rs. 15.26 crore.

- The net profit was overstated by Rs. 18.19 crore due to non creation of deferred tax liability for Special Reserve created under section 36(i) (viii) of the Income Tax Act in violation of AS 22. Consequently, provisions had also been understated.

Rajasthan State Road Transport Corporation (2006-2007)

- The loss of the Corporation remained understated by Rs. 3.43 crore mainly due to non-provision of liability of House Tax (Rs. 2.21 crore), land and building tax (Rs. 0.94 crore), non-provision of license fees (Rs. 0.23 crore) and considering the advance sale of tickets as income for current year (Rs. 0.05 crore).

Recoveries at the instance of Audit

1.26 Test checks of records of Power Sector and other Companies/other PSUs conducted during 2007-08 disclosed wrong levy/non levy/short levy of tariff/short realisation of revenue or other observations aggregating Rs. 50.15 crore in 155 cases. The PSUs/Companies accepted the observations pointed out by Audit in 143 cases, and a sum of Rs. 18.55 crore relating to 42 audit observations was recovered as compared to Rs. 1.01 crore relating to 21 audit observations during the period 2006-07.

Internal audit/internal control

1.27 The statutory auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal control/internal audit system in the Companies audited in accordance with the directions issued by the Comptroller and Auditor General of India to them under Section 619(3) (a) of the Companies Act, 1956 and to identify areas which need improvement. An illustrative resume of major recommendations made/comments made by statutory auditors on possible improvement in the internal audit/internal control system in respect of State Government Companies is indicated in **Annexure 7**. It will be seen from the annexure that major comments were of the following nature:

- There was no Internal Audit System in two* Companies.

- The Internal Audit System was not commensurate with the size and nature of business in 11 Government Companies and two Statutory Corporations.

* Rajasthan State Handloom Development Corporation Limited and Rajasthan Jal Vikas Nigam Limited

- There was scope for improvement in the area, frequency and manner of audit, communication of observations and their follow up and compliance in 11 Companies and two Statutory Corporations.

Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

1.28 During October 2007 to September 2008, total 6 reviews and 33 paragraphs were discussed by the COPU. Out of five reviews and 20 paragraphs included in Audit Report (Commercial) for the year 2006-07, two paragraphs were discussed so far (September 2008).

619-B Companies

1.29 There was no Company covered under section 619-B of the Companies Act, 1956.

CHAPTER II

Performance Audit relating to Government Companies

Chapter II

Performance Audit relating to Government Companies

Ajmer Vidyut Vitran Nigam Limited

2.1 Performance Audit on Implementation of Rural Electrification Schemes

Highlights

The objective of electrification of all villages by March 2007 and providing all RHHs with access to electricity by 2009 failed in the planning and sanction stage itself as no efforts were made by the Company with the State Government to provide funds for completion of village electrification and providing electric connection to RHHs by the target date.

(Paragraph 2.1.13)

Targets relating to electrification of all Below Poverty Line Rural Households by March 2007 under Rajiv Gandhi Grameen Vidyutikaran Yojana, could not be met even by the end of March 2008.

(Paragraph 2.1.25)

The declaration of 185 villages as electrified out of 336 villages by December 2007 without obtaining certificates from *Gram Panchayat*, was not in accordance with the guidelines of Rajiv Gandhi Grameen Vidyutikaran Yojana.

(Paragraph 2.1.26)

The Company assumed avoidable liability of Rs. 25.28 crore towards inspection charges by awarding work of third party inspection.

(Paragraphs 2.1.28 and 2.1.36)

Only 8 feeders had losses below 15 *per cent* out of 433 feeders declared renovated. The declaration of 425 feeders as renovated was not in accordance with the criteria of achieving distribution losses below 15 per cent prescribed in the guidelines of scheme.

(Paragraph 2.1.35)

Introduction

2.1.1 Rural Electrification (RE) is an ambitious programme for the socio-economic development of rural areas. Section 6 of the Electricity Act, 2003 mandates that the Government of India (GOI) and State Governments will jointly endeavour to achieve this objective. The National Electricity Policy, formulated (February 2005) by the GOI *inter alia* stated that the key objective of the development of power sector is to supply electricity to all areas including rural areas. Accordingly, to accelerate the pace of rural electrification, GOI launched (March 2005) the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) as a new comprehensive programme which aimed at electrifying all villages and habitations (*dhanis*[•]) by March 2007 and providing all Rural Households (RHHs) with access to electricity by year 2009. The ongoing schemes namely Kutir Jyoti Programme (KJP) and Accelerated Rural Electrification Programme (AREP) were also merged with RGGVY. The GOI also notified (August 2006) the Rural Electrification Policy (REP) incorporating goal of quality and reliable power supply at reasonable rates, access to electricity for all households by year 2009 and a minimum lifeline consumption of one unit per household per day by year 2012. The REP also required the State Governments to prepare and notify their own Rural Electrification Plan adopting the same goals.

The execution of RE works includes electrification of villages/*dhanis*/ de-electrified villages, access to electricity for all RHHs, energisation of pump sets and development of distribution network through system improvement works.

2.1.2 The GOI designated the Rural Electrification Corporation Limited (REC) as the nodal agency to achieve the goal of electrification of villages/hamlets, access to electricity for all RHHs and financing for the projects. Besides financing the projects by way of subsidy/loans, REC has the prime responsibility of co-ordinating the rural electrification programme with the State Governments and State Utilities by executing tripartite agreements for effective implementation of RE programmes and oversee them from conceptualization to completion.

2.1.3 Prior to unbundling, the Rajasthan State Electricity Board had been executing RE works *i.e.* up to June 2000. Subsequently, the three Distribution companies[Ψ] came into existence and have undertaken RE works in their respective areas. The Ajmer Vidyut Vitran Nigam Limited (Company) apart from executing GOI sponsored schemes *viz.* KJP, AREP and RGGVY has also undertaken its own Feeder Renovation Programme (FRP) to bring down distribution losses on 11 KV feeders below 15 *per cent* so as to provide 24 hour electricity supply to all villages within its jurisdiction covering 10 districts out of 33 districts in the State.

[•] A small village having a cluster of houses.

[Ψ] Jaipur Vidyut Vitran Nigam Limited (JVVNL), Ajmer Vidyut Vitran Nigam Limited (AVVNL) and Jodhpur Vidyut Vitran Nigam Limited (JdVVNL).

2.1.4 The management of the Company is vested in a Board of Directors consisting of five Directors including a Chairman and a Managing Director (MD). The MD is the Chief Executive Officer, who is assisted by Superintending Engineer (Plan) for RE works. The field organisation is divided into nine operation and maintenance circles[∝]. The Executive Engineers are assigned duties to monitor the progress of RE works in their respective divisions.

Scope of Audit

2.1.5 The performance audit on implementation of RE schemes was conducted (July 2007 to February 2008) with a view to assess the performance of the Company in implementation of RE programmes during the five year period from 2003-04 to 2007-08. The audit findings are based on test check of records at the corporate office and eight circle offices[∇] selected through stratified random sampling method based on cumulative figures of village electrification and renovation of feeders as per random sampling.

Audit Objectives

2.1.6 The performance audit on implementation of RE schemes by the Company was carried out to assess whether:

- the scheme wise targets were in line with the long term strategic plan and achieved in the specified time schedule;
- the funding requirements were realistically assessed;
- the funds were sanctioned and released in time by the financial institutions;
- the funds were used efficiently and economically for implementation of various projects under RE;
- there was an effective monitoring mechanism to ensure timely and proper implementation of RE works; and
- an internal control mechanism was in place and functioning efficiently.

∝ Ajmer, Bhilwara, Banswara/Dungarpur, Chittorgarh, Jhunjhunu, Nagaur, Rajsamand, Sikar and Udaipur.

∇ AREP: Udaipur (out of two), RGGVY: Bhilwara, Dungarpur and Rajsamand (out of 6) and FRP: Ajmer, Chittorgarh, Nagaur, Sikar and Udaipur (out of 9).

Audit Criteria

2.1.7 The performance of the Company in implementation of various Rural Electrification schemes was assessed against the following parameters:

- Directions and guidelines issued by the GOI, REC and the State Government for rural electrification;
- Guidelines of various RE programmes for implementation of projects;
- Laid down procedures and policies of REC for execution of works and procurement of material;
- Provisions in the Electricity Act, 2003, the National Electricity Policy (February 2005), RGGVY (March 2005) and REP of the GOI (August 2006); and
- Agenda notes and minutes of the meetings of Board of Directors and Co-ordination committee with respect to RE works.

Audit Methodology

2.1.8 Audit adopted a mix of the following methodologies:

- Study of Board's agenda and minutes, minutes of meetings of the co-ordination committee and terms and conditions of turnkey contracts;
- Scrutiny of provisions/guidelines of REC with reference to formulation, execution, and monitoring;
- Analysis of the monthly progress of RE works;
- Review of utilisation of funds;
- Examination of prevailing internal control system in implementation of RE schemes; and
- Interaction with the management and issue of audit queries.

Audit Findings

2.1.9 The programme/scheme wise review was conducted and audit findings were discussed (July 2008) in the meeting of the Audit Review Committee for Public Sector Enterprises (ARCPSE) where the State Government was represented by the Secretary, Energy and the Company by the Chairman, Managing Director and Director (Finance). The performance audit has been finalised after considering/incorporating viewpoints of the Government/ Company.

Planning

2.1.10 The planning aspect of various schemes has been discussed in the following paragraphs.

2.1.11 Kutir Jyoti Programme (KJP)

Despite substantial population of BPL RHHs requiring electric connections, the State Government did not plan any state funded programme to maximise coverage of BPL RHHs.

The GOI fixed a target for release of 22,034 electric connections for the period of two years from 2003-04 and 2004-05 under KJP for below poverty line (BPL) RHHs representing 2.63 *per cent* of 8,39,091 BPL RHHs, which were without electric connection as on 1 April 2003. Audit observed that despite a substantial population of BPL RHHs requiring electric connections, the State Government did not plan any other State funded programme for enhancing the coverage of BPL RHHs. Despite the knowledge that it would take more than fifty years to cover all BPL RHHs with the given pace of KJP, a Central scheme, the State Government and the Company, instead of identifying resources and concentrating on planning to provide electric connections to maximum number of BPL RHHs, relied only on Central schemes. This scheme was merged with RGGVY from 1 April 2005.

2.1.12 Accelerated Rural Electrification Programme (AREP)

The GOI launched (May 2004) the AREP to cover the electrification of villages along with release of connections to BPL RHHs. The Company planned for electrification of 50 villages and release of electric connections to 1,675 BPL RHHs of Udaipur and Chittorgarh districts as against 1,470 villages and 8,18,503 BPL RHHs requiring electrification in the jurisdiction of the Company. The Detailed Project Reports (DPRs) were submitted (January 2005) to REC for sanction which was accorded during February/March 2005. The coverage under the AREP was also very low and the Company and the State Government relied totally on Central schemes only. This scheme was also merged with RGGVY from 1 April 2005.

2.1.13 Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)

The planned projects were short of the targets and goals, while sanctioned projects were Rs. 137.33 crore only out of planned out lay of Rs. 367.79 crore in RGGVY.

The position of electrification of villages, *dhanis* and RHHs (before commencement of RGGVY) as on 31 March 2005, electrification planned and electrification sanctioned under the RGGVY for the period of three years from 2005-06 to 2007-08 is given in **Annexure 9**. It can be seen that as against planning for 100 *per cent* coverage in respect of village electrification and providing electric connections to BPL RHHs, electrification sanctioned was as low as 25.56 *per cent* for village electrification and 34.88 *per cent* in respect of providing electric connection to BPL RHHs. It was observed that a Memorandum of Understanding entered (March 2001) between the GOI and the State Government for power sector reforms as well as implementation of RGGVY (March 2005), envisaged achieving 100 *per cent* electrification of potential villages by March 2007 and providing all RHHs with access to electricity by 2009. In pursuing the above objectives, the Company submitted (July/August2005) DPRs for 10 projects covering electrification of all 1,420 un/de-electrified villages and providing electric connection to BPL RHHs at an estimated cost of Rs. 367.79 crore for sanction to REC. The REC, however,

No efforts were made by the Company with the State Government for provision of funds for completion of village electrification and providing electric connection to BPL RHHs by the target date.

sanctioned (August/October 2005) only six projects° to be completed within two years, covering 363 villages at an estimated cost of Rs. 137.33 crore. The sanctions represented an amount of 37.34 *per cent* in terms of planned outlay of Rs. 367.79 crore. It was observed that electrification of remaining 1,057 villages and providing electric connection to remaining 5,31,927 BPL RHHs at cost of Rs. 230.46 crore was delayed as no efforts were made by the Company with the State Government to provide funds for completion of village electrification and providing electric connection to BPL RHHs by the target date. The coverage of electrification in respect of *Dhanis* and above poverty line (APL) RHHs was also very low at 12.36 *per cent* and 12.88 *per cent* respectively. The overall coverage of electrification in respect of total number of RHHs was 24.84 *per cent*, which indicated that planning and sanction were far behind the targets set for Rural Electrification. Audit observed that the State Government/Company did not make any plan to electrify *dhanis*/APL RHHs other than those covered under the various schemes of the GOI during the review period. The REC subsequently sanctioned (March 2008) three more projects® covering 1,030 villages at the cost of Rs. 229.32 crore with scheduled completion by March 2010. Sanction for one project (Nagaur) covering 27 villages was, however, still pending (March 2008). Thus the objective of electrification of all villages by March 2007 and providing all RHHs with access to electricity by 2009 failed in the planning and sanction stage itself.

The Government stated (August 2008) that all un/de-electrified villages had already been covered in RGGVY scheme but due to fund constraints all *dhanis* could not be covered in the earlier schemes. The management during the ARCPSE meeting also stated that only those *dhanis* which had a population of over 300 were covered in earlier schemes. The reply is not acceptable as the Company did not classify *dhanis*, population wise at the time of preparation of DPRs, which were submitted to REC for approval in August 2005, when there was no fund constraint put by the GOI. Further, there were no directives in the RGGVY guidelines to include only such *dhanis* which had a population above 300.

2.1.14 Delay in notification of REP by the State Government

The State Governments were required to prepare and notify the Rural Electrification Plan of State adopting the goals in terms of REP of the GOI (August 2006) within six months *i.e.* by February 2007. These goals included quality and reliable power supply at reasonable rates, access to electricity to all households by the year 2009 and minimum lifeline consumption of one unit per household per day by the year 2012.

° Ajmer, Bhilwara, Dungarpur, Jhunjhunu, Sikar and Rajsamand.
® Banswara, Chittorgarh and Udaipur.

The State Government did not come out with any supplement plan/policy providing necessary financial support to electrify the villages/*dhanis*/ RHHs beyond what had been committed by the GOI.

The State Government notified its Rajasthan Rural Electrification Plan (RREP) belatedly in September 2007. The State Government also did not come out with any supplementary plan/policy for providing necessary financial support to electrify the villages/*dhanis*/RHHs, beyond what had been committed by the GOI. Further, there were no State sponsored rural electrification schemes aimed at achieving the goals/targets of REP of the GOI. The State Government admitted in the RREP of the State that due to delay in sanction of the schemes as well as financial cap under the provision of RGGVY, it was difficult to achieve the objective of electrifying all households by the target dates. Further, the availability of funds was limited as against requirement of massive investment for providing electricity to all RHHs. The State Government, therefore, extended the period for electrifying all households to year 2012 to be accomplished in three phases. First phase envisaged village electrification to the extent of 92 *per cent* of villages by March 2008, while second phase envisaged 100 *per cent* village electrification and 74.5 *per cent* household electrification and third phase envisaged 100 *per cent* household electrification by year 2012. It was, however, observed that even against the extended target dates of village electrification of 92 *per cent* by March 2008, actual achievement was 88.70 *per cent.* The actual achievement in respect of BPL RHHs was also only 22.34 *per cent* of total BPL RHHs.

2.1.15 Feeder Renovation Programme (FRP)

Round the clock domestic electric supply in rural India was envisaged as one of the objectives of Rural Electrification. This, however, was not financially feasible due to heavily subsidised tariff for agriculture and domestic supply in rural area as well as higher distribution losses. Reduction of distribution losses, segregation of domestic and agriculture supply and technical intervention for prevention of thefts, was therefore considered necessary, before the objective of 24 hour domestic supply of electricity in rural areas could be achieved. The Company framed (August 2005), the Feeder Renovation Programme (FRP) to achieve the above objective and decided to renovate all 2,975 rural feeders during 2005-06 to 2007-08 in three phases, at an estimated cost of Rs. 1,339 crore to be financed from borrowed funds. The Company envisaged commencement of 24 hour domestic supply of electricity to those rural areas, where distribution losses on 11 KV feeders were reduced to less than 15 *per cent.* Rural feeders were to be renovated in phases with 275 feeders in 2005-06, 1,300 feeders in 2006-07 and 1,400 feeders in 2007-08.

Funding of schemes

2.1.16 The GOI was providing subsidy of Rs. 1,500 per connection, since 18 March 2002 for release of connection to BPL RHHs under the KJP, AREP and RGGVY. It was envisaged that the power utility could draw 50 *per cent* of subsidy as advance. The State Government had directed the Rajasthan Scheduled Caste Corporation Limited (RSCCL) and the Tribal Area Development Department (TADD) to provide grant/subsidy to the extent of expenditure incurred over and above the subsidy provided by the GOI in respect of connections released to Scheduled Caste (SC) and Scheduled Tribe (ST) RHHs under KJP.

Under AREP, which was launched in May 2004, the GOI provided 40 *per cent* as capital grant of sanctioned project cost for electrification of villages and balance 60 *per cent* as loan from REC. The AREP was subsequently merged with RGGVY (April 2005). Under RGGVY, 90 *per cent* of project cost was provided by GOI as capital grant for electrification of villages/*dhanis* and the remaining 10 *per cent* was to be provided by REC as loan at the interest rate of 5 *per cent* per annum. The Company was eligible to draw 30 *per cent* of the project cost as advance under the AREP and RGGVY on sanction of projects.

For implementing FRP, the Company obtained interest bearing loans from REC and was entitled to draw 20 *per cent* of the sanctioned project cost as advance and balance on reimbursement basis by lodging claims of amount spent by the Company.

2.1.17 Sources and Utilization of funds

The Company received Rs. 731.29 crore comprising subsidy of Rs. 100.25 crore and loan of Rs. 631.04 crore for execution of RE works during 2003-04 to 2007-08 as shown in **Annexure 10**. The actual expenditure incurred upto 31 March 2008 on 66 projects (RGGVY: 6, FRP: 58 and AREP: 2) was Rs. 474.02 crore. The rate of interest on loans ranged from 5 *per cent* (RGGVY) to 10.9 *per cent* (FRP) per annum. Audit noticed that the Company did not maintain schemewise expenditure, in absence of which the actual expenditure incurred under each scheme and extent of utilisation thereof for the intended purpose could not be ascertained in audit.

Status of implementation of RE schemes

2.1.18 Kutir Jyoti Programme (KJP)

The targets of 7,034 and 15,000 for release of service connections to BPL RHHs for the years 2003-04 and 2004-05 respectively were achieved.

2.1.19 The fund management of the Company was looked after by Rajasthan Rajya Vidyut Prasaran Nigam Limited (RRVPNL) and the claims under KJP were lodged by JVVNL on its behalf till August 2007. The amounts released by REC, RSCCL and TADD (funding agencies) were directly received by RRVPNL. Thus, the Company, neither lodged claims, nor received amount from funding agencies. As a result, the Company was not in a position to ascertain claimwise actual realization. As against total claims of Rs. 7.96 crore lodged by the JVVNL, during the three years, on behalf of the Company, RRVPNL passed on credit of Rs. 4.37 crore to the Company during the same period, without providing claimwise details. In the absence of details regarding realised claims, timely follow up of realisation of unrealised claims from the funding agencies could not be ensured by the Company and the same could not be verified in audit.

The Government stated (August 2008) that the reconciliation of KJP claims and realization thereof was under progress. The fact, however, remains that the Company did not have any control over lodging of claims as well as its realization.

2.1.20 The actual expenditure for release of connections to BPL RHHs was Rs. 2,660 per connection during the year 2002-03, 2003-04 and Rs. 4,033 per connection during the year 2004-05, as against the subsidy of Rs. 1,500 per connection provided by the GOI. Audit noticed that the Company incurred excess expenditure of Rs. 1.80 crore over and above the subsidy amount on release of 9,433 connections to BPL RHHs of general category during three years ending March 2005. The Company did not approach the State Government for reimbursement of the additional cost in respect of general category of BPL RHHs.

2.1.21 The Company did not draw advance of Rs. 1.65 crore from REC being 50 *per cent* of subsidy admissible on targeted 22,034 BPL service connections during 2003-04 and 2004-05. It was noticed that expenditure was met out of its borrowed funds, which resulted in avoidable loss of interest. The amount of loss of interest could not be assessed by the audit in the absence of details of periodical expenditure incurred.

The Company could not claim subsidy of Rs. 4.48 crore on release of 15,074 service connections to BPL RHHs under KJP, a merged scheme, due to not obtaining prior approval from REC.

2.1.22 The scheme of KJP was merged with RGGVY with effect from 1 April 2005 and any work under KJP required prior sanction under RGGVY from REC. The Company was entitled to subsidy of Rs. 1,500 per connection under the KJP and balance amount from other funding agencies as brought out above. It was noticed that the Company without getting approval from REC released 15,074 service connections to BPL RHHs (General category: 5,085 SC: 3,653 and ST: 6,336) under KJP during 2005-06 by incurring actual expenditure of Rs. 3,723 per connection. The Company hence could not claim subsidy of Rs. 2.26 crore from REC and differential subsidy of Rs. 2.22 crore from RSCCL (Rs. 81.21 lakh) and TADD (Rs. 1.41 crore) and thus had to spend Rs. 4.48 crore out of its own funds on account of releasing connections under the closed scheme.

2.1.23 Accelerated Rural Electrification Programme (AREP)

The Company drew irregular capital grant of Rs. 74.37 lakh, by including villages already electrified for electrification under AREP.

The schemes for electrification of 46 villages with 1,616 BPL households in Udaipur district and 4 villages with 59 BPL households in Chittorgarh district were sanctioned at the cost of Rs. 2.92 crore and Rs. 21.83 lakh respectively in February/March 2005. The work of electrification was to be carried out on turnkey basis as per guidelines. The Company drew Rs. 94.05 lakh* *i.e.* 30 *per cent* of total project cost as an advance. Audit noticed that out of 50 villages covered under these two schemes, 44 villages↔ had already been electrified, before the approval of the schemes and drawl of capital grant, through Central Labour Rate Contract (CLRC) during 2004-05. It was observed that inclusion of villages already electrified and carrying out work on

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* Rs. 87.50 lakh for Udaipur and Rs. 6.55 lakh for Chittorgarh.

↔ 4 of Chittorgarh and 40 of Udaipur.

other than turnkey basis was irregular. Thus capital grant of Rs. 74.37 lakh was drawn irregularly, by inclusion of already electrified villages, for electrification under the programme. The Government stated (August 2008) that the work was carried out departmentally as the same was planned and formulated in advance. The reply is not correct as the Company actually executed these works during June 2004 to December 2004, before submission of detailed project reports to REC.

2.1.24 *Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)*

Six projects[@] covering 363 un-electrified villages, 1,706 *dhanis* and 3,73,309 RHHs (2,84,901 BPL RHHs and 88,408 APL RHHs) were sanctioned (August/October 2005). The projects were to be completed on turnkey basis, within a period of two years, failing which the capital grant was to be converted into interest bearing loan.

2.1.25 *Targets vis a vis achievement*

The table below indicates the position of project wise targets and achievement thereagainst up to March 2008.

Name of District/ Programme	Target				Achievement (*per cent*)			
	Village electrifica -tion	*Dhanis*	BPL RHH	APL RHH	Village electrification	*Dhanis*	BPL RHH	APL RHH
AJMER	14	560	31223	16580	14 (100)	462 (82.5)	15201 (48.70)	8186 (49.40)
BHILWARA	104	619	49510	36510	104 (100)	246 (39.70)	29434 (59.50)	10302 (28.20)
JHUNJHUNU	0	20	19697	15174	0	20 (100)	6198 (31.50)	12552 (82.70)
SIKAR	13	68	23670	12705	13 (100)	55 (80.90)	11482 (48.50)	11324 (89.10)
DUNGARPUR	100	171	111273	1912	100 (100)	42 (24.60)	20200 (18.20)	1912 (100)
RAJSAMAND	132	268	49528	5527	132 (100)	136 (50.70)	17013 (34.40)	5527 (100)
Total	**363**	**1,706**	**2,84,901**	**88,408**	**363 (100)**	**961 (56.33)**	**99,528 (34.93)**	**49,803 (56.33)**

Source: Detailed Project Reports, REC sanction orders and Monthly Progress Reports.

It can be seen that the Company could achieve 100 *per cent* targets of village electrification, while achievement of electrification of *dhanis* and release of BPL RHHs connection was lower than the targets. The actual achievement was below 50 *per cent* in five out of six districts, in respect of release of connections to BPL RHHs, while in respect of electrification of *dhanis*, actual achievement was also lower than *50 per cent* in two out of six districts, which indicated that the progress was far below reasonable level. The cumulative progress in respect of electrification of villages and *dhanis* was 100 *per cent* and 56.33 *per cent* as on 31 March 2008 respectively. This indicated that progress in respect of *dhanis* was significantly lower even after one year from the date of the target of 100 *per cent* village electrification envisaged by March 2007. It can be seen from **Annexure 9** that as against the target of access to electricity for all RHHs by March 2009, 13,18,472 RHHs out of

[@] Ajmer, Bhilwara, Dungarpur, Jhunjhunu, Sikar and Rajsamand.

26,72,289 representing 49.34 *per cent* were provided electricity connections as on 31 March 2008. The progress in respect of BPL RHHs was also significantly lower as cumulative achievement of providing electricity connections to BPL RHHs was 22.34 *per cent* as against progress of 63.60 *per cent* of APL RHHs as on 31 March 2008. The Company stated (July 2008) that the poor progress in implementation of sanctioned projects was mainly due to (i) ineffective monitoring of the turnkey works, (ii) deployment of inadequate labour and delay in procurement of required materials by turnkey contractors and (iii) poor quality of works.

2.1.26 A village could be declared as electrified, only, if the basic infrastructure such as distribution transformer and supply lines were provided in the inhabited locality and in other public places[1], along with electrification of at least 10 *per cent* of the total households in the village, to be certified by the Gram Panchayat as such, as per directions (February 2004) of the Ministry of Power (MOP) of the GOI. Audit noticed that only 151 villages out of 336 villages of three circles were declared electrified on obtaining certificates, in terms of above stated requirement, from *Gram Panchayat* by December 2007. Thus, the electrification of balance 185 villages was not complete as per the stipulated guidelines for declaring village as electrified since the certificates from *Gram Panchayat*s were pending. Moreover, the Company even did not take over 151 villages from turnkey contractors, due to non-completion of third party inspection over quality and quantity in respect of these villages. Further, certificates from *Gram Panchayat* were not obtained in respect of 961 *dhanis* declared as electrified up to March 2008.

2.1.27 It was further observed that against the subsidy amount of Rs. 1,500 per connection to BPL RHHs, the Company awarded work at the rate ranging from Rs. 1,700 to Rs. 2,050 per connection. The difference between the actual expenditure and subsidy admissible was Rs. 3.72 crore on release of 99,528 connections to BPL RHHs from January 2007 to March 2008, which was recoverable from RSCCL in respect of the SC BPL RHHs and from TADD in respect of ST BPL RHHs as in the case of KJP. The Company, however, did not lodge claims for differential amount and also did not approach the State Government for providing subsidy for differential amount in respect of General category BPL RHHs, despite its precarious financial position. It was observed that the Company would further incur an expenditure of Rs. 7.10 crore over and above the amount of subsidy receivable from GOI, on release of remaining 1,85,373 connections to BPL RHHs and therefore needs to approach the State Government for reimbursement of the gap between actual expenditure and subsidy receivable from the GOI.

[1] School, panchayat office, health center, dispensaries, community centers *etc.*

Despite specific provision of inspection and monitoring of works by REC, the Company awarded the work to third party, assuming avoidable liability of Rs. 2.55 crore.

2.1.28 It was observed that the Company awarded (February 2008) the work of third party inspection to REC Power Distribution Company Limited (RECPDCL), a subsidiary of REC, at the rate of two *per cent* of the contract awarded cost. This resulted in increasing the Company's liability by Rs. 2.55 crore (2 *per cent* of Rs. 127.65 crore), despite specific provision of inspection and monitoring of works by REC itself under RGVVY guidelines and there was also no provision for third party inspection in the tripartite agreement executed by the State Government and Company with the REC. The Government stated (August 2008) that it was deemed appropriate to engage an independent monitoring agency and to meet the cost of the same out of 10 *per cent* overhead charges provided under the scheme. The reply is not acceptable, since the guidelines of the scheme provided for inspection by the REC and not by any third party. Moreover the overhead charges were towards the cost of preparation of DPRs and establishment cost of the Company and not for the third party inspection.

2.1.29 As per the tripartite agreement (July 2005), the Company was required to keep the funds received for RGGVY in a separate bank account. The Company did not open any separate bank account and kept an amount of Rs. 16.38 crore drawn as advance (up to November 2007) towards release of connections to BPL RHHs, in the general collection account. The Company utilised only Rs. 7.76 crore for the purpose for which it was drawn and balance amount of Rs. 8.62 crore was utilised temporarily for other purposes, thus affecting the progress of implementation. The Government stated (August 2008) that the Company had incurred a total expenditure of Rs. 15 crore at the rate of Rs. 2,200 per connection on 68,437 service connections released up to November 2007. The reply was factually incorrect as the Company was eligible to adjust the expenditure against the subsidy at the rate of Rs. 1,500 per connection only which worked out to Rs. 7.76 crore on 51,765 service connections in respect of five out of six circles. Moreover the reply was silent on opening a separate bank account in terms of requirement of the scheme.

2.1.30 The scheme required use of services of franchisees, such as NGOs, Users Association, Co-operatives, Panchayat institutions, in collection of revenue, with a view to improve collection efficiency. The Company, however, had appointed franchisees only in 94 villages as against the requirement of deployment of franchisees in all the 363 villages electrified (December 2007) under the scheme.

Company's Own Programme

2.1.31 Feeder Renovation Programme (FRP)

The Feeder Renovation Programme (FRP) was aimed at reducing distribution losses to less than 15 *per cent* on its rural feeders so as to achieve financial turn around, enabling 24 hours supply of electricity in rural areas. The works under programme were to be executed using loans obtained from REC. As per the guidelines, a feeder could be declared as renovated only if the distribution losses of a feeder were less than 15 *per cent* along with commencement of

24 hour domestic rural supply.

2.1.32 *Process of Implementation of FRP*

The Detailed Project Reports were prepared, showing details of existing system, proposed renovation in the system, bills of material and techno-economic viability of project. The Company decided to execute work on turnkey basis and in case of non feasibility, reasons were to be recorded by the Managing Director (MD). The Company was to ensure timely supply of meters and transformers to turnkey contractors. The works were to be supervised by Junior Engineer (100 *per cent*) on weekly basis, Assistant Engineer (20 *per cent*) on fortnightly basis and Executive Engineer (10 *per cent*) on monthly basis. Energy audit of the renovated feeders was also to be carried out regularly.

2.1.33 *Targets vis a vis Achievement*

The Company awarded turnkey works for 2,499 feeders comprising of 193 feeders in 2005-06, 1,178 feeders in 2006-07 and 1,128 feeders in 2007-08. The work of remaining 476 feeders was carried out through CLRC without recording any reasons as envisaged in the guidelines. The table below indicates the targets fixed, achievement and shortfall up to 31 March 2008.

Year	Targets as per work plan	Actual Achievement		Short fall	Percentage of shortfall to targets
	Number of feeders				
		CLRC	Turnkey Works		
2005-06	275	36	--	239	86.91
2006-07	1,300	239	355	706	54.31
2007-08	1,400	201	960	239	17.07
Total	**2,975**	**476**	**1,315**	**1,184**	**39.80**

Source: Monthly progress reports.

Despite awarding the contract on turnkey basis at higher rates ranging from 14 to 40 *per cent* on material cost and upto 55.1 *per cent* on erection cost, the shortfall in achievement ranged from 17.07 to 86.91 *per cent*.

It was observed that the turnkey works were awarded at higher rates ranging from 14 to 40 *per cent* on material cost and up to 55.1 *per cent* on erection cost as compared to the estimated cost. The objective of payment of extra premium to turnkey contractors was to secure timely completion of works by placing single point responsibility for execution. It can be seen from the above, that implementation of feeder renovation was very slow, despite awarding the contract on turnkey basis. The shortfall in achievement was abnormally high ranging from 17.07 to 86.91 *per cent*, besides postponing the schedule of execution of 500 feeders by one year to March 2009. Audit further noticed that as against remaining 1,184 feeders, the work on 773 feeders had not commenced (December 2007) on account of resistance from the consumers, delay in joint survey and preparation of road map. The Government stated (August 2008) that initially the works were carried out on CLRC basis due to scarcity of capable contractors to achieve the targets of FRP. The reply is not acceptable as the objective of execution of works on turnkey basis was to achieve expeditious execution of works with single point responsibility and the targets were still not achieved, even by getting substantial work done on CLRC basis in second and third year also.

2.1.34 Audit analysed that the slow pace of feeder renovation was due to delay in awarding of works by two to four months, non-supply of meters and transformers by the Company, deployment of inadequate manpower and delay in procurement of other materials by the contractors, poor quality of works executed by turnkey contractors and lack of effective monitoring. Audit also noticed cases of incorrect reporting of completion of turnkey works. It was observed that the intended benefits/goals of programme also could not be achieved, due to delay in completion of works by 1 to 13 months as discussed in paragraphs 2.1.35, 2.1.38 and 2.1.44. As per terms of clause 9 of the contract, in case of non completion of work within the specified period, the liquidated damages at the rate of 0.25 *per cent* per week, for first four weeks, 0.50 *per cent* per week thereafter subject to maximum of 5 *per cent* of total contract value, was leviable from the contractor. The liquidated damages were not yet finalised and recovered.

Out of 433 feeders declared as renovated, only 8 feeders had losses below 15 *per cent* and were eligible for 24 hour supply.

2.1.35 It was noticed that out of 433 feeders renovated by March 2007 in 5 selected circles, only 8 feeders could reduce distribution losses below 15 *per cent* and were eligible for 24 hour supply. The distribution losses in 83 feeders ranged between 15 to 30 *per cent*, while in 145 feeders, losses ranged between 30 to 50 *per cent* and in 42 feeders, losses were more than 50 *per cent*. The details of distribution losses in respect of balance 155 feeders were not available on record. The distribution losses were high because of use of sub-standard/low size materials by the contractors and non-completion of the works. Thus intended objectives of reducing distribution losses and commencing 24 hour supply in rural area were not achieved as the field officials were declaring the feeder renovated without completing the work in all respects. The Management had not devised any system, to verify the correctness of reporting, in respect of completion of work of feeder renovation, which resulted in irregular declaration of 425 feeders as renovated in these circles, against the criteria prescribed in the guidelines of scheme. The Government stated (August 2008) that the feeders were declared renovated after completion of physical works, though the losses had not come down to required level of 15 *per cent*. The fact remained that the Company did not adhere to its own guidelines, while declaring the feeders as renovated and no specific approval from the Board of Directors as well as State Government was sought, for diluting the criteria on which the success of the entire programme of FRP was based. Further, the Company had not taken any steps to analyse the reasons for not achieving the targets of reduction of distribution losses, to below 15 per cent in most of the renovated feeders.

The Company assumed increased liability of Rs. 22.73 crore towards inspection charges by awarding work of third party inspection, despite specific provision for inspection of work by a third party to be deployed by the REC.

2.1.36 It was observed that the Company awarded (February 2008) the work of third party inspection for inspection of renovated feeders to RECPDCL at the rate of two *per cent* of cost of feeder renovation, for on going works and at the rate of one *per cent*, for already renovated feeders plus service tax. This resulted in increasing the Company's liability by Rs. 22.73 crore including service tax towards third party inspection charges, despite the specific clause 2 (vi) of the sanction letters of loans stating that the inspection of work executed by the Company, was to be carried out through a third party to be deployed by REC. The work order included inspection of 651 already renovated feeders (cost of Rs. 323 crore) and 1,783 feeders with ongoing works (cost of Rs. 850 crore). The Company erroneously included only 651 feeders as already renovated instead of 911 feeders already renovated up to January 2008. This resulted in avoidable expenditure of Rs. 1.22 crore on short inclusion of 260 feeders (cost Rs. 122.07 crore), being the difference of one *per cent* in rate of inspection of feeders already renovated and those on which work was ongoing. The Government, while quoting a clause of REC sanction orders, relating to scheme evaluation stated (August 2008) that expenditure incurred on deployment of third party inspection was in order. The reply is not acceptable as the clause quoted by the Government was applicable for the new schemes (May 2007 onwards). Thus the Company was under no obligation to engage third party for monitoring and inspection as per clause 2(vi) of the sanction letters.

2.1.37 As per the guidelines of FRP, energy audit was to be carried out regularly to ensure that the distribution losses on the renovated feeder remain below the level of 15 *per cent* continuously. It was noticed in audit that despite declaring 1,791 feeders as renovated, no energy audit duly verifying the input (received) units and output (sold) units on each feeder was conducted (March 2008). It was also observed that the feederwise tagging of the consumers, covered on renovated feeders was not done properly. In the absence of energy audit, the aim of sustaining the losses below 15 *per cent* on continuous basis, was not being ensured, thus defeating the very objective of FRP.

2.1.38 The Company was to appoint Feeder Managers (FM) for monitoring the works, so as to ensure the expected end results of renovated feeders. The FMs were, however, appointed with substantial delay in July 2007, when the renovation of as many as 1,051 feeders was shown as completed by the Company. During scrutiny of records of selected Udaipur circle, it was noticed that the monitoring of 233 feeders for renovation was not done (December 2007) by FM, even after his appointment.

Contract Management

2.1.39 During the course of audit of various contracts under these schemes, the following irregularities were noticed.

2.1.40 Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)

The Company awarded works of electrification of villages/*dhanis* and release of connections to BPL RHHs to AIL[•] (Ajmer, Dungarpur, Jhunjhunu and Sikar) and to KPTL[Ψ] (Rajsamand) during May/June 2006 on turnkey basis by inviting open tenders.

Allowing different rates for same material resulted in extra expenditure of Rs. 3.93 crore.

Audit noticed that the specification of the materials used was alike in all the works. The ex-works rates (exclusive of taxes, freight & insurance *etc.*) of same material were, however, different for different works. Details of ex-works cost and its over all impact on all works is given in **Annexure 11.** Allowing different rates for same material, resulted in extra expenditure of Rs. 3.93 crore on four works[@] which lacked justification. The Government stated (August 2008) that the works in different circles were in different packages and the quantities were different; thus, they should not be compared. The reply is not acceptable as the reasonability of prices should have been ensured as the materials used in all the works were alike with similar specifications.

2.1.41 Further, in case of non completion of work within the specified period, the liquidated damages at the rate of 0.25 *per cent* per week, for first four weeks, 0.50 *per cent* per week thereafter subject to maximum of 5 *per cent* of total contract value, was leviable on the contractor as per clause 9 of turnkey contract. Audit noticed that none of the works were completed within the scheduled period and the delay up to March 2008 ranged between 27 to 32 weeks. The Company, however, did not levy penalty of Rs. 6.38 crore on the contractors as indicated in **Annexure 12.** The Government stated (August 2008) that levy of penalty would be decided before final payment is made to the contractors.

2.1.42 Execution of Project through Power Grid Corporation of India Limited (PGCIL)

The Company had taken the avoidable liability of services charges Rs. 2.70 crore by engaging PGCIL as middlemen.

The work of Bhilwara project involving electrification of 104 villages, 619 *dhanis* and release of electric connections to 49,510 BPL RHHs was entrusted to PGCIL on cost plus services charges basis. PGCIL sub-contracted the work to ABB Constructions at the cost of Rs. 33.70 crore. It was observed that the Company had assumed, the avoidable liability of service charges of 8 *per cent* of project cost amounting to Rs. 2.70 crore, which could have been saved, if the Company awarded and monitored the project directly, as was done in five other projects. Thus involving PGCIL as middlemen, resulted in avoidable additional expenditure of Rs. 2.70 crore.

• Angelique International Limited
Ψ Kalpataru Power Transformers Limited.
@ Ajmer, Sikar, Jhunjhunu and Rajsamand

2.1.43 Audit further noticed that while executing the quadripartite agreement, the Company accepted the condition of direct release of payments to the PGCIL by REC. The PGCIL irregularly retained 10 *per cent* service charges instead of 8 *per cent*, out of the amount released by REC. The Company did not take up the matter with REC/PGCIL for refund of excess retention of service charges (December 2007) of Rs. 48.92 lakh. The Government stated (August 2008) that there was no mention of 8 *per cent* service charges in the quadripartite agreement and did not furnish reply relating to acceptance of condition regarding release of payments directly to PGCIL by the REC. The reply was not correct as payment of 8 *per cent* service charges was decided in its 78th Board meeting held on 29 September 2005.

2.1.44 Feeder Renovation Programme (FRP)

The Company awarded contracts of renovation of 2,499 feeders to 14 turnkey work contractors during the period between 2005-06 and 2007-08 by inviting open tenders. Audit noticed that as per clause 5 and 6 of terms and conditions of work orders, the contractors were required to furnish security deposit (SD) equivalent to two *per cent* of the contract value and Performance Bank Guarantee (PBG) equivalent to five *per cent* of the contract value. The Company enhanced the value of 25 work orders by Rs. 118.62 crore, as per the revised Bill of Quantities (BOQ) on the basis of joint survey. The Company, however, did not recover the SD of Rs. 2.37 crore and PBG of Rs. 5.93 crore on enhanced amounts of contracts, as per terms and conditions of work orders and thus failed to safeguard its financial interest. The Government stated (August 2008) that the contractors had been directed to deposit the balance amounts of security deposit and performance bank guarantee.

The delay in assessing retrieved material and deposit thereof by the contractors could lead to misuse, theft and misappropriation.

2.1.45 In five circles[⊕], audit noticed that the Company replaced 21,182 single phase and 24,092 three phase transformers alongwith laying 13,372 kilometres of aerial bunch cable during renovation of 970 feeders up to March 2008. As per clause 15 of work orders, the contractors were to deposit the retrieved material regularly in the concerned sub-divisions and furnish the details of retrieved materials to the concerned Executive engineers, before handing over the line/work. The contractors, however, did not deposit the feeder wise retrieved material to the concerned sub-divisions and also did not furnish the required details to the concerned Executive engineers. The delay in assessing the retrieved material and deposit thereof by the contractors, could lead to misuse, theft and misappropriation. In the absence of details, the Company could not maintain records of feederwise retrieved materials classifying it as useable and non-useable for the purpose of accounting in the financial statements appropriately and to avoid excess procurement of material. The Government stated (August 2008) that the deposit of retrieved material would be ensured at the time of finalization of account of contractors. The fact remains that the contractors failed to deposit retrieved material immediately, after renovation of each feeder.

[⊕] Ajmer, Nagaur, Sikar, Chittorgarh and Udaipur

Monitoring

2.1.46 Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)

In order to implement the programme effectively, REC directed the Company to appoint a nodal officer with designated duties to monitor the works of sanctioned schemes. Audit noticed that no nodal officer, at the level of the Company, for over all supervision and effective monitoring of works of all the sanctioned schemes, was appointed (December 2007). No reports were submitted by circle offices as regards quality and quantum of work done by contractors as per REC specifications/standards in respect of 363 villages declared electrified. Audit further noticed in the selected three districts (Bhilwara, Rajasamand and Dungarpur) that decisions taken in the meetings with district administration were neither documented nor intimated to the management, for effective follow up action. Lack of effective monitoring at Company's level resulted in delay in completion of works.

2.1.47 Feeder Renovation Programme (FRP)

Lack of effective monitoring resulted in non-achievement of the prime objective of reduction of distribution losses below 15 *per cent*.

As per guidelines of FRP, the works were to be supervised by Junior Engineer (100 *per cent*) on weekly basis, Assistant Engineer (20 *per cent*) on fortnightly basis and Executive Engineer (10 *per cent*) on monthly basis. Energy audit of the renovated feeders was to be carried out regularly. Audit noticed that no such checks were conducted by the concerned field engineers. While reviewing the progress of RE works periodically, the Managing Director observed that the achievement of progress was claimed without actually achieving the same and pointed out deficiencies like use of sub-standard material, delay in procurement of materials and non-submission of road map by turnkey contractors for implementation of schemes and directed the Superintending Engineers (SEs) to monitor the works effectively to ensure that all works were completed within the scheduled time, as per the various contracts. Effective remedial actions, however, were not taken by SEs, before declaring the feeder, as renovated, as per guidelines. The Company had not devised any system for verification of progress of FRP and simultaneous evaluation of its effectiveness in order to ensure corrective actions in subsequent phases. Thus the monitoring over the execution of FRP works was ineffective and deficient, which resulted in non- achievement of the main objective of reduction of distribution losses below 15 *per cent*.

Internal Control and Audit

2.1.48 Internal control system is an essential pre-requisite for the efficient and effective management of an organization. During the course of audit, it was noticed that the Company did not take adequate measures for effective internal control in execution of RE works as discussed below:

- Inadequate control to monitor timely implementation of RE projects and declaration of village electrification under RGGVY and renovated feeders under FRP.

- No system was devised for timely deposit of retrieved material by turnkey work contractors executing FRP works and proper monitoring thereof.
- No mechanism existed to ensure the quality and quantum of material brought/used by turnkey work contractors before release of payments.
- There was lack of monitoring over the performance of field officers towards supervision of FRP works.
- No system was evolved to account for the schemewise expenditure to ensure the utilisation of funds for the intended purpose.
- No system was established for raising timely claims and their realization under KJP.
- No system was devised for assessing the performance of renovated feeders to take corrective action in case of their poor performance.

2.1.49 The Company had its own Internal Audit Wing, which conducted audit in accordance with an annual programme. It was, however, noticed that despite substantial expenditure incurred on RE works, audit of these works was not covered under the annual programme during three years ending March 2008. It was observed that Company made a total payment of Rs. 89.49 crore under RGGVY and Rs. 384.15 crore under FRP to turnkey contractors during three years ending March 2008. Thus, the internal audit system was deficient and ineffective as a key control element of the management.

Conclusion

Against the goals of quality and reliable power supply at reasonable rates, electrification of all villages by March 2007, access to electricity for all households by year 2009 and a minimum lifeline consumption of one unit per household per day by year 2012 incorporated in RGGVY and the Rural Electrification Policy (REP), the planned projects were short of the targets and goals, while extent of sanctioned projects was even lower. Under RGGVY, which was the flagship scheme for rural electrification, the sanctioned projects covered an amount of Rs 137.33 crore only against a planned outlay of Rs. 367.79 crore. Thus the objective of electrification of all villages by March 2007 and providing all RHHs with access to electricity by year 2009, failed in the planning and sanction stage itself.

Slow and tardy implementation of sanctioned projects further restricted the achievement of various milestones and goals of rural electrification in both the schemes of RGGVY and FRP. As against the target of access to electricity for all rural households by year 2009, 13,18,472 RHHs out of total RHHs of 26,72,289 representing 49.34 *per cent* were provided with electricity connections as on 31 March 2008. The cumulative progress of providing electricity connections to BPL RHHs was only 22.34 *per cent*

and to APL RHHs was 63.60 *per cent* of the respective total households as on 31 March 2008. The State Government also did not come out with any supplementary plan/policy providing necessary financial support to electrify the villages/*dhanis*/RHHs, beyond what had been committed by the GOI. There were no State sponsored rural electrification schemes aimed at achieving the goals/targets of REP of the GOI. The Company's own Feeder Renovation Programme to bring down distribution losses on 11 KV feeders below 15 *per cent,* so as to provide 24 hour domestic electricity supply in a day to all villages, performed poorly as the shortfall in achievement was abnormally higher ranging from 17.07 to 86.91 *per cent.* Only 8 feeders out of 433 feeders renovated upto March 2007, test checked in five selected circles, could achieve distribution losses below 15 *per cent* and qualify for 24 hour electricity supply. The Company incurred extra expenditures in various cases; there was lack of adequate monitoring of all works including turnkey works. The internal control and internal audit system were inadequate for monitoring and optimising results of RE works.

Recommendations

It is recommended that the State Government and the Company should:

- **ensure electrification of *dhanis* and RHHs in a time bound manner so as to achieve prime objective of the scheme**
- **strictly adhere to the plans, policy, rules and guidelines for optimising operational and financial performance**
- **evolve a system to get the reimbursement of expenditure actually incurred for implementation of RE programmes to avoid financial loss**
- **evolve a mechanism for conducting energy audit regularly to reduce and sustain reduced distribution losses on continuous basis**
- **observe transparency in assessing the reasonability of prices at the time of finalisation of rates under turnkey works of various schemes to avoid unnecessary and unreasonable expenditure**
- **ensure accountability of its staff in monitoring the progress of departmental as well as turnkey work contracts and**
- **strengthen Internal control and Internal audit by enlarging its scope and standardizing its procedures.**

Jaipur Vidyut Vitran Nigam Limited

2.2 Performance Audit on Redressal of Consumer Grievances

Highlights

The Company even after a lapse of five years was not following the directions of Rajasthan Electricity Regulatory Commission (Commission) as no system was evolved to register and classify the complaints as per their nature and urgency.

(Paragraph 2.2.7)

The returns and information submitted by field units relating to complaints were without any supporting evidence and basic documentation.

(Paragraph 2.2.7)

Number of unreplaced defective meters increased from 17,143 to 32,481 in Jaipur district circle, 8,794 to 17,610 in Kota circle and 29,131 to 38,198 in Alwar circle within one year (2006-07).

(Paragraph 2.2.13)

The due rebate at the rate of 5 *per cent* in cases of bills raised on average basis due to non replacement of defective/stopped meters for more than two months, was not allowed to consumers.

(Paragraph 2.2.15)

There was a wide variation between the compiled quarterly reports and the annual reports of the Company relating to total complaints received and redressed within and beyond stipulated time, submitted to the Commission.

(Paragraph 2.2.21)

Compiled quarterly figures of the grievances revealed that during the period 2004-07, 42, 46 and 28 *per cent* of the total consumers encountered some or the other problem with the services provided by the Company.

(Paragraph 2.2.21)

Introduction

2.2.1 Electricity is perceived as a basic human need. The Electricity Act, 2003 and the National Electricity Policy, 2005, sought to provide good quality power to all areas at reasonable cost. One of the key elements of the Reform Policy Statement for power sector, 1999 of the Government of Rajasthan (GOR) was to protect the interest of the consumers and to ensure better quality of service to them, as the consumers are often the most neglected segment in the state owned and operated infrastructure sector.

The distribution of electricity in Rajasthan state is handled by three distribution companies including Jaipur Vidyut Vitran Nigam Limited (Company). The Company was incorporated (July 2000) after unbundling of erstwhile Rajasthan State Electricity Board (RSEB) with the prime objective of providing safe, reliable and quality power to consumers. As on 31 March 2007, there were 25.15 lakh consumers comprising of 17.91 lakh domestic, 3.31 lakh non-domestic (NDS), 0.66 lakh industrial, 3.09 lakh agricultural and 0.18 lakh other category consumers in the jurisdiction of the Company covering 12[$] districts out of total 33 districts in Rajasthan.

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.

Scope of Audit

2.2.2 The performance audit of redressal of consumer grievances covering the period of five years ending March 2007 was conducted during May 2007 to March 2008. Four circles *viz*. Jaipur city circle (JCC), Jaipur district circle (JPDC), Alwar and Kota circles out of a total of eight[*] circles and two divisions from each selected circle under jurisdiction of the Company, were selected for detailed scrutiny on the basis of Rand's random number table. Of these, eight divisions, two sub-divisions from each division were selected keeping urban and rural areas in view.

Audit Objectives

2.2.3 Performance audit of redressal of consumer grievances was conducted to assess whether:

- the Company had formulated and implemented a comprehensive

$ Jaipur, Alwar, Bharatpur, Bundi, Baran, Kota, Jhalawar, Karoli, Dausa, Dholpur, Sawai Madhopur and Tonk.

* Jaipur city circle, Jaipur district circle, Alwar, Kota, Sawai Madhopur, Dausa, Jhalawar and Bharatpur.

policy for speedy redressal of consumer grievances;

- suitable publicity of the forums available for consumer grievance redressal was made;
- the system/ forums devised for grievance redressal were adequate/transparent and effective; and
- predetermined benchmarks as envisaged in regulations issued by the Rajasthan Electricity Regulatory Commission (Commission) were achieved.

Audit Criteria

2.2.4 Following criteria were adopted for the performance audit:

- Terms and Conditions of Supply (TCOS) 2004, the Electricity Act 2003 and the National Electricity Policy 2005;
- benchmarks prescribed by the Commission in guidelines issued for redressal of consumer grievances; and
- directions issued by the Commission through tariff orders and notifications issued from time to time for Complaint Handling Procedure.

Audit Methodology

2.2.5 The following audit methodology was adopted:

- analysis of records relating to compliance of directions/orders issued by the Commission;
- analysis of data regarding the number and nature/type of complaints lodged by consumers, system of registration of complaints and the promptness in their redressal;
- review of orders/circulars/directions issued by the Company to its subordinate offices to adhere to various instructions regarding registration and redressal of consumer complaints and compliance thereto; and
- review of agenda and minutes of Board of Directors meeting discussing consumer grievances issues.

Audit Findings

2.2.6 The Commission specified (March 2003) the mode and timeframe for the redressal of grievances in Standard of Performances (Regulation), 2003 (SOP) which was renamed (May 2003) as Rajasthan Electricity Regulatory Commission (Guidelines for redressal of Grievances) Regulation 2003 (Regulations) in pursuance of Section 57 of the Electricity Act 2003. In pursuance of the directions of the Commission, the Company issued (11 December 2003) detailed instructions to be followed for redressal of consumer grievances which were further elaborated in the Terms & Conditions of Supply (TCOS) 2004. For grievances related to dues, the Company established dues settlement committees at the sub-division, division, circle, zone and corporate levels.

As per the Regulations, the Company classified the consumer grievances in four categories *viz.* i) Grievances requiring immediate response, ii) Grievances requiring quick response, iii) Grievances relating to bills and recovery of dues and iv) Grievances relating to other matters such as shifting/transfer of connection, increase/decrease in connected load, reconnection of supply and release of new connection.

'No current' complaints (interruptions in power supply) were to be registered at complaint centres/substations, whereas complaints pertaining to quality of power supply were to be registered at the Junior Engineer (JEN) office. Further, complaints relating to billing, defective meters and release of connections were to be registered at the Assistant Engineer (AEN) office. The Company outsourced the registration of 'no current' complaints in Jaipur city and Kota from May 2004 and in Alwar and Bharatpur cities from February 2006, to designated call centres.

The objectives of conducting performance audit on the topic were explained to the Company during an entry conference held on 25 October 2007. With a view to obtain comments of the Government/management, findings were discussed (July 2008) in the meeting of the Audit Review Committee for Public Sector Enterprises (ARCPSE) where the State Government was represented by the Secretary, Energy and the Company by the Chairman and Managing Director, Directors (Technical) & (Finance) and Chief Engineer (Commercial). The performance audit has been finalised after considering/incorporating viewpoints of representatives of the Government/Company.

The results of scrutiny of records related to the redressal of consumer grievances of the Company are brought out in the succeeding paragraphs.

Documentation of the complaints

2.2.7 As per the Regulations, the Company was required to assign a unique number to each complaint and classify it in an appropriate manner on the basis of nature of the complaint and urgency with which it was required to be redressed. To enable the compilation of complaints for assessing the performance of the Company in redressal of consumer grievances, the Commission also directed (April 2002) to register 'no current' and other than 'no current' complaints in separate registers in a prescribed format.

Scrutiny of records of all the selected sub-divisions revealed that no system was evolved to assign a unique number to each registered complaint. The complaints were also not classified as per their nature and urgency. The registers for 'no current' complaints maintained at sub-division offices did not contain the required information such as date and time of registration of complaints and their redressal. Daily summary of category wise complaints were also not prepared. Records of complaints pertaining to meters, billing, voltage and release of connections were not maintained as prescribed in **Appendix A** of the Regulations. Meter Change Orders (MCOs) and Consumer Charges & Allowances Registers (CC&AR) maintained for watching the progress of complaints relating to replacement of meters and billing were incomplete.

The Company had not followed the directions of the Commission regarding compilation of information related to consumer grievances.

Thus the Company had not followed the directions of the Commission regarding compilation of information in the prescribed manner even after lapse of five years. In absence of basic documentation, returns of complaints submitted to the Commission were without any supporting evidence from the field offices and hence could not be verified by audit (as discussed in succeeding **paragraphs 2.2.19 to 2.2.21**). This indicated a need to improve the Company's approach to handling consumer complaints.

Grievances requiring immediate response

2.2.8 As per the Regulations, grievances requiring immediate response such as complaints of loose connections/disconnection of meter, miniature circuit breaker (MCB) troubles resulting in interruptions in power supply were required to be redressed within 4 hours in urban areas and 24 hours in rural areas.

2.2.9 Interruptions in power supply

The position of complaints received, redressed within and beyond stipulated time and pending at the end of the year pertaining to interruption in power supply in four selected circles for the last three years ending 31 March 2007 as reported by the Company to the Commission is given in **Annexure 13**. It was observed that there were discrepancies in the position reported to the Commission for Jaipur city circle and the corresponding information available in the call centre for the years 2004-05 to 2006-07.

Year	Total complaints received		Complaints redressed within time		Complaints redressed beyond time		Pending complaints
	Reported to Commission	Reported by Call centre	Reported to Commission (percentage)	Reported by Call centre (percentage)	Reported to Commission (percentage)	Reported by Call centre (percentage)	
2004-05	239915	55682	231121(96)	43948(79)	8438 (3.5)	11734 (21)	356
2005-06	211183	130525	201635 (95)	73034(56)	5409 (3)	57491 (44)	4139
2006-07	19403	147663	17714 (91)	93238(63)	1689 (9)	54425 (37)	0
Total	**4,70,501**	**3,33,870**	**4,50,470**	**2,10,220**	**15,536**	**1,23,650**	

Analysis of the table above revealed that the figures of complaints redressed beyond stipulated time limit for the years 2004-05 and 2005-06 were actually 11,734 and 57,491 respectively, in place of 8,438 and 5,409. Further, for the year 2006-07, the actual figures of total complaints and the complaints redressed beyond time at the Jaipur call centre were 1,47,663 and 54,425 respectively, instead of 19,403 and 1,689. Considering the major discrepancies in the figures relating to Jaipur city circle covered by Jaipur call centre alone, it was obvious that the figures reported to the Commission were not correct.

Record maintenance relating to redressal of consumer grievances was poor.

Further, a test check of records of the selected sub-divisions revealed that the record maintenance relating to redressal of consumer grievances in almost all of them was poor. Two* sub-divisions limited their data to that available at the call centre only, four† sub-divisions had no basic records and sent no written report to the divisional office, intimating figures only over telephone, and eight‡ sub-divisions had not submitted any monthly information to the divisional offices.

While accepting (July 2008) the facts and audit observations, the Government attributed it to the shortage of technical staff and its level of literacy.

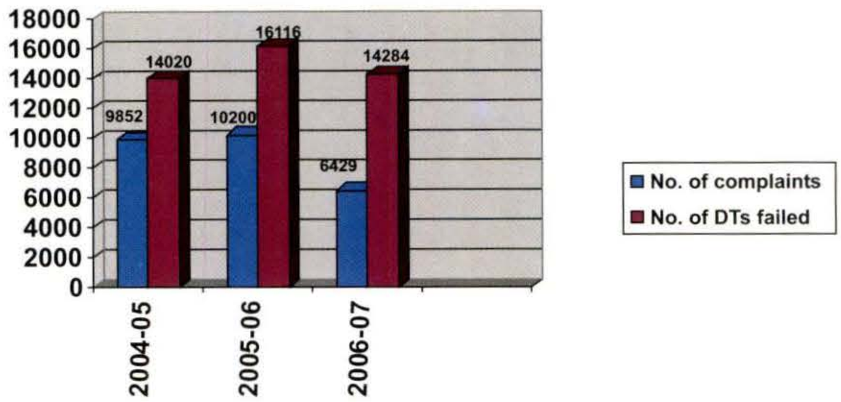
2.2.10 Interruptions due to failure of transformers

The Regulations stipulated that failed distribution transformers (DTs) should be replaced within two days in industrial/urban areas and within three days in rural areas. Analysis of records related to failure of DTs in selected circles revealed that 14,020, 16,116 and 14,284 DTs failed during the years 2004-05, 2005-06 and 2006-07 respectively as indicated in the graph given below. A review of complaints pertaining to interruption of power supply due to failure of DTs revealed that 9,852, 10,200 and 6,429 numbers of complaints were registered in the respective years. Of these, 570, 654 and 327 complaints were redressed with delay ranging between 1 and 150 days, during the said period.

* Sub-division A-I and A-IV, Kota.

† Sub-division A-II (Alwar), MIA (Alwar), Malakhera (Alwar), Ramgarh (Alwar).

‡ Sub-division A-I (Bundi), Keshoraipatan (Kota), G-II & IV (Jaipur city), MIA, Bassi, Bagru, Sanganer (Jaipur district).



Since the number of consumers affected due to failure of one DT would always be more than one, hence, lower number of complaints registered, in comparison to number of failed DTs questions the validity of the procedure for registration of complaints of power interruptions due to failure of DTs.

No attempt was made by the Company to analyse the reasons for increasing rate of DTs failure.

It was observed that during the review period percentage of failed DTs ranged between 15 to 24 in Kota, 20 to 36 in Alwar and 20 to 23 in Jaipur district circles, which was much higher as compared to 4 to 6 in Jaipur city circle. There was an increasing trend in failure of DTs as it increased from 4,819 to 6,307 in Jaipur district, from 3,585 to 5,458 in Alwar and 1,229 to 2,229 in Kota circles during the review period. No attempt was made by the Company to analyse the reasons of increasing rate of DTs failure and to curb it.

The Government while accepting the facts, stated (July 2008) that necessary directions were being issued to the field staff to register and redress the grievances as per the Regulations.

Grievances requiring quick response

2.2.11 Voltage fluctuations

As per the Regulations, consumer complaints relating to low or high voltage (*i.e.* phase voltage exceeding tolerance), voltage fluctuation or flickering and high leakage in current affecting the quality of power supply were required to be redressed in seven days and complaints of low voltage requiring upgradation of distribution lines were to be redressed within 180 days subject to availability of material and techno economic viability.

No records pertaining to consumer complaints relating to low or high voltage, voltage fluctuations *etc.* were maintained.

Audit noticed that no records pertaining to this category of complaints were maintained in the test checked sub-divisions. The Company, however, had informed the Commission that out of 8,022 complaints, only 549 complaints were redressed beyond stipulated time during the period 2004-07 even in cases where no upgradation of distribution system was required. These figures were obviously not correct since in Kota call centre alone, there were 69,952 complaints pertaining to low/fluctuating voltage in this period, out of which 15,629 complaints were redressed beyond stipulated time.

The Government stated (July 2008) that lengthy feeders, overloaded feeders, poor earthing *etc.* were responsible for poor quality of power, and both, time and sufficient resources were needed to rectify the problem of low voltage; and this could be the reason for redressal of the complaints beyond stipulated time. Reply is not acceptable as cases requiring no upgradation of distribution system were pointed out in the para.

2.2.12 *Defective/stopped meters*

As per the TCOS, the stopped/defective meters should be replaced within two months from the date of detection of fault. In case the same was not done, the consumer was to be billed on average consumption basis during period of stoppage of meters. Position of redressal of grievances pertaining to the replacement of stopped/defective meters in selected four circles for the last three years ending on March 2007 as reported to the Commission was as under:

Year	Opening balance	Complaints received during the year	Total complaints	Complaints redressed		Pending complaints
				Within stipulated time (*per cent*)	Beyond stipulated time (*per cent*)	
2004-05	51638	45892	97530	44853(46)	2572(3)	50105
2005-06	21924$^{\Psi}$	37606	59530	39390(66)	2087(4)	18053
2006-07*	2282$^{\Psi}$	26871	29153	27061(93)	596(2)	1496
Total		**1,10,369**	**1,86,213**	**1,11,304**	**5,255**	

Ψ Opening and closing balances differ as the figures of pending complaints without redressal had been drastically reduced by the Company in the opening balance of each subsequent year while reporting to the Commission.

* Except Kota.

Complaints of all cases of defective/burnt/ stopped meters were either not registered or were not taken into account when bills were generated.

As evident from the table above, the compilation of information related to defective/stopped meters was not correct as the figures of pending complaints without redressal had been drastically reduced in the opening balance of each subsequent year. As per the Company records, there were 29,153 complaints of defective/stopped meters as on 31 March 2007. Audit analysis of billing records of three circles (Jaipur district, Jaipur city and Alwar), however, revealed that as on 31 March 2007, 87,733 consumers were billed on average basis as their meters were defective/burnt/stopped. The stopped meters noticed by the meter readers at the time of recording electricity consumption of the consumers, were reported only to the billing section without informing the concerned Junior Engineer. Thus due to lack of co-ordination between billing and technical wings, a large number of stopped meters remained unreplaced. Moreover, the possibility of loss of revenue due to a large number of consumers being billed on average basis could not be ruled out. This indicated that complaints of all cases of defective/burnt/stopped meters were either not registered or were not taken into account while generating bills.

The Government accepted (July 2008) the fact related to non-registration of complaints of defective meters noticed by meter readers at the consumer premises.

2.2.13 Replacement of meters

The position of unreplaced meters as per billing records of the selected circles during the period between April 2006 and March 2007 is depicted in **Annexure 14**. Analysis of the annexure revealed that number of unreplaced meters compared to total consumers increased from 17,143 to 32,481 in Jaipur district circle (8 to 13 *per cent*); 8,794 to 17,610 in Kota circle (3 to 6 *per cent*) and 29,131 to 38,198 in Alwar circle (13 to 16 *per cent*). Audit also observed that 38,141 defective/stopped meters (11,960 in Jaipur district circle, 6,220 in Kota circle and 19,961 in Alwar circle) were lying unreplaced for more than 12 months as on 31 March 2007.

Scrutiny of Meter Change Order (MCO) registers of the selected sub-divisions further revealed that out of 13,438 numbers of defective meters as on 31 March 2006, 3,432 meters were lying unreplaced for more than 12 months. At the end of 31 March 2007, there was significant increase in the meters which were lying unreplaced (7,116 numbers) for more than 12 months. The position of replacement of meters in Jaipur city circle was, however, found satisfactory.

The Company did not investigate the reasons for increase in number of defective numbers and the position of defective unreplaced meters remained high.

The Commission expressed concern (November 2005) over harassment being caused to a number of low tension consumers because of defective metering and directed the Company to investigate into reasons behind increase in number of defective meters. Audit, however, observed that the Company did not investigate the reasons for the same and the position of defective unreplaced meters remained adverse.

The Government stated (July 2008) that the increase in number of stopped/ defective meters was due to non-availability of meters in stores during that period and purchasing of the new meters was a long process which created scarcity of meters in the stores. Reply was not acceptable as in the selected sub-divisions meters were available in sufficient quantity and replacement was not done on priority.

Grievances relating to bills

2.2.14 Average billing

Scrutiny of revenue records of the selected circles revealed that there was a substantial increase in the number of consumers billed on average basis as the number increased from 60,410 in 2004-05 to 1,11,359 in 2006-07. Further, scrutiny of billing records of the selected sub-divisions revealed that in three[§] sub-divisions the number of consumers billed on average basis due to defective/stopped meters was more than 20 *per cent* of total consumers in the year 2006-07.

2.2.15 Allowance of rebate

Clause 30 (2) of the TCOS provides that in case a stopped/ defective meter is not replaced within a period of two months of its detection, a rebate of 5 *per cent* on average bill will be allowed to the consumer till such meter is replaced.

Legitimate rebate was not allowed to the consumers whose bills were raised on average basis.

Scrutiny of the records of selected sub-divisions revealed that this rebate was not given to any consumer whose bill was raised on average basis and thus the consumers were deprived of their legitimate due.

The Government stated (July 2008) that matter regarding allowing rebate was pending with the Commission with the revision of the TCOS.

Grievances relating to other matters

2.2.16 Release of new connections

As per clause 10 of the Regulations, in case of new connections, the demand note (DN) for depositing connection charges should be issued within 21 days of receipt of the application and connection should be released within 30 days from receipt of demand note amount in urban areas and within 45 days in rural areas.

§ Bassi (25.69 *per cent*), Ramgarh (20.53 *per cent*), Malakhera (32.88 *per cent*).

Scrutiny of records for the period 2002-06 revealed that the performance of the Company in release of connections to non-domestic and industrial applicants was satisfactory in comparison to release of connections to domestic especially rural, and agricultural applicants.

2.2.17 Release of domestic connections

The position of delay in issuance of demand notes (DNs) and delay in release of connections in the selected circles for the period 2002-06 as depicted under **Annexure 15** revealed that in case of domestic connections, demand notes were not issued to 12,527 applicants (378 urban, 12,149 rural) within stipulated time. Moreover, 14,218 connections (1,331 urban, 12,887 rural) were not released in 45 days despite depositing of the required amount. There was a wide difference in approach in release of connections between rural and urban domestic applicants. In Jaipur district circle and Alwar circle, the release of rural domestic connection was delayed in 32 and 81 *per cent* cases, respectively.

There was a distinct disparity between release of connections to rural and urban applicants.

Further, scrutiny of 819 cases in 11* selected sub-divisions revealed that there was delay ranging between 30 days and 605 days beyond stipulated period in release of domestic rural connections even after completion of all necessary formalities. Thus, there was a distinct disparity between release of connections to rural and urban applicants. It was further noticed that one sub-division (Malakhera) did not maintain priority register properly and only four* sub-divisions could release all the connections on time.

The Government without providing supporting documents, stated (July 2008) that the delay in release of connection to domestic applicants was due to excessive work load on AENs.

2.2.18 Release of agriculture connections

The State Government issued (September 2004) directives to the Company for release of 77,782 agriculture connections to the applicants pending as on 31 March 2003 who were in queue since March 1988. The Government also fixed targets for release of 34,428, 22,732 and 20,622 numbers of connections for the years 2004-05, 2005-06 and 2006-07 respectively by declaring a cut off date for the receipt of application for each *Panchayat Samiti*.

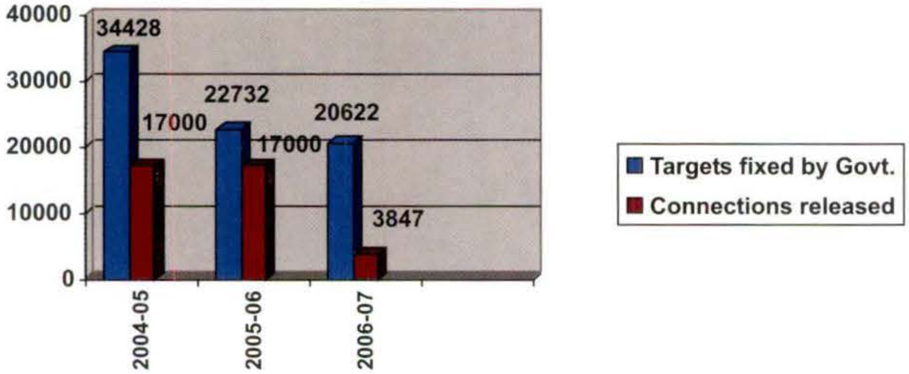
The Company fixed lower targets for release of agricultural connections against the directives of the State Government.

It was, however, noticed that against the above targets and without giving any reasons, the Company fixed a lower target of release of 17,000 connections in each of the year 2004-05 and 2005-06 and 7,000 connections for the year 2006-07. This indicated that the Company had no intention to release required number of connections within the period specified by the State Government. The Company achieved its own targets during 2004-05 and 2005-06 but there was shortfall of 50.62 *per cent*, 25.22 *per cent* and 81.35 *per cent* in achievement of targets given by the Government in years 2004-05, 2005-06

* Bagru, Sanganer (R), VKIA, Bassi (JPDC), Keshoraipatan, A-I, A-IV Kota (Kota circle), G II, G IV (JCC), MIA and A-II (Alwar circle).

* B- I, B-III (JCC), A-I Bundi (Kota) and Ramgarh (Alwar).

and 2006-07 respectively as shown in graph given below. Further, as against the set target, it could release only 3,847 connections in the year 2006-07.



Scrutiny of records of all the seven selected sub-divisions, which were predominantly agricultural, revealed that applications for release of agricultural connections were pending since 1993-94 and there were no recorded reasons for non-release of connections to very old pending applicants.

The Government stated (July 2008) that the co-ordination committee had fixed the lower targets for the period 2004-07 and due to ban on issuing demand notes, only 3,847 connections could be released in 2006-07.

Performance report submitted to the Commission

2.2.19 The Commission directed (April 2002) the Company to submit monthly information on registration and redressal of complaints. The Regulations also stipulated submission of quarterly information of registration and redressal of complaints by the end of the following month of each quarter. Subsequently, as prescribed under the Electricity Act, 2003, the Company was to furnish the information to the Commission relating to the level of performance achieved *viz;* complaints received, redressed within and beyond stipulated time and pending complaints within specified period. The Commission directed (December 2005) the Company to furnish annual information for the year 2004-05 within 30 days and for 2005-06 upto 15 May 2006.

2.2.20 Audit noticed that the Company did not compile information for the year 2002-03. Further, the quarterly information was submitted with delay ranging from 8 days to 345 days during the years 2003-04 to 2006-07. As the annual information pertaining to the years 2004-05 and 2005-06 was not submitted on time, the Commission served (November 2006) a notice to the Company for imposition of penalty. The Company thereafter furnished (28 November 2006) the information for the years 2004-05 and 2005-06. The Company, however, again defaulted in submission of information for the year 2006-07 and submitted it after a delay of eight months. Moreover, the information relating to two circles (Sawai Madhopur and Bharatpur) for the year 2004-05, four circles (Sawai Madhopur, JCC, Jhalawar and Bharatpur) for the year 2005-06 and one circle (Kota) for the year 2006-07 was not included in the information sent to the Commission, as information pertaining to these circles was not compiled. Thus the information furnished to the Commission was incomplete to this extent.

Information on registration and redressal of complaints furnished to the Commission was incomplete.

As commented earlier, complaints were not registered in the prescribed format in any of the selected sub-divisions, in absence of which, accuracy of number and category of complaints redressed within and beyond stipulated time as submitted by the Company to the Commission could not be verified in audit. The Government stated (July 2008) that information could not be submitted in time as the sub-divisional staff was not acquainted with compilation of new information. Reply is not acceptable as the Commission had directed (April 2002) to furnish information relating to complaints and even after lapse of five years the field staff was not able to furnish complete information on time.

2.2.21 Audit analysis of the quarterly and annual information submitted by the Company to the Commission revealed that there was a wide variation between the compiled quarterly reports and the annual reports of the Company for the same year. The difference between the compiled quarterly reports and annual reports for the years 2004-07 is as given below:-

Year	Pending Complaints at the beginning of the year	Total Complaints received as per		Complaints redressed within stipulated time as per		Complaints redressed beyond stipulated period as per		Pending complaints at the end of the year
		Compiled Quarterly information	Annual information	Compiled Quarterly information	Annual information	Compiled Quarterly information	Annual information	
2004-05	10158	621679	155317	601832	157096	25857	4231	4148
2005-06	4148	484913	121186	460090	116325	24684	4722	4287
2006-07	4287	485082	119542	460437	115082	24825	4640	4107
Total		**15,91,674**	**3,96,045**	**15,22,359**	**3,88,503**	**75,366**	**13,593**	

The consumers at large encountered some or the other problem with the services provided by the Company

Even if the reports of the Company are taken as correct, the compiled quarterly figures of the grievances revealed that 42, 46 and 28 *per cent* of the total consumers had some grievance in the years 2004-05, 2005-06 and 2006-07 respectively which indicates that consumers at large encountered some or the other problem with the services provided by the Company. This percentage would have further enhanced if information of all the circles was compiled by the Company in the manner prescribed by the Commission. The overall consumer satisfaction level was therefore not seen to be satisfactory.

The Government stated (July 2008) that variation in annual and quarterly information occurred due to the fact that information furnished in respect of year ending quarter was treated as annual information and no separate annual information was sought by the Commission. Reply is not acceptable as it was observed that the Commission had specifically asked for annual information in December 2005 and the same was not furnished.

Forums/Committees for redressal of consumer grievances

2.2.22 Forums and committees have been constituted for redressal of complaints relating to power supply and dues as discussed below:

2.2.23 Forums for redressal of grievances

Clause 51 of TCOS stipulated that the duty in-charge *i.e.* Junior Engineer in case of rural areas and Assistant Engineer in case of urban areas were required to take appropriate action within the scheduled time for redressal of complaints. In case the grievance was not redressed or the consumer was not satisfied with the action of the duty officer in-charge, the consumer was free to approach the district level forum (DLF) at circle level and the corporate level forum (CLF) at the corporate level. The grievance redressal forums formed at the level of Assistant Engineer (AEN) and Superintending Engineer (SE) at the district level were directed to hold monthly meetings on a fixed day of the month to resolve the complaints which had been lodged with them.

AEN level forums for redressal of the grievances were not functional.

Scrutiny of the records of selected sub-divisions revealed that the AEN level forums were not functional during the review period. Further, the district level forums were also not functional in Kota and Alwar circles. As per the records, at circle levels in Jaipur city circle, two meetings in 2004-05 and four meetings in 2006-07 and in Jaipur district circle, seven meetings in 2006-07 had taken place but minutes of these DLF meetings were not recorded.

The corporate level forum was belatedly constituted in April 2006. The forum, however, conducted only four meetings during 2006-07 wherein only 18 cases were redressed. There was no record of total number of cases received by it.

Thus the forums which were created for speedy redressal of grievances were either non-functional or their disposal was very slow.

The Government, without furnishing supporting documents, stated (July 2008) that the forums were newly formed and the Company had made wide publicity of it, but the people did not approach them. The fact, however, remains that none of the forums was functioning effectively.

2.2.24 Committees for settlement of dues

As per Clause 52 of TCOS, for the settlement of the disputes relating to dues of the consumers, the Company established settlement committees at the sub-division, division, circle, zonal and corporate levels to be headed by Assistant Engineer, Executive Engineer, Superintending Engineer, Chief Engineer and CMD with financial limits of Rs. 10,000, Rs. 25,000, Rs. one lakh, Rs. three lakh and above Rs. three lakh respectively. The sub-divisional settlement committee was to decide the case within 60 days and other committees within 90 days from the date of registration of the case. The composition of the settlement committees is depicted in **Annexure 16**.

2.2.25 Performance of Committees

The delay in settlement of disputes relating to dues was mainly due to laxity in issuing notices to the consumers

Lower level committees: Test check of records of 9 sub-divisions* revealed that out of 793 cases, 137 cases were decided with delay ranging between 2 and 430 days. Similarly, in five divisions** 302 (out of 2,134) cases were decided with delay ranging between 6 and 632 days. Audit noticed that the delay was mainly due to laxity in issuing notices to the consumers, which were mostly sent after the stipulated period of 60 days. Four sub-divisions did not maintain the prescribed register on the settlement cases and three sub-divisions decided all cases timely.

Middle level committees: Test check of records of selected circles revealed that circle level committees decided 34 cases (out of 151) in Jaipur district circle, 176 cases (out of 427) in Jaipur city circle, 20 cases (out of 427) in Alwar circle and 63 cases (out of 153) in Kota circle with a maximum delay of 631 days. Similarly, 131 cases with Jaipur Zone were decided by the zonal committee with a delay upto 1,208 days.

Apex committee: The corporate level settlement committee (CLSC) decided 110 cases (out of 319) with delay ranging from 3 to 970 days during the review period.

The Government stated (July 2008) that there was delay in deciding the cases as factual details/more information/comments were required to be collected from different quarters to arrive at some settlement. It was further stated that the scheduled monthly meetings at the CLSC level had been cancelled/postponed due to preoccupation of the Chairman of the Committee. The reply is not acceptable as the meetings should have been conducted with

* AEN-B-I, B-III (Rambag), Vidhyadhar Nagar, Jhotwara, Bagru, A-I, A-IV (Kota), Sanganer (R) and VKIA (R).

** XEN-DD-I&II (JPDC), XEN-CD-I & Bundi (Kota) and XEN-CD-II (JCC).

required periodicity along with prompt submission of factual reports, so that cases were decided on time.

Consumer Satisfaction Survey

2.2.26 To assess the level of consumer satisfaction with respect to the quality of supply of electricity, customer care, safety aspects and to develop consumer friendly policies the Company awarded (June 2005) the work of Consumer Satisfaction Survey (CSS) to A.C. Neilson (firm). The survey work was to be completed by December 2005. The contract period was extendable for further two years depending on the performance in the respective previous year. The firm submitted (18 July 2006) the survey report which rated the overall Consumer Satisfaction Index (CSI) of the Company as 0.39. The survey pointed out that:

- The domestic and non-domestic respondents in urban areas of Alwar, Bharatpur, Sawai Madhopur and Jhalawar were 'less satisfied' due to fluctuation of voltage, non availability of required load, frequency of interruption, metering and billing facility *etc.*
- The industrial consumers of Alwar circle and domestic/ non-domestic/ agricultural consumers in rural areas of Dausa, Alwar, Jaipur district and Sawai Madhopur were also 'less satisfied' due to higher time taken to attend to complaints, poor maintenance of lines and defective mode of delivery of bills by the Company.
- The consumers of all circles were 'unsatisfied' with process of release of connections.

The consumers of all circles were unsatisfied with the process of release of connections.

The Zonal Chief Engineer (Jaipur Zone) forwarded (September 2006) the survey report to the Superintending Engineers of the circles and sought their opinion/comments and also action plan proposed on it within a week's time. When non-submission of action plan on the survey report by the concerned Superintending Engineers was pointed out in audit (September 2007), the Management without furnishing supporting documents, stated (February 2008) that the most of the circle offices had recommended against further survey as proper action had already been taken to improve the consumer satisfaction on the basis of survey report.

Reply (July 2008) of the Government was silent on the action taken on the report.

Awareness generation among consumers

2.2.27 The Commission directed (November 2003) that complete contact details including the name, location and telephone number of the offices and various forums specified for registration and redressal of complaints should be given wide publicity through newspapers and radio/television. These details were also to be displayed in the offices of the Assistant Engineers and intimated to the consumers through their electricity bills at least twice in a year *i.e.* in April and September.

Audit, however, observed that the required details were not displayed in any of the selected sub-divisions. Moreover, no publicity was made through radio and television. The forums available for redressal of consumer grievances were published only four times through newspaper during the review period.

The Government accepted (July 2008) the audit observation.

Conclusion

The intent of the Government to empower consumers and to provide them with quick and easy redressal of their grievances was only partially achieved. It was seen that there was no uniformity in maintenance of records relating to consumer grievances at various levels as prescribed by the Commission. In almost all the cases, the records were incomplete and haphazard and in some cases non-existent. There were wide variations between the figures aggregated from the field formations by the Company and those submitted to the Commission. The overall position of data relating to consumer grievances in the Company was, therefore, unreliable. There was wide variation in the quality of power supply and services within the circles of the Company, *interse*. There was also a distinct disparity in the response of the Company towards rural and urban consumers in respect of redressal of their complaints and in release of connections. The Company was also slow in release of connections to agricultural consumers. The functioning of various committees and forums formed for redressal of consumer grievances was not prompt. Looking at the overall scenario relating to redressal of consumer grievances prevailing in the Company, a reasonable conclusion could be drawn that the required thrust was not being given to this area and the pre-determined benchmarks envisaged in the guidelines issued by the Commission were not being achieved.

Recommendations

The Company may consider the following:

- **ensure authenticity and aggregation of complete data relating to consumer grievances from all field formations and build up a dependable Management Information System for monitoring this area to give it the required priority**

- **take effective steps to improve consumer satisfaction levels, particularly through prompt replacement of defective meters and**

reduction in the failure rate of distribution transformers

- **address the apparent disparity in the satisfaction levels of urban and rural consumers**
- **release new connections to agricultural consumers as per targets set by the Government**
- **revitalize and monitor the working of various committees and forums set up for the redressal of consumer grievances and**
- **give broad publicity to the various mechanisms available to the consumers for redressal of their grievances.**

2.3 Performance Audit on Construction of Giral Lignite Power Project – Phase I

Highlights

The Company ignoring the advice of Lahmeyer International for global tendering as sulphur content in available Lignite ranged between 4 to 6 *per cent* invited single offer from BHEL who had experience in installation of Lignite based power plant with sulphur content of less than 2 *per cent* only. This resulted in non stabilisation of main plant even after 18 months of its synchronisation.

(Paragraph 2.3.14)

The delay in synchronisation of the plant resulted in increase in the preoperative expenses, cost of plants/equipments due to price variation, interest during construction period *etc.* to the extent of Rs. 64.27 crore.

(Paragraph 2.3.8)

Non inclusion of the lime stone handling plant in capital estimates resulted in less equity participation of Rs. 9.36 crore and recurring loss of interest of Rs. 77.22 lakh per annum.

(Paragraph 2.3.9)

The Company did not safeguard its financial interest while approving the revised bill schedule resulting in extra expenditure of Rs. 9.37 crore.

(Paragraph 2.3.15)

There was no system of checking the accuracy of quantities of material requirement assessed by the contractor and monitoring of issue of material to contractor.

(Paragraph 2.3.18)

The Company in violation of the provisions of the Income Tax Act did not deduct tax at source of Rs. 5.61 crore.

(Paragraph 2.3.19)

Introduction

2.3.1 Emphasis was laid on use of lignite for power generation in the ninth and tenth five year plans of the Government of India. In view of the successful installation of lignite based power plant in Gujarat State and heavy transportation cost being incurred on bringing coal to thermal power stations, the State Government took initiatives to exploit the lignite resources available in the state for power generation. The geological survey and investigations in the State of Rajasthan disclosed scattered deposits of lignite in the districts of Bikaner and Barmer. The mineral exploration studies carried out in the year 1991-94 also confirmed availability of 31.55 million tonnes (MT) of lignite in the Giral area of Barmer district. The lignite available at Barmer, however, has a high sulphur (4 to 6 *per cent*) and moisture content, which emits sulphur dioxide gas on firing. Hence, lime stone is required to be mixed with lignite to neutralise the effect of high sulphur content and to make it environment friendly. Considering above facts *vis a vis* the increasing demand of power, the Board of Rajasthan Rajya Vidyut Utpadan Nigam Limited (Company) decided (May 2002) to set up a lignite based power plant named Giral Lignite Thermal Power Project (GLTPP) with 125 MW capacity at Giral, District Barmer.

The Company is managed by a Board of Directors with nine directors including a Chairman and Managing Director (CMD) who is the Chief Executive of the Company. The CMD is assisted by a Chief Engineer (Project), Director (Finance) and the Chief Accounts officer of the unit.

Scope of audit

2.3.2 A performance review on the construction of the 125 MW power project for the period 2002-03 to 2007-08 was conducted from January 2008 to April 2008. The audit findings are based on a test check of records of the Thermal Design Section at head office and the generation unit located at Giral.

Audit objectives

2.3.3 Performance audit of construction activities was carried out to assess whether:

- the project was well planned keeping in view the technology to be used, the quantity and quality of raw material available, and the cost of generation and evacuation of power
- the resources identified and funds raised for the project were used in an efficient and economic manner
- the power plant was erected and commissioned within stipulated time

and cost

- all environmental regulations/norms were complied with and
- an effective monitoring and internal control mechanism was in place.

Audit criteria

2.3.4 The performance of the Company was assessed with regard to the following:

- feasibility/Detailed Project Report (DPR) of the project
- targets of the project *i.e.* pre-determined benchmarks as envisaged in the DPR/tender and purchase orders *vis-à-vis* its achievements
- policies and procedure laid down by the Company for execution of work and procurement of material and
- notification and guidelines issued by the Ministry of Environment and Forest and directives of the State Pollution Control Board.

Audit Methodology

2.3.5 The following audit methodologies were adopted:

- review of Board agenda and minutes
- review of DPR
- review of the records relating to award of various contracts and their execution
- study of orders/circulars/directions issued by the Company for implementation of the project and
- review of arrangement of funds and their effective utilisation.

Audit findings

2.3.6 The audit findings were discussed (July 2008) in the meeting of the Audit Review Committee for Public Sector Enterprises (ARCPSE) where the State Government was represented by the Secretary, Energy and the Company by the Chairman and Managing Director and Director (Finance). The performance audit has been finalised after considering/incorporating viewpoints of representatives of the Government/Company.

Planning

2.3.7 The Company engaged (September 2001) a consultant Lahmeyer International (LI) for preparation of a detailed feasibility report (DFR). The consultant after examination of various aspects prepared (November 2001) a DFR envisaging that a power plant of 140 MW capacity may be installed in two phases. In view of the high sulphur content in lignite, the consultant suggested using a Circulating Fluidized Bed Combustion (CFBC) boiler which was suitable for absorption of sulphur by adding lime stone with lignite. The cost of project excluding water transportation system was estimated at Rs. 749 crore including all taxes and interest during construction period (IDC). The Company, considering the assured supply of lignite and lime stone, asked (February 2002) the consultant to prepare projections for installation of one unit of 125 MW identical to the unit already installed at Surat (Gujarat). The Company also estimated that this would not only cut the *pro rata* cost of generation but would also reduce the gestation period, being based on proven technology. The consultant prepared (April 2002) a revised feasibility report envisaging an estimated project cost of Rs. 590 crore including water transportation system with taxes and IDC. As per the feasibility report the period of commissioning of the unit was estimated to be 36 months. The Company approached (September 2002) the State Government for approval so that project could be taken up. The State Government accorded its administrative approval in October 2002 and the financial approval for Rs. 618 crore was accorded in July 2003. The Company prepared a detailed project report (DPR) in October 2003. As per DPR, the State Government agreed for 30 *per cent* equity participation amounting to Rs. 185 crore and the balance 70 *per cent* amounting to Rs. 433 crore was to be arranged through borrowed funds.

Project cost and actual expenditure

The delay in supply and erection of boiler and turbine generator resulted in increase in preoperative expenses, cost of plants/equipments due to price variation, interest during construction period *etc.* to the extent of Rs. 64.27 crore.

2.3.8 The Project estimates, revised estimates and actual expenditure there against up to March 2008 are given in **Annexure 17**. It can be seen from the annexure that the initial project cost of Rs. 618 crore was revised (December 2005) to Rs. 699.99 crore and against this an expenditure of Rs. 764.26 crore had been incurred up to March 2008. The revision was necessitated due to the incorrect assessment of cost of lignite handling plant and non inclusion of cost of lime stone handling system, steep rise in the prices of steel, copper and labour *etc.* The plant was scheduled to be synchronized in July 2006 but it could be synchronized only on 28 February 2007 due to delay in supply and erection of boiler and turbine generator by Bharat Heavy Electricals Limited (BHEL). This resulted in increase in the preoperative expenses, cost of plants/equipment due to price variation, interest during construction period *etc.* to the extent of Rs. 64.27 crore. The plant has yet not been stabilized (August 2008) to achieve generation at its full capacity.

During discussions in the ARCPSE meeting, the CMD stated that problems were being faced on technical grounds as this was the first lignite based power plant with use of lignite with sulphur content of 4 to 6 *per cent* and BHEL had started taking corrective actions to overcome these problems.

The contention was not acceptable, as the Company while ignoring the advice of LI to go in for international competitive bidding had awarded the contract to BHEL though it did not have the experience of establishing a plant using lignite having high sulphur content of 4 to 6 *per cent* as pointed out in para No. 2.3.14.

In reply the Government stated (September 2008) that the work of erection of the plant was hampered due to heavy rains and flood in the area and most of the labour fell sick due to flood related diseases, which also caused delay. The reply is factually not correct as the flood due to rains occurred in August 2007 *i.e.* after the scheduled date of commissioning of the plant.

Financial Management

2.3.9 Equity contribution from the State Government

Non inclusion of the cost of LSHP in the initial project cost resulted in less equity participation of Rs. 9.36 crore and recurring loss of interest of Rs. 77.22 lakh.

The State Government had approved (July 2003) the project at a cost of Rs. 618 crore and agreed for 30 *per cent* equity participation amounting to Rs. 185 crore. The balance 70 *per cent* (Rs. 433 crore) was to be met from borrowed funds (Rs. 298 crore from PFC•, Rs. 50 crore from Canara Bank, and Rs. 85 crore from OBC[x]). Audit noticed that actual project cost increased (December 2005) to Rs. 700 crore due to short provision for lignite and ash handling plant (Rs. 12.02 crore), civil structure and other works (Rs. 55 crore) and non provision of lime stone handling plant (LSHP) (Rs. 31.21 crore) in the original DPR prepared by the management. Non inclusion of the cost of LSHP alone resulted in less equity participation of Rs. 9.36 crore and recurring loss of interest of Rs. 77.22 lakh per annum (at the rate of 8.25 *per cent* average rate of funding through commercial banks) payable to the financial intuitions on borrowed funds. This also caused an increase in borrowings by Rs. 82 crore.

The Government in its reply stated (September 2008) that it was allowing only 20 *per cent* equity for all the projects and in this case despite non enhancement of equity participation the actual equity released remained more than 20 *per cent*. The reply is not convincing in view of the fact that the Government did not pay the equity participation of 30 *per cent*, as agreed to while conveying approval of the project.

• Power Finance Corporation

x Oriental Bank of Commerce

2.3.10 Term loan from the Power Finance Corporation

The Company did not take up the issue of short payment of interest subsidy of Rs. 4.29 crore with the PFC.

The Power Finance Corporation sanctioned (January 2004) a term loan of Rs. 248 crore and the memorandum of agreement between PFC and the Company was entered into in March 2004. The PFC enhanced (September 2004) the loan amount to Rs. 298 crore and finally revised it (April 2006) to Rs. 366 crore at the rates of interest prevailing on the date of each disbursement with a rebate of 0.5 *per cent* in rates, from the date of commissioning of the project. The loan was covered under Accelerated Generation & Supply Programme (AG&SP) scheme of Government of India and was also eligible for interest subsidy upto maximum of 3 *per cent* per annum. The disbursement of loan (Rs. 366 crore) was made during March 2004 to April 2007 at different rates of interest ranging from 8.75 to 10.25 *per cent.* The loan was repayable in 48 quarterly instalments commencing from January 2007. Audit noticed that the AG&SP subsidy on the interest payment to the PFC during April 2004 to April 2007 worked out to be Rs. 14.39 crore, against which the PFC paid Rs. 10.10 crore only. The Company, however, did not take up issue of short payment of Rs. 4.29 crore with the PFC and the reasons for the short payment were also not on record.

During discussion in the ARCPSE meeting, the Director (Finance) stated that the maximum limit of the subsidy on interest payment was three *per cent* and the admissibility of percentage of subsidy was dependent upon availability of funds with the Ministry of Power, Government of India. The Company also replied (August 2008) that the matter was being taken up with the PFC for further clarification on the criteria applied for the subsidy on interest payment.

The Government in its reply (September 2008) reiterated the same.

Implementation of the project

2.3.11 Appointment of consultant

Tender (TNE-501) for appointment of consultant for the project was floated in June 2002 in response to which eight offers* were received. An Engineering committee (Committee) constituted belatedly (May 2003) for evaluation of these offers, based on the required technical experience of consultancy, found (May 2003) that TCE consulting Engineers (TCE) was the only bidder qualifying the technical parameters of the tender document as it was the only firm which had the experience of establishment of two lignite based units of 125 MW capacity in Gujarat which were running successfully since February 2000. The Committee, however, recommended that if the price bid of TCE alone could not be considered, being a case of single bid offer, then the bid of Development Consultants Private Limited may also be considered by giving some relaxation in the qualifying criteria. The Committee, however, strongly

* (1) TCE Consulting Engineers Ltd., Banglore, (2) Fichtner Consulting Engineers (India) Pvt Ltd., Chennai, (3) L&T-Sargent & Lundy Ltd., Baroda, (4) Desein Pvt. Ltd., New Delhi, (5) Mecon Ltd., Delhi, (6) Development consultuants Pvt Ltd., Kolkata, (7) Premier Mott. Mac Donald, New Delhi and (8) Engineers India Ltd., New Delhi.

opined against the offer of Desein due to their inexperienced manpower and unsatisfactory performance in unit VI of Kota Thermal Power Station and engineering services provided for various other packages.

The main plant was not working properly even after 18 months of its installation due to defective design of ash handling plant resulting in choking of pipelines.

In contravention of the Committee's recommendation, the Board of the Company, decided (June 2003) to relax the qualifying criteria to open the price bid of three bidders including Desein. As the price quoted by Desein was the lowest at Rs. 1.40 crore, the work was awarded (July 2003) to them. Thus the decision of appointment of Desein (consultant) merely on the ground of offering the lowest rate was imprudent. The delay in synchronization of the GLTPP was attributable to the failure of the consultant in finalization/approval of various drawings for civil works and bill of quantities of structural steel related to the project. The drawings and the designs of main plant *i.e.* Steam generator and turbine generator, approved by the consultant also suffered from various shortcomings and hence the plant could not be commissioned even after 18 months of their synchronization. The defective design of ash handling plant also resulted in choking of pipelines at full load as pointed out by BHEL.

During discussion in the ARCPSE meeting, the Director (Finance) stated that the decision of appointment of the consultant was taken by the Board of Directors.

The Government while reiterating the facts which had been stated in the ARCPSE meeting replied (September 2008) that BHEL was in process of resolving problems observed in the Economizer, Ash Handling Plant (ASP) hopper and Bed Ash. However, the Company could not furnish any satisfactory justification for relaxation in the qualifying criteria and ignoring the specific advice of the Committee while appointing the consultant.

2.3.12 Milestones as per PERT chart

Milestones related to various events were not adhered to resulting in overall delay of seven months in synchronization of the project.

The consultant submitted (August 2004) a Programme Evaluation and Review Technique (PERT) chart to the Company, specifying stage wise milestone for each activity *i.e.* civil, mechanical and electrical (**Annexure 18**). Audit observed that in deviation of the PERT chart there were delays of 1 to 14 months in initiation of tendering process of mechanical equipments as well as in finalisation of the tenders, and subsequent delays of 2 to 13 months in placement of orders of mechanical items/works which resulted in overall delays in completion of mechanical works ranging from 1 to 20 months. Further, the electrical and civil works were also completed with delays of 4 to 24 months respectively. Thus non-adherence to the milestones related to various events as prescribed in the PERT chart resulted in overall delay of seven months in synchronization of the project.

Audit analysis revealed that the delay in placement of orders was mainly due to improper planning and lack of co-ordination between the Consultant and the Company whereas delay in execution of the project was mainly attributable to delay in finalization of drawings by the Consultant.

During discussion in the ARCPSE meeting, the CMD accepted the fact of delay in overall setting up of the plant.

The Government while accepting the fact stated (September 2008) that the delay in initiation of tendering process was mainly due to late finalisation of specification as GLTPP was the first project of its kind in Rajasthan.

Construction of Project

2.3.13 Mechanical Works

Mechanical works include purchase, erection and testing of equipments and plants. For a thermal power station there are two main plants *viz.* boiler to generate steam and turbine generator to generate electricity. Other plants like fuel handling, ash handling, and cooling towers are the supportive plants for the smooth running of the main plant. Besides these, other equipments and plants such as cranes, water reservoir, pumping stations are also needed for smooth supply of water, movement of various materials, machineries, parts *etc.*

2.3.14 Procurement of main plant

Lahmeyer International (LI), in its detailed feasibility report (DFR) had advised (November 2001) for installation of the main plant on erection, procurement and commissioning basis (EPC) through international competitive bidding. LI had also recommended for adoption of Circulating Fluidized Bed Combustion (CFBC) Boiler technology. A list of 11 countries where CFBC Boilers were operating successfully was also provided with the DFR.

The boiler and generator supplied by BHEL had various technical problems from the very beginning.

The Company, ignoring the advice of LI, invited (February 2002) a single offer only from Bharat Heavy Electrical Limited (BHEL) for installation of a plant of 125 MW capacity on EPC basis. The Company placed (October 2003) an order on BHEL at a negotiated price of Rs. 243 crore[⊕] with a scheduled period of completion of 33 months (July 2006) starting from the date of LOI (October 2003). The detailed work order was issued in February 2004.

Looking at the specific characteristics of available lignite the Company should have invited global tenders to obtain more technically qualified and suitable offers.

Audit observed that BHEL did not have any experience of establishing plants using lignite with high sulphur content (4 to 6 *per cent*) and the plants supplied by BHEL in earlier years to other states were based on lignite with less than 2 *per cent* sulphur content. The boiler and generator supplied by BHEL for this project had various technical problems (including design problems) from the very beginning and could not be stabilized even after passage of more than 18 months after synchronization. Therefore, looking at the specific characteristics of the available lignite, the Company should have adhered to the advice of LI for global tendering to obtain the most technically

⊕ Rs. 222 crore – Supply of boiler and turbine; Rs. 21 crore – Erection and commissioning.

qualified and suitable offers.

During discussion in the ARCPSE meeting, the CMD stated that the work of installation of a plant on EPC basis was awarded to BHEL as they had a vast experience in this field. The reply is not acceptable in view of the fact that the plants supplied by the BHEL in earlier years to other states were based on lignite with less than 2 *per cent* sulphur content. Thus the decision of the Company to award work to BHEL without due circumspection caused heavy delay in commissioning of the plant.

The Government in its reply (September 2008) also could not furnish any satisfactory justification for awarding work to BHEL while ignoring the advice of LI for global tendering to obtain the most technically qualified and suitable offers.

2.3.15 Extra payment for HP/IP Turbine and LP Rotor

The contract price of the main plant was subject to price variation with base date price of April 2003. BHEL provided a billing schedule indicating item wise price as per the base date price. The billing schedule included value of loose items of Rs. 15 crore for estimated quantity of 1,000 MT at the rate of Rs. 150 per kg. As per billing schedule, this value was subject to adjustment as per weight of loose items actually consumed. The actual consumption of loose items was 346 MT only. Consequently, BHEL sent (July 2005) a revised bill schedule wherein the difference of value of loose items was added to other equipments *viz.* HP/IP turbine (Rs. 5 crore), LP rotor (Rs. 2.65 crore) and new items (Rs. 2.16 crore). Audit observed that even though the BHEL's revised bill schedule was against commercial ethics, the Company did not safeguard its financial interest and approved the revised bill schedule. This resulted in extra expenditure of Rs. 7.65 crore on supplies of HP/IP turbine and LP rotor. Audit further noticed that BHEL also claimed price variation on revised rates of these equipments which was also paid by the Company. This also resulted in extra expenditure of Rs. 1.72 crore on account of price variation on increase rate of turbine and rotor.

The Company did not safeguard its financial interest and approved the revised bill schedule.

During discussion in the ARCPSE meeting the Director (Finance) stated that the matter would be taken up with BHEL.

In reply, the Government stated (September 2008) that the revisions were approved within the contract value and before the completion of supplies. The price variation was allowed as per terms and conditions of the contract and no extra payment released to BHEL. The reply lacked justification as the increase in cost of HP/LP turbine and LP rotor was made without any change in their specification/design.

2.3.16 Deviation from contract terms

The plant was synchronised in February 2007 with a delay of seven months from the scheduled date of commissioning. Clause 19.01 of the work order stipulated that liquidated damages for delay in delivery were recoverable from BHEL at the rate of half *per cent* of the contract price per week subject to maximum 5 *per cent* of contract value. Audit noticed that it was the practice of the Company to deduct the due amount of penalty from each subsequent bill of the suppliers received after the scheduled date of supplies. In the instant case the Company, however, did not deduct penalty of Rs. 12.15 crore from the bills of Rs. 29.28 crore received after the scheduled date of supplies.

Further, as per clause 2.23.3 of general conditions of contract for supply and erection of lignite and lime stone handling plants, the penalty for delay in supply was to be made from cash deposit/dues of the firm/bank guarantees available with the Company. Audit observed that there were delays of 4 to 73 weeks in supply and erection of lignite handling plant by the contractor. Against the leviable penalty of Rs. 30.95 lakh for delay in supply and erection of lignite handling plant, the Company deducted Rs. 5.56 lakh only from the bills of Rs. 5.47 crore submitted by the contractor. Similarly, there was a delay of 20 weeks in supply and erection of lime stone handling plant, on which penalty of Rs. 22.36 lakh was leviable but the Company did not deduct any amount on account of penalty while passing the bills of Rs. 5.15 crore.

Further, as per clause 4 of the work order for supply of boiler and turbine, balance 2 *per cent* of contract value was to be released on successful commissioning of the plant after obtaining bank guarantee of equivalent amount. Audit observed that though plant was yet to be commissioned successfully, the Company had released (March to May 2007) Rs. 25 lakh to BHEL from the retained amount of Rs. 42 lakh being 2 *per cent* of the cost of contract. The Bank guarantee to be obtained in lieu of such amount released, was also not obtained from BHEL.

In reply, the Government stated (September 2008) that the Company had the financial hold in the form of retention money of security, bank guarantee and performance bank guarantee of the suppliers of the plants. The fact, however, remained that the company deviated from its practice of deduction of penalty amount from its bills during supply period.

Civil Works

2.3.17 Civil works include laying of foundation and construction of structure for the various equipments, buildings, cooling tower, water reservoir and pump house. The foundation and structure for lignite/limestone/ash handling plants, cooling towers were executed by the suppliers of these plants. The foundation and structure works of various other buildings, boiler, electrostatic precipitator, switch yard, pump house and fuel oil tank were awarded to various other contractors.

Contract Management

2.3.18 Issuance of material to contractor

The project had provision for a residential colony comprising of 36 quarters of three different types. The construction work of quarters was awarded to Avas

Vikas Limited (contractor) with the condition that cement and steel would be supplied by the Company to the contractor free of cost. The requirement of cement (19,380 bags) and steel (95.3 MT) for the work was assessed and communicated by the contractor.

There was no system of checking accuracy of the quantities assessed by the contractor and monitoring of issue of material to contractor.

Audit noticed that there was no system of checking the accuracy of the quantities assessed by the contractor and monitoring the issue of material to contractor or the utilization thereafter. Audit further noticed that the contractor had completed only 28 *per cent* work (June 2006) whereas the Company had issued 20,691 bags of cement and 112.36 MT steel which was in excess of the total requirement for the entire work. The Company further issued 14,300 bags during July 2006 to April 2007. The Company had thus issued a total of 15,611 bags of cement and 17.06 MT of steel to the contractor in excess of the requirement without confirming its utilisation. This indicated a complete absence of control over verification of requirement and issue of material to the contractor.

During discussion in the ARCPSE meeting, the Director (Finance) agreed to look into the irregularities noticed by Audit in issuance of cement and steel to the contractor.

In reply, (September 2008) the Government while accepting the audit observation stated that ceiling was fixed under the contract provisions and the case was under their scrutiny.

2.3.19 Income Tax deducted at source

As per section 194 C of the Income Tax Act, deduction of Income Tax at source (TDS) from the payment made to the contractor/suppliers at the prescribed rates is to be made on total value of supply of material and cost of erection in case of turnkey contracts. In terms of section 201 of the Act *ibid*, failure in deductions of TDS attracts interest on the amount of such tax at the rate of 12 *per cent* per annum from the date of release of payment to the date on which such tax is actually deposited.

The Company in violation of the provisions of Income Tax Act did not deduct TDS of Rs. 5.61 crore.

Audit observed that the Company in violation of the provisions of Income Tax Act did not deduct TDS on the supply portion of turnkey projects for the main plant on the ground that separate orders were issued for supply and erection. The amount of TDS not deducted during the years 2003-04 to 2006-07 worked out to Rs. 5.61 crore on the payments made to BHEL against contracts for the main plant. Thus the Company has invited a liability of interest of Rs. 1.63 crore on the amount not deducted as TDS and consequential loss to that extent.

In reply, the Government stated (September 2008) that in view of survey conducted in some of the projects of the Company by the Income Tax department and in accordance with the decision taken in coordination committee on 28 February 2008, the TDS was deducted on entire contract value and deposited before 31 March 2008. The reply is incorrect as the TDS for the years 2003-04 to 2006-07 was neither deducted nor deposited by the Company. The TDS was actually deducted and deposited for the year 2007-08 only.

Status of project

2.3.20 In terms of clause 22 of general conditions governing erection, commissioning and testing, attached with supply order for main plant, a pre-commissioning test at site on each item of the equipment was to be carried out by BHEL and on conclusion of satisfactory pre-commissioning tests, the trial operation was to commence. During trial operation, every equipment of plant was required to run for a continuous period of 14 days of which a minimum period of 72 hours was to be on full load. The trial operation was to be considered successful if it was proved that each item of equipment operated continuously on full load. In case the interruption in trial operation was more than eight hours at one stretch, the trial run period was to start afresh.

It was observed in audit that the boiler tripped 40 times due to different reasons as narrated below. The duration of each tripping ranged from 1 to 28 days. Trial run commenced in February 2007 was still in progress as of August 2008.

Sl. No.	Description	No. of times boiler tripped
1.	Turbine tripped due to lube oil temperature high	4
2.	Generator reverse power protection	3
3.	Combustor temperature high/not maintained	6
4.	Problems in lignite feeder	4
5.	Drum level very high/low	6
6.	Condense vacuum low	8
7.	Boiler tube leakage	5
8.	Choking of P.A. Duct	3
9.	Release of air	1
	Total	**40**

During the trial run period, the plant achieved a maximum load ranging between 10 and 125 MW.

In reply the Government accepted (September 2008) the audit observation.

Impact of non stabilization of project

2.3.21 Shortfall in power generation

The DPR had envisaged an average yearly gross electrical power generation of 821.25 million units (MU) and the net power dispatch of 743.23 MU at 75 *per cent* load factor. It was, however, observed in audit that the plant produced 1,800.25 lakh units (LU) against the projected norms of 8,063.53 LU from 28 February 2007 to 31 March 2008, resulting in shortfall of 6,263.28 LU. Due to non-stabilization of the plant, the commercial operation date (COD) was not fixed and hence, as per Rajasthan Electricity Regulatory

Commission (Commission) directives, the Company could recover only fuel cost from the sale of power and the amount of fixed cost remained un-recovered.

While accepting the fact the Government replied (September 2008) that the unit was under trial run and not taken over from BHEL.

2.3.22 Non adherence to environmental norms

The environmental clearance of the project was given by the Ministry of Environment & Forest (MOEF) in November 2004. Accordingly, the Company had incurred an expenditure of Rs. 28 crore on the construction of chimney, ash handling plant, green belt *etc.* to comply with the environmental norms as envisaged in the approval of MOEF.

The main plant supplied by BHEL could fulfil the emission norms only for 28 hours out of 951 hours of trial run period.

As per technical specification of the main plant supplied by BHEL, emission of oxides of sulphur (SOx) was required to be less than 300 parts per million (ppm). A test check of records revealed that out of 951 hours of trial run conducted from 12 October 2007 to 30 January 2008, the emission of SOx was maintained below 300 ppm for 28 hours only (2.94 *per cent*). It ranged between 300 ppm to 1000 ppm for 87 hours and for remaining 836 hours it was more than1000 ppm.

Internal control and internal audit

2.3.23 Internal control and internal audit are important exercises within the organisation to improve the attainment of goals of the organisation. Together, they create the necessary environment for efficiency and effective monitoring.

Audit observed that the requisite internal control was absent, particularly in respect of recovery of penalty/liquidated damages and issuance of material to contractors as discussed in paragraphs 2.3.16 and 2.3.18 respectively.

Internal audit of expenditure of the Company is conducted by the internal audit wing working under the supervision and control of the Director (Finance). The Company followed the internal audit manual (IAM) adopted by the erstwhile Board.

As per IAM, expenditure audit was to be done once in a year. It was noticed during audit that the first internal audit of the project was conducted for the year 2005-06, and 2006-07 although the construction activities of the project had started since 2003-04. Thus the Company could not adhere to the provisions of its own IAM. The statutory auditors in their reports had repeatedly stated that the internal audit was not commensurate with the nature and size of business of the Company. No corrective action, however, was taken by the Company.

The Government while accepting the fact stated (September 2008) that necessary steps had now been taken for strengthening of internal audit.

Conclusion

While ignoring the advice of the original consultant who prepared the detailed feasibility report, to invite global tenders for purchase of a suitable plant for use of lignite having high sulphur content, the Company invited a single offer only from BHEL, which did not have any experience of establishing such plants, resulting in heavy delay in commissioning of the project. The Company, further, relaxed crucial qualifying criteria to enable the appointment of a project consultant despite the fact that their manpower was inexperienced and its past track record with the Company unsatisfactory; ignoring the specific advice of the committee set up for the purpose. This decision of the Company, was *prima facie* not based on sound considerations as there was failure of the consultant in various stages of the project implementation including the fact that the designs of the main plant approved by the consultant suffered from several shortcomings. Faulty planning and lack of monitoring of contracts resulted in delay in execution of the project and avoidable extra expenditure, which was substantial. Against the projected norms of electrical power generation of 8,063.53 LU from 28 February 2007 to 31 March 2008, the plant produced only 1,800.25 LU resulting in shortfall of 6,263.28 LU. Since various problems remained unresolved even after 18 months of its synchronisation, the commercial operation date (COD) could not be fixed.

Recommendations

The Company needs to:

- strengthen its planning process and adhere to time and cost milestones
- pursue vigorously with BHEL for eliminating the various problems being encountered for successful commissioning of the project
- liaise closely with the project consultant for completion of drawings and execution of remaining ancillary works
- take adequate care and carry out a strict evaluation before appointment of any consultant in future
- take follow up action for recovery of various extra payments made to BHEL and other suppliers and contractors, and
- quickly strengthen its internal audit and control system to achieve better economy and productivity.

Rajasthan State Beverages Corporation Limited

2.4 IT Audit of computerisation of commercial activities

Highlights

The Company neither formulated a formal Information Technology policy nor any long-term/medium-term strategic IT plan.

(Paragraph 2.4.7)

Due to design deficiency, the system was not able to identify the stock of expired beer which led to sale of expired beer amounting to Rs. 20.21 lakh.

Due to design deficiency, the system could not ascertain the position of active/inactive stock lying in depots and therefore could not compute the demurrage.

(Paragraph 2.4.9)

Due to non-mapping of business rules and policy of the Company, the system accepted the supply of goods without linking to validation period.

(Paragraph 2.4.10)

Lack of proper validation checks resulted in acceptance of duplicate bank challans from retailers for delivery of goods and fraudulent transactions.

(Paragraph 2.4.14)

Lack of validation checks and inadequate input control made the system ineffective in ensuring the completeness and correctness of the data.

(Paragraphs 2.4.17 to 2.4.19)

Introduction

2.4.1 Rajasthan State Beverages Corporation Limited (Company) was incorporated (February 2005), in wake of the Excise Policy of Rajasthan for the financial year 2005-06, with the main objective to carry on business as manufacturer, producer, processor, grower, trader, buyer, retailer, wholesale supplier of rectified spirit, all kinds of alcohol and other spirits suitable for industrial use. The Company was provided with exclusive rights for sourcing and pricing of Indian made foreign liquor (IMFL) and beer in the state. The purpose was to make available proper quality and quantity of liquor to the consumers at a uniform rate throughout the state and to remove middlemen between manufacturers/suppliers and retailers so that the state could avoid revenue leakage.

The Company framed (March 2006) a Liquor Sourcing and Pricing Policy (LSP) under the Excise Act for carrying out its commercial activities. The Company operates its business activities through 39 depots in the State of Rajasthan. All depots have been equipped with IT infrastructure for performing their commercial functions. The manufacturers, both within and outside the state, keep their stocks in the Company's depots for distribution to the retail licensees for which the Company collects two *per cent* margin on the landed cost of IMFL/beer sold from these depots. The turnover of the Company was Rs. 734 crore and Rs. 1003 crore in the years 2005-06 and 2006-07 respectively.

The Company outsourced (March 2006) the online IT services from Tayal Software Consultancy Services (TSCS), Udaipur at a total project cost of Rs. 1.10 crore for procurement and installation of hardware equipment and for preparation of a web based application software for carrying out day-to-day operations for three years in the Company's Head office and its depots. The TSCS was responsible for maintaining integrity, security and backup of the Company data and applications. As envisaged, the commercial activities were to be carried out by developing five modules *viz.* i) Order Management System, ii) Sales Invoicing and Sales Accounting System, iii) Depot Inventory Management iv) Bank Reconciliation and v) Payment Module for cheque printing; using Oracle. The TSCS had not yet operationalised the Bank Reconciliation Module and Payment Module as of July 2008.

The system had a client server architecture with the server located at Udaipur. The head office of the Company and all its depots were linked with the main server.

Scope of Audit

2.4.2 The scope included evaluation of controls in different modules of the application software and to ascertain completeness, regularity and consistency of the database. Further, the data (Oracle dump) for the years 2006-07 and 2007-08 (up to January 2008) in respect of all the depots was obtained and analysed using generalised audit software between February to May 2008.

Audit Objectives

2.4.3 The IT audit of the commercial activities of the Company was aimed to ascertain:

- the efficiency, economy and effectiveness of the implementation and operation of the modules

- adequacy of IT control built-in
- mapping of business rules in the IT environment and
- business continuity plan/disaster recovery plan.

Audit Criteria

2.4.4 Audit criteria, against which the evidence was tested for the purpose of arriving at audit findings and conclusions, were as follows:

- Best practices for IT system development and implementation
- Liquor Sourcing Policy for the years 2005-06 and 2006-07
- Accounting Policy, Business Rules and procedures followed by the Company and
- Rules, notifications and guidelines issued by the Excise Department of the State Government.

Audit Methodology

2.4.5 Following audit methodology was adopted:

- Issue of questionnaire based on the scrutiny of records and management's response/clarification there upon
- Analysis of the data (Oracle dump) for the years 2006-07 and 2007-08 (up to January 2008) in respect of all the depots using Computer Assisted Audit Technique (CAAT) and
- Discussions and interaction with the officers of the Company and the TSCS.

Audit Findings

2.4.6 The audit findings concluded as a result of test check of the system and records are as under.

General Controls

2.4.7 Lack of IT strategy and policy

The Company had not formulated a formal IT policy and any long term/medium-term IT strategy for implementation of IT applications in a systematic manner.

In reply, the Management stated (September 2008) that in January 2006 the Company had decided to replace the wholesaler system with retail licensees with effect from April 2006 and to cater to a huge clientele, online IT solution was essential. It was further stated that the system was implemented successfully as scheduled. The reply was not acceptable in view of the fact that the Company did not give detailed thought to the key elements of the IT strategy such as policy making, funding, support required for development, arrangements, internal infrastructures *etc.* Moreover, even after two years of switchover to IT system, the Company did not formulate its IT policy which may help in ensuring consistency of plans, business policy and its strategy.

2.4.8 Project planning and documentation

The work of preparation of a web based application software for carrying out the day-to-day operations for running commercial activities of the Company was awarded (March 2006) to the TSCS without preparation of any perspective plan. After award of work, a sub-committee was formed belatedly (June 2006) to identify, justify and analyse the activities of the Company, which were to be computerised. The documents such as User Requirement Specifications (URS), System Requirement Specifications (SRS), change management policy and manual of the IT system were not prepared. The testing and acceptance of the application software were also not found on record.

In reply, the Management while accepting the audit observations stated (September 2008) that due to shortage of time, instead of putting efforts on studying, documenting, verifying and reporting, the Company had intensive and dedicated interaction with the service provider to develop and implement the system. It further stated that the user manual was under preparation. The reply was not convincing as in absence of proper documentation, change management controls could not be ensured in audit which may result in accidental or malicious changes in software and data.

System design

2.4.9 Drain-out of expired beer/ Demurrage charges

Rule 9.6 of LSP stipulated that any stock of beer lying unsold for a period of six months from the date of bottling or stock declared unfit for human consumption at the depot should be drained out by the Company. Any expenditure incurred by the Company should be recovered from the manufacturers and no compensation was payable in respect of such stock. In case where such beer was not drained out at the depot itself and the breweries were allowed to take the old stock of beer back to their factories, the Company's margin at the rate of two *per cent* plus demurrage was to be recovered from the supplier. While approving the brands of beer, the Excise Department had clearly instructed the manufacturers that brand labels could be used only after indicating the batch number, date of manufacturing and date of expiry.

For optimum utilisation of storage capacity, LSP provided that stock more than 60 days and 120 days old, of beer and IMFL respectively, was to be categorised as 'Inactive stock' and a demurrage of Rs. 2 per carton box per day should be charged against. The demurrage charge was to be computed once a month and adjusted against the payment due to the manufacturers.

Audit, however, noticed that the system did not have provision to capture the date of bottling of beer and the batch number of carton boxes of IMFL/beer. Due to these design deficiencies, the following discrepancies were noticed:

- The system was not able to assess the position of stock of expired beer at various depots of the Company. It infact sold out expired beer amounting Rs. 20.21 lakh to the retailers during the period 2006-08.
- The system was not able to capture the quantity of active/inactive stock.
- The system could not charge/adjust the demurrage amounts from the payments to be made to the manufacturers, though as per proviso of Rule 11 of the LSP, the Company was to pay to the manufacturers only for the stocks sold after deducting the demurrage charges, interest *etc.*
- The Company allowed three manufacturers[1] to withdraw their stock of IMFL worth Rs. 63.81 lakh during 2006-07 but failed to recover demurrage charges as the same could not be ascertained.
- It could not be ascertained whether the stock was issued at the depot level correctly on first-in-first-out (FIFO) basis as per the policy of the Company.

While accepting all the facts the Management stated (September 2008) that there was no provision to insert batch number/date of manufacturing in the software. The assessment of the active/inactive stock was being done on the basis of inward of the goods at the depot.

[1] Ranger Breweries Limited, Herbertson Limited and Shaw Wallace Distilleries.

Mapping of business rules

2.4.10 Validity of Order for supply (OFS)

The LSP stipulated that the manufacturer should complete the delivery of items within a validity date indicated in the OFS and in case of his inability to supply the quantity within the validity period, the OFS shall lapse automatically. Further, as per provisions of the LSP, the Company could extend the validity period by charging the prescribed fee. The Company allowed delivery period for supply of IMFL/beer up to 10, 15 and 21 days to manufacturers (distillers/brewers) situated in Rajasthan, Punjab and Southern remote states respectively.

It was observed that a check with reference to the validity period was not built into the system where users could enter any number of days for the validity period. Non-mapping of the business rules with reference to validity period led to deficient control of the supply from manufacturers as per the OFS *i.e.* beyond the validity period without any extension fee. It was further noticed that charging of fee in case of extension of validity period was also not made a part of the software. In case of 55 orders for supply (OsFS) during the period of 2006-08, the initial validity period was allowed for more than 21 days without any extended validity.

While accepting the fact the Management stated (September 2008) that charging of fee against validity extension was not a part of the software. It, however, stated that in no case the extended validity was allowed at the initial stage. The reply was not convincing as in 55 OsFS, the validity period was allowed up to 30 days at the initial stage itself.

2.4.11 Sale of IMFL/Wine in loose bottles

The Company issued instructions to the depot managers (May 2006) that all brands of wine and costly brands of whisky and other IMFL costing Rs. 800 per quart[2] or more could be sold in loose bottles. The cheaper brands of IMFL and all brands of beer were to be sold in Case Bags (CBs) only. The condition was relaxed to the extent that in case of damages/short filled bottles, the same could be sold in loose bottles.

Audit, however, noticed that adequate provision has not been made in the system to identify the IMFL/wine costing less than Rs. 800 per quart. Further, no validation check was available in the system to avoid generation of invoice of items in case these were sold in loose bottles even though their prices were less than Rs. 800 per quart and sufficient stock was available with the depot.

In reply (September 2008) the Management while accepting the absence of such check in the system stated that there was no necessity for putting such check as the policy could change from time to time. The reply was not acceptable as non-mapping of the business rule with reference to costly brands of whisky and other IMFL may lead to ineffective organisational control.

2 Quart- bottle having liquor quantity of 750 ml.

2.4.12 Credit sales

As per policy of the Company, the retailer was required to deposit the amount in any of the recognised banks through challan and produce a copy of the challan at depot for purchase of IMFL/beer from the depots of the Company. Further, the system also provided that the amount of invoice for sale of IMFL/beer should not exceed the credit balance of that retailer.

Analysis of data, however, revealed that during the audit period, 24,398 (2006-07) and 20,358 (2007-08) instances of credit sales worth Rs. 29.67 crore and Rs. 19.17 crore were permitted through system. Further analysis revealed that at the end of the year 2006-07, Rs. 27.19 lakh was outstanding against 210 of the above retailers.

Thus non-mapping of the business rules for credit sales led to generation of invoice without reference to the credit balance of the retailer.

In reply, the Management stated (September 2008) that some retailers forged the amount in challans and lifted the material. The fact remained that the system accepted the sales in excess of the credit balance of the retailer.

Application controls

2.4.13 Input control and validation checks

To ensure correctness and completeness of the data it is necessary to ensure appropriate input control and data validation. The following shortcomings were noticed in audit regarding input control and data validation.

2.4.14 The Company got printed the bank challan slips of each of its three banks[3] for each financial year with unique alpha-numeric challan number of seven digits including the bank code. Audit, however, noticed the following discrepancies:

- The system did not have appropriate input controls to identify the alpha-numeric characters of the challan numbers and also to ensure the complete code was entered. In respect of 3,942 records, the module had accepted entry of challan numbers even though the first letter of challan number denoting the bank name was missing and/or the challan number was having less than seven digits.

- The system also accepted the entries of the same challan number more than once. 1,943 and 8 numbers of duplicate challans were noticed in the same year during 2006-07 and 2007-08 respectively. In 6,158 cases the system accepted same challan numbers in 2007-08, which were already entered in the year 2006-07.

- In 2006-07, one retailer deposited Rs. 30,000 in UCO Bank, Jaipur and

[3] Punjab National Bank, Bank of India and UCO Bank.

using the same challan, fraudulently, he took delivery from two depots *viz.* Jaipur (Sikar road) and Jaipur (Ajmer road) of the Company. Further analysis revealed that two retailers had taken the delivery from two different depots (Ajmer depot and Ajmer Makhanpura depot) against the same challan number on different dates (5 May 2006 and 14 June 2006) whereas the amount was found credited only once in the Company's account. Similarly in the year 2007-08, two retailers of Jalore depot had taken the delivery of stock worth Rs. 96,000 on two different dates against the same challan without depositing any amount.

Thus, lack of inadequate input control and validation check in the system led to acceptance of fraudulent transactions.

In reply, the Management stated (September 2008) that in the financial year 2005-06 challan slips used were unnumbered and the same were in use in financial year 2006-07 also with jumbled numbers. Thus there was no check on restricting duplicate challans during that period. The reply was not acceptable as the system was accepting the entries of the same challan number more than once and did not have appropriate input controls to identifying the alpha-numeric characters of the challan numbers.

2.4.15 As per Section 206-C of the Income Tax Act, 1961, tax collected at source (TCS) at the time of sale of liquor from depots is required to be deposited on 7th of each month furnishing Permanent Account Number (PAN) of the retailers. The Company issued (May 2007) instructions to the depot managers to ensure compliance of these provisions.

Audit, however, noticed that the PAN was not being entered into the system. Further, the system has no validation check and generated the invoices for sale even in absence of PAN of the retailers.

In reply, the Management stated (September 2008) that the system had proper provision for recording the PAN of licensees. The reply was not acceptable as the system was generating the invoices for sale even in absence of PAN of the retailers as a result of inadequate input control.

2.4.16 Absence of permit number

Excise Department of Government of Rajasthan had allotted a licence (permit number) to each retailer of wine shop for each financial year. The permit numbers were, however, not being entered into the system. Audit noticed that the invoices were generated without entering permit numbers in respect of 2,61,342 records in the year 2006-07 and 3,22,945 records in 2007-08. Thus possibility of sale of the IMFL/beer to unauthorised retailers could not be ruled out.

In reply, the Management stated (September 2008) that the Company's software includes only licensees approved by the Excise Department; hence, there was no possibility of sale of the IMFL/beer to unauthorised retailers. The reply was not acceptable as the assertion of the Company was not sufficient in view of absence of the adequate input control and invoices were being generated even without entering permit numbers.

2.4.17 The date of material inward slip[4] (MIS) and other dates like date of OsFS and lorry receipt date were not validated in the system. The following discrepancies were noticed:

- 15 and 3 instances in the years 2006-07 and 2007-08 respectively were noticed wherein the OsFS dates and receipt dates of stock at depots were the same, which indicated that the OsFS were issued after arrival of stock at the depots.

- During the year 2006-07, 29 instances were noticed where the material at the depots was shown as received even before the date of issue of OsFS. In some cases the delay was more than one month. Similar instance was also noticed in the year 2007-08 in Udaipur depot.

- In 69 material inward slips (MIS) in the year 2006-07 and 53 MIS in 2007-08 the date of arrival of vehicles was subsequent to the date of preparing the MIS.

The Management accepted (September 2008) the fact that there was no validation check on the date field.

2.4.18 As per the Rajasthan Excise Rules, 1956 every manufacturer of country liquor, IMFL and beer shall have to obtain approval of the labels (irrespective of size *i.e.* quart, pint or nip) of their brands intended to be manufactured or sold in Rajasthan every year from the Excise Commissioner. Audit noticed that the date of invoice was, however, not validated with reference to the date of approval of brand. Thus, in the year 2007-08, 11,797 invoices of 79 brands for sale of liquor/beer were generated from different depots of the Company before approval of these brands by the Excise Department.

In reply, the Management stated (September 2008) that to clear the available stock with the depots, sale invoices were issued notably for those suppliers to whom some amounts of demurrage charges *etc.* relating to earlier years were outstanding. The fact remained that the system did not have any provision to validate the brand approval date while generating the invoice for sale of stock.

2.4.19 There was unique number coding for OFS (issued at HO level) and MIS and invoice for stock sold (at depot level). The system, however, accepted the same numbers which had once been entered for the OFS, for the MIS and for the invoice for stock sold and thus the following discrepancies of duplicate records were noticed:

- There were 68 records of duplicate OsFS numbers during 2006-07.

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4 As per procedure the material inward slip (MIS) is prepared on the date of arrival of a lorry load at a depot, after verification of documents and unloading of the goods.

- In the year 2006-07, two records had the same MIS serial number in Nagour depot.

- In the year 2006-07, 26 invoices were issued on different dates with the same invoice numbers.

Thus, absence of input control and validation checks led to presence of inconsistent and incorrect data in the system.

In reply, the Management stated (September 2008) that in some of the depots, documents like MIS and invoices were not created 'on line' at initial stage of implementation of the software due to poor internet connectivity with them. Thus, while entering the MIS with 'Manual' option the same MIS serial numbers were used in Nagaur depot. It was further stated that the brands of both the MISs were properly incorporated into the stock of the depot. The reply was not acceptable in view of the fact that no validation check was incorporated in the system to avoid such discrepancies.

Other issues

2.4.20 The following discrepancies were also noticed in the modules:

- The excise fee at the rate of Rs. 4 per bulk litre was to be collected on IMFL and Indian made beer. It was noticed that in respect of 31 records pertaining to 16 depots and one record pertaining to Jaipur-Ajmer road depot in the year 2006-07 and 2007-08 respectively, the excise fee was not indicated in the data.

- Scrutiny of the closing stock of IMFL/beer revealed that the closing balances of 214 items in the year 2006-07 were more (ranged between 2 and 3,551 case bags) than the physical quantity available in the depots of the Company. Accordingly, the balances physically available with the depots were entered in the database in the next financial year.

- There was a parallel system in the Company with regards to maintenance of accounts. Audit noticed that the amounts payable to or receivable from suppliers as depicted in the balance sheet were different than the balances shown in the database. Allowance of parallel system indicated that the Company did not rely on its database.

Conclusion

Any computerisation effort has to be supplemented by adequate controls to ensure appropriate system design, mapping of business rules correctly and confidentiality, integrity and reliability of data. The computerisation of the commercial activities of the Company, started in March 2006, was not complete as two important modules *viz.* Bank Reconciliation Module

and Payment Module were not made functional. Database was unreliable due to deficient system design, incomplete data capture from manual records, deficient input controls and validation checks. The system, thus, was deficient and posed the risk of fraudulent manipulations, loss of revenue and incorrectness in the accounts of the Company. The Company, thus, did not completely rely on the system and maintained a parallel system. This defeated the objectives of the computerisation in the Company.

Recommendations

The Company:

- **Should develop and maintain complete documentation of various stages of development like User Requirement Specifications, System Requirement Specifications, User manual *etc*.**
- **Should make suitable modifications in the system design to capture the stock of expired beer and inactive stock.**
- **Should aim for incorporating all its rules and policies into the system like OFS validity, cash sales *etc*.**
- **Should build in the input controls and validation checks into the system like validation between dates, to prevent duplicate entries and to ensure complete and correct data entries; and**
- **Should formulate a clear and comprehensive IT policy.**

CHAPTER III

Performance Audit relating to Statutory Corporation

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Performance Audit relating to Statutory Corporation

Rajasthan State Road Transport Corporation

3. Performance audit on passenger amenities

Highlights

Considering the importance of providing basic passenger amenities to over 10 lakh passengers travelling by the Roadways buses everyday, due priority was not given by the management for adoption of any standards for this work and putting a monitoring mechanism in place.

(Paragraph 3.7.2)

Actual capital expenditure on creation of infrastructure for passenger amenities was dismal and ranged between 0.07 to 0.22 *per cent* of the total operating revenue per year.

(Paragraph 3.7.3)

There was no policy on waste management and all kinds of garbage was being collected in the same dustbins without being segregated as biodegradable and non-biodegradable in violation of extant rules.

(Paragraph 3.8.1)

Passenger amenities such as toilets and urinals, arrangement for drinking water, seating facilities in waiting halls at bus stands were not at all commensurate with the number of passengers using them and were very poorly maintained. This was further aggravated by the management's failure to prevent unauthorized vendors entering the premises.

(Paragraphs 3.9.1 to 3.9.5)

Provision of required amenities at earmarked *dhabas* such as availability of clean toilets, tap water and eatables of reasonable quality at fair prices, was deficient. Inadequate monitoring by the management on this account resulted in dissatisfaction amongst the passengers.

(Paragraph 3.11)

Measures adopted to create user awareness on existing amenities at bus stands and inside buses were completely inadequate. User perception was also not harnessed to bring about improvement in the system.

(Paragraphs 3.12.1 to 3.12.2)

Management apathy towards safety measures such as fitness of drivers and provision of first-aid box in buses amounted to compromising with the safety of passengers.

(Paragraphs 3.13.1 to 3.13.3)

Introduction

3.1 Rajasthan State Road Transport Corporation (Roadways) was established (1 October 1964) to provide an efficient, safe and comfortable passenger transport service in the State. The Roadways operates 4,551 buses on stage carriage basis from 67 bus stands on 2,715 routes and handled an average of 10.89 lakh passengers per day in the year 2006-07. The bus stands have been categorized into three groups based on population and geographical area. The Roadways is expected to provide adequate passenger amenities at bus stands and in buses. The passenger amenities as prescribed by the Roadways for various categories of bus stands are as given in **Annexure 19**.

3.2 The management of the Roadways is vested in a Board including a Chairman and a Managing Director. Managing Director is the Chief Executive of the Roadways who is assisted by Executive Director (Engineering) in respect of passenger amenities in buses and Executive Director (Administration) for amenities at bus stands.

Scope of audit

3.3 The present review covered cleanliness in buses/bus stands besides provision and maintenance of passenger amenities by the Roadways during the period from 2003-04 to 2007-08. As the Roadways has been running into losses since 1997-98, the appraisal has been restricted to examination of basic amenities only, such as availability of clean toilets/urinals, provision of clean and safe drinking water, cleanliness in buses/bus stands *etc*. Audit findings are based on examination of records at head office and joint inspections carried out with the Roadways authorities at selected 17[*] (25 *per cent*) bus stands of three categories and 70 buses. The review was conducted during December 2007 to April 2008. The selection of bus stands was based on stratified random sampling method.

A survey questionnaire was also prepared in consultation with the Roadways management and views of randomly selected passengers (300 respondents) at 17 selected bus stands were obtained, to assess passenger perception on various aspects of cleanliness and other amenities provided by the Roadways.

[*] Jaipur, Ajmer, Alwar, Dausa, Dholpur, Pali, Sikar, Abu Road, Chaksu, Chauhtan, Kishangarh, Nasirabad, Phalodi, Sanderao, Sardarshahar, Shahpura and Sirohi Road.

Audit objectives

3.4 Performance audit on passenger amenities was carried out with a view to assess whether:

- adequate plans and policies were framed to provide passenger amenities as per norms;
- measures undertaken by the Roadways for cleanliness and provision of passenger amenities at bus stands and in buses were effective; and
- a suitable mechanism existed for prompt redressal of passenger grievances.

Audit criteria

3.5 The performance of the Roadways was assessed against:

- provisions of the Road Transport Corporations Act, 1950, Motor Vehicles Act, 1988 and the Rajasthan Motor Vehicle Rules (RMVR), 1990; and
- policy and norms prescribed by the Roadways for passenger amenities.

Audit methodologies

3.6 The following mix of methodology was adopted:

- review of agenda and minutes of Board meetings as also the annual budget papers with regard to passenger amenities;
- joint inspection with the Roadways authorities at selected bus stands and buses to capture actual conditions of passenger amenities;
- administration of survey questionnaire on randomly selected passengers (300 respondents) to elicit passenger perception on various aspects of passenger amenities and their views on level of maintenance; and
- review of records relating to passenger complaints and action taken thereon.

Audit findings

3.7 Following audit findings were discussed (July 2008) in the meeting of the Audit Review Committee for Public Sector Enterprises (ARCPSE) where the State Government was represented by the Commissioner and Secretary, Transport Department and the Roadways by the Financial Advisor and the Executive Directors.

3.7.1 Plan and policies

There was no separate manual for defining the quality and quantum of passenger amenities such as waste management, user awareness and user perception *etc.*

The Roadways issued instructions on various issues relating to cleanliness and passenger amenities from time to time. There was, however, no separate manual for defining the quality and quantum of passenger amenities to be provided by the Roadways. The Personnel and Administrative (*Karmik & Prashashnik*) manual merely defined the duties of different officers of the property-amenities wing regarding the supervision of works related with passenger amenities and did not comprehensively cover different issues such as waste management, user awareness, user perception *etc.*

Citizens Charter brought out by the Roadways also did not prescribe any norms regarding the quantum or quality of amenities, apart from standard of cleanliness to be maintained at the bus stands and in buses. The amenities were, therefore, provided on an ad-hoc basis *i.e.* on the requirements received from depot managers from time to time based on passenger complaints or their own assessment.

3.7.2 Inadequacy of standards, action plan and norms on passenger amenities

Maintaining a clean and hygienic environment and providing basic amenities to the passengers at the bus stands and in buses by the Roadways is imperative as over 10 lakh passengers travel by the Roadways buses every day. Considering the number of passengers, it was required that standards of cleanliness and norms for various amenities were set in advance by the Roadways along with a comprehensive action plan for its implementation. It was, however, observed that:

The Roadways did not have any monitoring mechanism to ascertain the status of passenger amenities at bus stand and in buses. Further, no long term plan had been prepared either for cleanliness or passenger amenities.

- The Roadways had not adopted any standards or performance indicators (*i.e.* the expected quality of the outcome) for any cleanliness/amenities related activity carried out at bus stands and in buses against which the actual performance could be judged. The Roadways also did not have any monitoring mechanism in place to ascertain the status of passenger amenities at various bus stands and in buses.

- No long term action plan had been prepared by the Roadways either for cleanliness or for passenger amenities and emphasis was laid on short term campaigns or occasional drives instead of having a regular sustained plan for provision or augmentation of passenger amenities and their maintenance.

Thus amenities and cleanliness related activities were largely viewed as low priority areas.

The Government stated (July 2008) that orders had been issued (October 2007) to the Managers and the Chief Managers to assess the position of amenities. The General Manager was also required to conduct inspection of the amenities on a monthly basis. The reply was not convincing as the order issued by the Roadways was of a routine nature and the Roadways had not developed any norms or long term/short term plans for providing passenger amenities.

3.7.3 *Insufficient expenditure on passenger amenities*

Capital expenditure on construction of infrastructure relating to passenger amenities such as bus stand buildings, platforms, booking offices, waiting halls/sheds, seating arrangements, water supply *etc.* is booked as fixed assets under the head "Passenger amenities". The capital budget and actual amount of capital expenditure on passenger amenities alongwith the total operating revenue for the period of five years up to 2007-08 is as given below:

(Amount: Rs. in lakh)

Year	Budget amount for capital expenditure	Actual capital expenditure	Total operating revenue	Percentage of (3) to (2)	Percentage of (3) to (4)
1	2	3	4	5	6
2003-04	104	50.28	70,110.89	48.35	0.07
2004-05	200	164.31	74,986.91	82.15	0.22
2005-06	145.30	144.79	85,140.35	99.65	0.17
2006-07	134	105.57	94,434.30	78.78	0.11
2007-08	88	72.69	97,508.87	82.60	0.07

In absence of any policy relating to expenditure on passenger amenities, the ratio of actual capital expenditure to total operating revenue was dismal during five years upto 2007-08.

As evident, the Roadways did not incur capital expenditure on providing passenger amenities as planned in the budgets during the four years out of the five years up to 2007-08. Despite allocation of a nominal amount as compared to total operating revenue, the budget amount was drastically reduced by 34.33 *per cent* in 2007-08. In absence of any policy relating to expenditure on passenger amenities with reference to total operating revenue, the ratio of actual capital expenditure on passenger amenities to total operating revenue during the five years up to 2007-08 was dismal and ranged between 0.07 and 0.22 *per cent* only. This was a major reason for inadequate infrastructure creation and provision of amenities as discussed in subsequent paragraphs.

Audit also observed that the revenue expenditure on maintenance of passenger amenities was booked under the common head of repair and maintenance of roads, buildings, walls, pipelines, drainage *etc.* The Roadways, thus, did not have a mechanism either to assess or to monitor the extent of expenditure incurred on maintenance of passenger amenities.

The Government stated (July 2008) that low expenditure on passenger amenities was due to poor financial position and cash flow of the Roadways. Further, the expenditure incurred by the depots on maintenance of amenities was not included in the above figures. Thus the reply only confirmed the audit observation of low expenditure on passenger amenities. Further, the details of expenditure incurred by the depots on passenger amenities were not available with the Roadways.

Bus stands - cleanliness and amenities

3.8 Cleanliness at bus stands

Cleanliness at bus stands includes maintaining cleanliness in the circulating area outside the building and on platform, in the concourse, waiting room, toilets, drains and sewage system inside the stand premises, in addition to the provision of a proper waste management system.

The bus stands were either maintained departmentally through *safaiwalas* or through outsourced agencies. A review of cleanliness related activities revealed deficiencies in the waste disposal mechanism, inadequate provision of passenger amenities such as toilets and urinals, drinking water, dustbins as brought out in the succeeding paragraphs.

3.8.1 Waste management

The Roadways generate large quantities of waste at bus stands and in buses consisting of packaging waste (both paper and plastic) and food waste *etc*. An effective waste management system includes assessment of the quantity and kind of garbage generated, provision of infrastructural facilities, arrangements for collection of waste, its segregation and disposal. This essentially provides the basis for assessing the infrastructure required for collection and disposal of waste. The Roadways, however, did not have any mechanism to assess the quantum of garbage generated at bus stands and its surroundings.

Further, as per the Municipal Solid Wastes (Management and Handling) Rules, 2000, solid waste generated should be segregated as biodegradable and non-biodegradable by providing separate dustbins for garbage collection. With increasing use of various kinds of packaging material, including plastic for food items, segregation becomes all the more important. Inspection of selected bus stands revealed that all kinds of garbage, whether recyclable or non-recyclable were collected in common dustbins and disposed off without its segregation as biodegradable and non-biodegradable, in violation of extant rules.

The Government stated (July 2008) that the arrangements for segregation of waste could be done in future, but it would be successful only after awareness among passengers and their co-operation. It was seen that suitable steps were not taken by the Roadways to educate the passengers on this subject.

3.8.2 Drainage and Sewerage

Due to non-provision and inadequate maintenance of drains and sewerage lines, the drains meant to clear waste water were health hazards in themselves.

Maintenance of a drainage and sewerage system to ensure easy and free flowing waste water is vital for ensuring that the environment is hygienic and in a sanitized condition. It was, however, seen that no drainage system was available at Dausa, Chaksu, Chauhtan, Sanderao, Shahpura and Sirohi Road bus stands. Further, bleaching powder[@] was not sprayed over drains and surroundings for disinfection at 35 *per cent* of the selected bus stands. Thus due to non provision and inadequate maintenance of drains and sewerage lines, the drains meant to clear waste water were health hazards in themselves.

Drainage at Chaksu

3.8.3 Non-provision of dustbins

As dustbins are the primary garbage collection points, it is necessary that adequate numbers of dustbins are provided at suitable locations so that passengers could use them conveniently. It was, however, seen that no dustbins were provided at 35 *per cent* of the selected bus stands (Dausa, Chaksu, Chauhtan, Nasirabad, Shahpura and Sirohi Road). Thus non-provision of dustbins rendered the process of garbage collection ineffective from its point of origin.

3.8.4 Inadequacy of cleaning staff

There were no norms for providing *safaiwalas* at bus stands and manpower for the bus stands was fixed on an ad-hoc basis. At 59 *per cent* of the selected bus stands, service of only one sweeper was provided for cleaning of entire bus stand which was inadequate considering the daily movement of 63 to 292 buses from these bus stands.

3.8.5 Public Notices

For maintaining cleanliness at the bus stands, it is necessary to display suitable instructions for passengers. No such instructions were, however, found displayed at 88 *per cent* of the selected bus stands.

The Government stated (July 2008) that detailed instructions had already been issued to the depots for providing dustbins and maintaining proper cleanliness at the bus stands.

3.9 Amenities at bus stands

3.9.1 Waiting hall/shed and seating arrangements

As per prescribed instructions, every bus stand should have a waiting

[@] a white powder consisting chiefly of calcium hydroxide, calcium chloride and calcium hypochlorite and used as a bleach, disinfectant or deodorant.

hall/shed with proper seating arrangements along with light and fan facility. The instructions were, however, deficient as norms were not fixed regarding the area of the waiting shed, number of seats and fan/light facility to be provided for a particular category of bus stand.

Joint inspection of selected bus stands revealed that:

- At 24 *per cent* of the selected bus stands (Dausa, Nasirabad, Shahpura and Sirohi Road), the area of waiting shed was insufficient to accommodate the waiting passengers. Further, the condition of one bus stand (Nasirabad) was extremely poor because of leakage in the roof and damaged floor.

- Seating arrangements were inadequate at four bus stands (Dausa, Nasirabad, Shahpura and Sirohi Road) as compared to the passenger load. For example, at Dausa bus stand, only 32 seats were provided against a daily movement of 8,000 passengers.

- The seats were uncomfortable as cement or stone benches were provided at 53 *per cent* of the selected bus stands (Dausa, Alwar, Dholpur, Chaksu, Chouhtan, Sanderao, Kishangarh, Sardarshahar and Sirohi Road). Besides, at 35 *per cent* of the selected bus stands (Dausa, Dholpur, Pali, Chaksu, Nasirabad and Sirohi Road) the seats were found broken.

Seats at Dausa and Chaksu

Inadequate provision of waiting halls/sheds with inadequate/sub standard seating arrangements led to crowding of passengers at platform and in the bus movement area.

- There was no provision for light at two bus stands (Shahpura and Sirohi Road) and fans at five bus stands (Dausa, Nasirabad, Chaksu, Sanderao and Kishangarh). Further, light and fan arrangements in the waiting shed/hall in Alwar were inadequate keeping in view the passenger load.

- Considering three levels of cleanliness (Good, Average and Poor) as decided by the joint inspection team, the level of cleanliness in waiting shed/hall at 65 *per cent* of the selected bus stands was found to be average or poor.

Thus, inadequate provision of waiting halls/ sheds with inadequate/sub-standard seating arrangements led to crowding of passengers at the platform and in the bus movement area which hampered cleaning of premises and passenger safety.

Waiting hall at Chauhtan

3.9.2 Facilities of toilets/urinals

As per **Annexure 19**, toilets and urinals (separately for men and women) were to be provided at all the bus stands. The norms/number of toilets and urinals, however, at each bus stand according to its category or number of buses/passenger movement was not prescribed. Joint inspection of the selected bus stands revealed that:

- at 53 *per cent* of the selected bus stands, toilet facilities were insufficient in view of the passenger load and area of bus stands as only one to two toilets were provided for daily movement of an average of 2,074 passengers.

- no toilet facility was available at two bus stands (Shahpura and Sirohi Road). Further, separate toilets for men and women were also not provided at two bus stands (Chaksu and Chauhtan).

Non-availability of adequate number of toilets and urinals or their unusable condition led to open defecation, creating unclean and unhygienic conditions at and around the bus stand premises.

- at 71 *per cent* of the selected bus stands (Dausa, Dholpur, Pali, Sikar, Chaksu, Chauhtan, Kishangarh, Phalodi, Sanderao, Sardarshahar, Shahpura and Sirohi Road), there was no water supply in toilets making the amenity unusable. This was also confirmed by 57 *per cent* respondents who opined that the toilets were soiled and that water supply and soap were not available in the toilet.

Toilet at Jaipur

- western style toilets were not provided for convenience of disabled passengers at 15 of the 17 selected bus stands (except Jaipur and Ajmer).

- the cleaning of toilets at 71 *per cent* of the selected bus stands was extremely poor and unhygienic with stagnation of waste and suffocating odour.

Urinals at Sikar

Thus non-availability of adequate number of toilets and urinals or their unusable condition led to open defecation, creating unclean and unhygienic conditions in and around the bus stand premises.

3.9.3 Drinking water

Drinking water is a basic amenity which needs to be provided to the passengers at all bus stands. Joint inspection of the selected bus stands revealed that:

- at 24 *per cent* of the selected bus stands (Chauhtan, Sirohi Road, Dausa and Kishangarh) drinking water was provided through a single tap, which was inadequate, keeping in view the daily operation of 46, 105, 200 and 292 buses respectively.

Water tap at Chauhtan

- the area surrounding the water taps was unclean and unhygienic at two bus stands (Dausa and Chauhtan) making the amenity unfit for use.

Inadequate drinking water supply aggravated by dirty and unhygienic surroundings not only made the amenity unfit for use, but also added to the unclean environment at the bus stands.

- water coolers were not provided at 41 *per cent* of the selected bus stands (Dausa, Dholpur, Chaksu, Chauhtan, Nasirabad, Shahpura and Sirohi Road) for providing cold water to passengers during summer season.

- the source of drinking water at 47 *per cent* of the selected bus stands (Jaipur, Alwar, Dausa, Pali, Sikar, Abu Road, Kishangarh and Sanderao) was bore well. No bio-chemical testing of water of these bore wells was ever carried out to assess whether the water was safe for human consumption.

- the drinking water was stored in storage tanks which were not cleaned/sanitized regularly and the periodicity of inspection and cleaning ranged between 6 to 12 months at four bus stands (Jaipur, Alwar, Sikar and Phalodi).

The audit observations are further supported by the fact that 59 *per cent* respondents commented adversely on quality of water and cleanliness around water taps. Inadequate drinking water supply aggravated by dirty and unhygienic surroundings not only made the amenity unfit for use, but also added to the unclean environment at the bus stands.

The Government stated (July 2008) that provision of adequate passenger amenities of waiting hall, toilet/urinal and drinking water was dependent on the financial position of the Roadways and financial assistance from the Government. Further, instructions were already issued to depots for proper maintenance and cleanliness. The reply thus did not address the concerns expressed above adequately.

3.9.4 Display of time table and fare list/provision of enquiry booths

In order to give complete information to passengers regarding the arrival and departure of buses and chargeable fare, the Roadways prescribed for proper display of time table and fare list near the booking window at each bus stand. The Roadways also prescribed a separate enquiry booth equipped with public address system for announcement of arrival and departure of buses at each bus stand.

Joint inspection of the selected bus stands revealed that

- time table and fare lists were either not displayed or displayed with incomplete information at 59 *per cent* of the selected bus stands[π].
- separate enquiry booths as well as public address system were not provided at 41 *per cent* of the selected bus stands[α].

Improper display of time table, fare list and absence of enquiry booth deprived the passengers of essential information.

Thus, improper display of time table, fare list and absence of enquiry booth not only deprived the passengers of essential information for undertaking bus journeys but also led to congestion of passengers at the ticket window which hampered the ticket issuing activity. The same complaint was reiterated by 43 *per cent* respondents who confirmed that public announcements were not being made at the bus stands.

The Government stated (July 2008) that instructions had been issued to the depots for proper display of time table and fare list. The fact remained that the Roadways did not monitor the compliance of its instructions.

3.9.5 Presence of unauthorized vendors/hawkers

Presence of unauthorized vendors/ hawkers and urchins in bus stands hampers cleanliness related activities apart from placing a strain on already stretched resources. Inspection of the selected bus stands revealed presence of unauthorized vendors/hawkers and stray cattle at 10 bus stands as there was no control mechanism to check their entry.

Unauthorised vendor at Dausa

The Government accepted (July 2008) the presence of unauthorized vendors/hawkers and stated that the vendors/hawkers were removed from time to time.

Cleanliness and passenger amenities in buses

3.10 Cleanliness in buses

Cleaning of buses is done in the workshop of the originating depot. As per rules, the driver of the bus is responsible for maintaining the vehicle in a clean and sanitized condition. Joint inspection of the selected buses revealed that:

- the level of cleanliness inside 87 *per cent* of the selected buses was average or poor. The floors of buses were found littered with food and plastic waste *etc.* There was no provision for cleaning en-route as a result of which the passengers were forced to travel in dirty buses over

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π Jaipur, Alwar, Dausa, Dholpur, Chaksu, Chauhtan, Phalodi, Sanderao, Shahpura and Sirohi Road.

α Chaksu, Chauhtan, Kishangarh, Nasirabad, Sanderao, Shahpura and Sirohi Road.

long durations.

- Ten *per cent* of the selected buses were not clean from outside.
- suitable instructions to passengers for maintenance of cleanliness were not displayed in the bus.

3.10.1 Maintenance of buses

The following position emerged in respect of maintenance of buses as a result of joint inspection of 70** buses:

- The seats of the buses should be of a prescribed standard (Rule 7.14 of RMVR 1990). Audit, however, noticed that in 29 *per cent* of the selected buses the seats were in torn and shabby condition.

Torn seats in bus

- Seat numbers in 27 *per cent* of the selected buses were not provided causing inconvenience to the passengers.
- The doors and windows of the bus should be intact to provide protection to passengers from weather. In 6 *per cent* of the selected buses the window glasses were broken and doors were not functioning properly. Further, the emergency gate was not provided in 34 *per cent* of the selected buses. Thus, the passengers were deprived of comfort and safety while performing journey.
- Every bus should have a luggage carrier with waterproof cover and a piece of rope (Rule 7.24 of RMVR 1990). It was seen that 96 *per cent* Blueline buses$ did not have any waterproof luggage cover.

3.10.2 Amenities in buses

As provided in Rajasthan Motor Vehicle Rules, 1990, passenger amenities in buses mainly include safe and comfortable motor cab and seats, availability of complaint book and first aid box and good behaviour of the conductor with passengers.

3.10.3 Reservation of seats for women and disabled passengers

The Roadways reserved 33 *per cent* seats in a bus for women passengers and two seats for disabled passengers. It was, however, noticed that in 47 *per cent* of the selected buses, the fact of reservation for these passengers on the seats was not displayed. Due to lack of awareness, the intended facility could, perhaps, not be utilized fully by the persons concerned.

** Blueline buses-46, Starline buses-16, AC buses-3, Deluxe buses-3, City Transport Service bus-1 and Silverline bus-1.

$ 44 out of 46 test checked Blueline buses.

3.10.4 It was also seen that in 29 *per cent* of the selected buses the passengers were allowed by the driver/conductors to keep their luggage in the passage, blocking the entry and exit of other passengers and causing risk and inconvenience.

3.10.5 Eighteen *per cent* respondents stated that the conductor had not ensured a smoke free environment in the bus.

3.10.6 Complaint and suggestion book

As per the rules, the driver and conductor were required to carry a complaint book during journey period and make it available to passengers whenever demanded. It was, however, noticed that the complaint book was not available in 73 *per cent* of the selected buses. Further, the contact numbers of higher authorities of the Roadways were to be displayed in the buses. This was not done in 20 *per cent* of the selected buses. Thus, non availability of complaint book and contact number of authorities deprived the passengers of the opportunity to register their complaints.

In reply, the Government stated (July 2008) that instructions were issued to the depots from time to time for proper provision and maintenance of the amenities in the buses. The fact remained that the Roadways did not ensure a foolproof system of surprise checks to monitor the compliance of its instructions.

Passenger amenities at *dhabas*

3.11 For providing refreshment to passengers travelling in non stop buses (having no stoppage upto 100-125 kms.) the Roadways decided (February 2001) to approve Hotels/*Dhabas* en-route where buses could stop. The Hotels/*Dhabas* were to be approved by the depot concerned after inviting open tenders and considering, *inter alia,* the availability of:

- separate toilets for men and women
- free drinking water
- adequate seating arrangement for passengers
- telephone facility
- availability of eatables of reasonable quality at fair prices

The Roadways approved (15 February 2008) 16 *dhabas* on various routes. Joint inspection of 5 such *dhabas*[#] revealed that:

Balaji Bhojanalaya, Balajimod; Vijay Laxmi Midway (*Dhaba*) & Rath Midway, Neemrana and Jagdamba Hotel & Ashoka Hotel, Behror.

- at one *dhaba*[***] there was no toilet or urinal while toilet at another *dhaba*[$$] was in an unusable condition because of choking and there was no water supply in urinals and toilets in any of the *dhabas*.
- the source of drinking water at all the *dhabas* was bore well which was not tested for assessment of potability of water; four *dhabas* did not provide drinking water from taps.


Water tap at Balajimod Dhaba

- all these *dhabas* were charging prices higher than the displayed prices. Despite a number of complaints, the Roadways, had not taken effective measures to check such malpractice.

The above findings were supported by 44 *per cent* passengers who were dissatisfied with the water and toilet facility at *dhabas* whereas 63 *per cent* respondents were not satisfied with the quality and price of food items at *dhabas*.

In reply the Government stated (July 2008) that the Roadways verified all the facilities available at the *dhaba* before entering into an agreement with any *dhaba*. It was further stated that action on passenger complaints was taken by the Roadways. However, reply of the Roadways was at a variance with the findings of the joint inspection conducted by the audit team and the authorities of the Roadways.

User awareness

3.12 Maintenance of a clean and hygienic environment at bus stands and inside buses on a sustainable basis requires active support and co-operation of passengers. Continuous interaction with the users with an effort to understand their needs and perspective as well as educating them is one of the most effective means of improving the standards of cleanliness and maintenance of amenities. During the inspection, it was revealed that measures adopted to create user awareness were inadequate and user perception was not being harnessed to bring about improvements in the system as brought out below:

3.12.1 Measures for creating user awareness

Generating suitable user awareness required, *inter alia*, that a list of facilities or amenities available at bus stands and inside buses be displayed and the users also be educated on their role in maintaining them well. The Roadways, however, exhibited a poor record in this regard since:

- a list of amenities provided was not displayed at any of the selected

[***] Balaji Bhojanalaya
[$$] Vijay Laxmi *Dhaba*

17 bus stands. Suitable sign boards indicating the location of toilets, drinking water sources, dustbins *etc*. were not available at 53 *per cent* of the selected bus stands.

- availability of complaint/suggestion books was not displayed at 88 *per cent* of the selected bus stands.
- there was no provision of penalty for abuse of facilities on defaulting users or even a suitable system of keeping vigil over them.

3.12.2 Mechanism for obtaining user perception

For obtaining user feedback, the Roadways had prescribed maintenance of complaint/suggestion book at bus stands and in buses. The Roadways also prescribed displaying the telephone numbers of designated officers in the buses. Complaints/suggestions noted by the passengers in the book were to be handed over to the concerned depot for taking corrective action. Complaints/suggestions received by the head office were to be dealt by Executive Manager (Complaints).

Scrutiny of records of the selected bus stands revealed that complaint and suggestion book was not found available with the booking clerk or duty officer at two bus stands (Shahpura and Sirohi Road). At the remaining 15 selected bus stands, the fact of availability of complaint book with duty officer was not displayed, which deprived the passengers of the knowledge that such a facility existed for registration of their grievances.

There was no effective system for monitoring of complaints made by passengers.

No consolidated records of complaints received, nature of complaints, date of disposal *etc*. were maintained at depot level. Thus there was no system for monitoring of complaints made by passengers. Complaints received in head office were entered in a register and forwarded to the concerned depot for necessary action. Their disposal was, however, not monitored by obtaining the action taken report from the concerned depots. As a result, 610 complaints (out of 1,427) remained pending during 2003-07 of which 243 complaints were more than two years old. Thus the system of redressal of passengers' complaints was altogether ineffective.

The Government stated (July 2008) that effective action was being taken on complaints received by the Roadways and instructions were issued (June 2008) for disposal of pending complaints and maintenance of proper records of complaints.

Safety measures

3.13.1 Fitness test of drivers

The Accident Manual of the Roadways provided that eyes of all the drivers would be checked twice a year. Audit, however, observed that the Roadways was carrying out the medical fitness test and eye checkup of only those drivers who were more than 50 years old. Further, the information of 48 depots for the period 2004-07 revealed that such tests were not conducted on a regular basis. As a result, in 5 depots no test was conducted during the review period, whereas in 8 depots it was conducted only once. In another 14 depots it was conducted only twice and in 14 depots thrice in four years. Absence of regular eye checkup and physical fitness test of the drivers as required indicates that the Roadways was not serious about the safety of passengers.

The Government stated (July 2008) that the Roadways had issued orders (February 2002, March 2005 and December 2007) for conducting medical examination of the drivers. Reply of the Government indicated that the orders were not followed in true spirit which resulted in failure in carrying out the periodical medical fitness test and eye checkup of the drivers, thus jeopardising the safety aspect of passengers.

3.13.2 First-aid box

As per rules, every public bus should carry a first-aid box with it (Rule 7.12 of RMVR 1990). First-aid box was, however, not found available in 87 *per cent* of the selected buses. Further, the fact of availability of first-aid box was displayed in 22 buses but the same was not found available in the buses. Thus the Roadways exposed the passengers to unwarranted risk in case of emergency.

3.13.3 Stepney and tool box

Stepney and tool box is required in every bus to ensure completion of journey in time (Rule 7.34 of RMVR 1990). Thirty one per *cent* of the selected buses, however, did not have the stepney and tool box during journey time.

Conclusion

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

Recommendations

The Roadways need to:

- **evolve standards for each cleanliness related activity and passenger amenity and devise an action plan to achieve these standards**
- **reassess the financial requirements for cleanliness and passenger amenities and specifically provide for them in the budget**
- **frame a policy on waste management in compliance with existing regulations so that proper collection and disposal of garbage can be ensured**
- **provide and maintain adequate passenger amenities commensurate with the load of passenger traffic handled at the bus stands**
- **ensure cleanliness inside buses by monitoring user abuse and proper maintenance of seats, windows and doors, and**
- **understand user perception and utilise findings to improve the system.**

CHAPTER IV

Transaction Audit Observations

Chapter IV

4. Transaction Audit Observations

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

Government Companies

Rajasthan Rajya Vidyut Prasaran Nigam Limited

4.1 Award of work at higher cost without getting intended benefits

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

Rajasthan Rajya Vidyut Prasaran Nigam Limited (Company) invited (January 2006) tenders for erection of six* 132 KV transmission lines on turnkey basis. It also invited, simultaneously, tenders for erection of nine transmission lines including these six lines on labour contract basis, to avoid delay, in case there was no bidder for execution of work on turnkey basis or processing and finalization of such tenders did not materialize for any reason. Against these tenders, three offers on turnkey basis and five offers on labour contract basis were received. An analysis of the rates revealed that the lowest rate of Rs. 19.78 crore offered by Bajaj Elecricals Limited (L_1Firm) after negotiation, on turnkey basis was higher by Rs. 2.92 crore as compared to prevailing cost of material and the erection cost under the labour contract tender. Besides, the scheduled completion period was longer by two months as compared to that of the labour contract tender. Despite this, the Company, without considering the time and cost benefits of labour rate contract decided to award the work of six lines on turnkey basis and accordingly, orders were placed (August 2006) in favour of the L_1 Firm with scheduled completion by June 2007. The work of remaining three# lines was awarded (July 2006) on labour rate contract basis with scheduled completion by February 2007.

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

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

Scrutiny of records (November 2007) of the Company relating to the turnkey works revealed that the only contractual safeguard against delay in the execution of work was a routine condition to recover penalty (up to 5 *per cent*) instead of any specific clause for recovering adequate compensation, commensurate with extra expenditure. The progress on all the six turnkey works was dismal. Against scheduled completion by June 2007, the L_1 firm could not even complete the survey work of four lines by end of January 2008 and for the remaining two lines the work of stub setting and tower erection was in progress whereas the works awarded under labour contract tender were completed within the scheduled completion period except marginal delay in one line.

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

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

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

4.2 *Loss of interest*

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

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

Different clauses of these agreements stipulated an obligation of the Company regarding payment of principal and interest on due dates which *inter-alia* contained a condition that all warrants/drafts/cheques for interest and/or principal payment should be despatched seven days prior to the due date to bondholders. The Company opened a separate escrow account for each bond issue and funds were transferred from time to time in the respective escrow accounts prior to due dates of re-payment of principal/interest. Further, to earn interest during the intervening period, the funds of escrow accounts were simultaneously kept in flexi fixed short term deposits (FFD) with the concerned bank for different periods ending seven days prior to the due date of payment. Demand drafts were prepared by encashing the FFD and sent to the bondholders seven days prior to due dates of payment of interest/repayment of principal including the interest up to the due date.

Audit noticed that the Company did not adopt the method of payment through post dated cheques/warrants available as per agreement or core banking facilities[1] whereby funds could be transferred on the same day in the account of the recipient, but continued to make payment by way of traditional method of demand drafts dated seven days before due date which prevented the Company from earning of interest on FFD for a period of seven days resulting in a loss of interest of Rs. 1.11 crore calculated at the interest earning rates on FFD as detailed below:-

(Rupees in crore)

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

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

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

4.3 Loss of interest

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

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

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

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

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

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

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

Rajasthan Rajya Vidyut Utpadan Nigam Limited

4.4 Loss due to mixed use of grinding balls

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

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

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

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

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

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

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

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

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

Jaipur Vidyut Vitran Nigam Limited

4.5 *Undue benefit to consumer*

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

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

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

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

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

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

4.6 *Loss due to purchase of sub-standard transformers*

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

The Jaipur Vidyut Vitran Nigam Ltd (Company) on behalf of all the three Distribution companies[1] invited (between October 2001 and August 2005) four open tenders[2] for supply of 5 MVA and 3.15 MVA power transformers under the World Bank financing schemes. The bidders were required to quote prices along with the guaranteed 'maximum no load losses[3]' and 'load losses[4]'. The prices quoted by the bidders were evaluated after loading the quoted quantum of losses, at the rate of Rs. 2,01,400 and Rs. 87,000 per KW for no load losses and load losses respectively. These rates were worked out on the basis of capitalization of the transformer losses during the life of a transformer. In order to ensure that the losses were kept within the guaranteed maximum limit, a provision for recovery of penalty at double the rate of loading (Rs. 4,02,800 per KW for no load loss and Rs. 1,74,000 per KW for load loss) was kept in the purchase orders in case the losses exceed the guaranteed maximum losses. Based on this evaluation, purchase orders were placed (between May 2002 and April 2006) on seven firms for supply of total 798 Nos. transformers (386 Nos. of 3.15 MVA and 412 Nos. of 5 MVA) at a total cost of Rs. 99.69 crore.

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

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

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

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

4 Loss of energy during supply.

\# Santhala Power Research Corporation Limited, Hubli.

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

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

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

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

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

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

4.7 Undue benefit to the consumer

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

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

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

On being pointed out, the Government stated (July 2008) that clause 40 of the TCOS was exclusively for shifting of the connection and the service lines of the consumers and not for shifting of the other overhead lines passing through the premises of a person and catering/feeding supply to different areas. It further stated that the consumer had agreed to provide its land free of cost for laying underground cable.

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

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

Ajmer Vidyut Vitran Nigam Limited

4.8 Avoidable extra expenditure

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

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

Scrutiny (November 2007) of records of the Company revealed that the Company invited (May 2006) another tender (TN-337) for purchase of transformers having same specification as in TN-315. The technical bids of this tender were opened on 17 June 2006 as scheduled. Meanwhile the Company decided (16 October, 2006) to purchase transformers with meter box having provision for four meters as well. Accordingly, the bidders were asked (December 2006) to quote price bids of transformers having provision for four meters by 2 January 2007. Both the price bids were, however, ultimately opened on 30 April 2007. After evaluation of price bids, orders for purchasing transformers with meter box having provision for two meters were placed (June 2007 and July 2007) at the rate of Rs. 46,700 per transformer with price variation with base date of 1 May 2006. The updated unit price of transformers having provision of two meters was Rs. 51,669 per transformer under the TN-315.

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

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

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

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

Jodhpur Vidyut Vitran Nigam Limited

4.9 Extra expenditure

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

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

As per clause 1.42.10 of the General Conditions of Contract (GCC), if any previous successful tenderer had also participated in a new tender enquiry and accepted the lower rate in the subsequent tender, then pending supplies against previous tender were to be taken at lower rate as received in the subsequent tender in case delivery schedule was not over.

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

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

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

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

4.10 Undue benefit to consumer

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

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

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

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

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

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

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

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

4.11 Embezzlement in collection of energy charges

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

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

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

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

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

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

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

4.12 Extra expenditure

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

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

Mahashakti Conductors Private Limited (firm) quoted the lowest rates for both the circles with a premium of 31.25 *per cent* and 32.25 *per cent* above G[1] schedule. The firm was called for negotiation (February 2006) wherein it expressed its inability to reduce the rates. The Company issued (February 2006) a letter of intent (LOI) to the firm on the quoted rates with completion period of 12 months as against 15 months mentioned in the tender document. This was done on the basis of the verbal direction given to the firm during negotiation but without obtaining its final acceptance. Audit observed that the firm in its letter (February 2006) reiterated the acceptance of quoted rates and completion schedule as per the tender offer.

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

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

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

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

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

Rajasthan State Mines and Minerals Limited

4.13 *Extra expenditure due to non-operation of short route*

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

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

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

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

4.14 *Extra expenditure*

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

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

The Company invited (December 2005) tenders calling for rates for each phase separately. The first phase work *i.e.* formation of road, was awarded (July 2006) to Praman Construction Pvt. Ltd. at a total cost of Rs. 1.03 crore which was 28 *per cent* above the 'G' Schedule (Rs. 80.50 lakh) based on the PWD BSR-1998.

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

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

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

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

4.15 Avoidable extra expenditure

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

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

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

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

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

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

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

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

Rajasthan Small Industries Corporation Limited

4.16 Avoidable loss of revenue

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

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

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

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

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

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

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

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

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

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

Rajasthan Tourism Development Corporation Limited

4.17 Loss of revenue

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

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

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

Scrutiny (December 2007) of records of the unit of the Company revealed that the period of license of two counters (Gift counter and Popcorn counter), given at monthly license fees of Rs. 81,191 and Rs. 40,616 respectively, was to expire on 31 March 2007. Before expiry of such period, the existing licensee of Popcorn counter requested (November 2006) for extension of license of the counter at monthly license fee of Rs. 48,739 for another three years. Similarly, the existing licensee of Gift counter also requested (March 2007) for extension of license of the counter for one more year at the same license fee. The head office, however, neither acted on the offers of these licensees nor invited fresh tenders for allotment even after reminders from the unit office. As a result, the counters remained vacant for 12 months and 15 months respectively after getting back the counters from these licensees and the Company could not earn revenue of Rs. 17.05[2] lakh as license fees for the period up to June 2008.

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

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

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

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

Statutory Corporation

Rajasthan State Road Transport Corporation

4.18 *Extra expenditure*

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

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

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

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

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

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

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

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

4.19 Loss of revenue

Laxity in publication of tender notice for operation of mini parcel services caused revenue loss of Rs. 31.25 lakh.

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

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

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

485 ETMs x Rs.850 per ETM = Rs.4.12 lakh.

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

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

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

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

General

Follow-up action on Audit Reports

4.20 Replies outstanding

The Report of the Comptroller and Auditor General of India represents the culmination of the process of audit scrutiny starting with initial inspection of accounts and records maintained in various offices and departments of the Government. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. Finance Department, Government of Rajasthan issued (July 2002) instructions to all Administrative Departments to submit replies, duly vetted by Audit, indicating the corrective/remedial action taken or proposed to be taken on paragraphs and reviews included in the Audit Reports within three months of their presentation to the Legislature.

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

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

4.21 Outstanding action taken notes

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

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

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

4.22 Response to Inspection Reports, Draft Paras and Performance Audit

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

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

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

Similarly, draft paragraphs and performance audit on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. All the performance audit have been discussed in the Audit Review Committee on Public Sector Enterprises. It was, however, observed that eight draft paragraphs forwarded to the various departments between July and September 2008, as detailed in **Annexure 21** had not been replied to so far (September 2008).

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

JAIPUR
The

(MEENAKSHI MISHRA)
Accountant General
(Commercial and Receipt Audit), Rajasthan

Countersigned

NEW DELHI
The

(VINOD RAI)
Comptroller and Auditor General of India

Annexures

Annexure-1

(Referred to in paragraphs 1.2, 1.5 and 1.16)

Statement showing particulars of up to date paid-up capital, budgetary outgo, loans given out of budget and loans outstanding as on 31 March 2008 in respect of Government Companies and Statutory Corporations

(Figures in Column 3(a) to 4(f) are Rupees in lakh)

Sl. No.	Sector and name of the Public Sector Undertaking	Paid Up Capital as at the end of the Current Year					Equity/loans received out of Budget during the year		Other loans received during the year	Loans* outstanding at the close of 2007-08			Debt equity ratio for 2007-08 (Previous Year) 4(f)/3(e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Government	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
A. Working Government Companies													
	AGRICULTURE AND ALLIED SECTORS												
1	Rajasthan Jal Vikas Nigam Limited	127.00	-	-	-	127.00	-	-	-	-	-	-	-
2	Rajasthan State Seeds Corporation Limited	633.00	103.93	-	21.20	758.13	-	-		-			
	Sector Wise Total	**760.00**	**103.93**		**21.20**	**885.13**	**-**	**-**		**-**			
	INDUSTRIES SECTOR												
3	Rajasthan State Industrial Development and Investment Corporation Limited	20820.25	-	-	-	20820.25 (100)	250.00	-	-	740.62	1839.64	2580.26	0.12:1 (0.15:1)
4	Rajasthan Small Industries Corporation Limited	514.39	27.00	-	5.01	546.40	-	-	-	115.66	-	115.66	0.21:1 (0.10:1)
	Sector Wise Total	**21334.64**	**27.00**		**5.01**	**21366.65 (100)**	**250.00**			**856.28**	**1839.64**	**2695.92**	-
	HANDLOOM AND HANDICRAFTS SECTOR												
5	Rajasthan State Handloom Development Corporation Limited	560.00	-	-	55.00	615.00	-	-	-	1619.18	86.06	1705.24	2.77:1 (2.63:1)
	Sector Wise Total	**560.00**	**-**	**-**	**55.00**	**615.00**	**-**	**-**	**-**	**1619.18**	**86.06**	**1705.24**	
	MINING SECTOR												
6	Rajasthan State Mines and Minerals Limited	7754.15	-	-	1.00	7755.15	-	-	-	-	2050.59	2050.59	0.26:1 (0.37:1)
7	Barmer Lignite Mining Company Limited (Subsidiary joint Company of Sr.A(6))			1020.00	980.00	2000.00	-		275.10	-	2597.75	2597.75	1.30:1
	Sector Wise Total	**7754.15**		**1020.00**	**981.00**	**9755.15**			**275.10**		**4648.34**	**4648.34**	

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
	CONSTRUCTION												
8	Rajasthan State Road Development and Construction Corporation Limited	1000.00	-	-	-	1000.00	-	-	-		2517.75	2517.75	2.52:1 (5.90:1)
9	Rajasthan Urban Infrastructure Finance and Development Corporation Limited	300.00	-	-	-	300.00		-	-	-	-	-	-
	Sector Wise Total	**1300.00**				**1300.00**					**2517.75**	**2517.75**	
	STATE EXCISE												
10	Rajasthan State Ganganagar Sugar Mills Limited	360.33	-	-	4.40	364.73	-	-	-	-	-	-	-
11	Rajasthan State Beverages Corporation Limited	200.00	-	-	-	200.00		-	-	-	-	-	-
	Sector Wise Total	**560.33**			**4.40**	**564.73**							
	TOURISM												
12	Rajasthan State Hotels Corporation Limited	162.22	-	-	-	162.22	16.00	-	-	10.00	-	10.00	0.06:1 (0.07:1)
13	Rajasthan Tourism Development Corporation Limited	1845.49	-	-	-	1845.49	-	-	-	-	1000.00	1000.00	0.54:1 (0.02:1)
	Sector Wise Total	**2007.71**				**2007.71**	**16.00**			**10.00**	**1000.00**	**1010.00**	
	POWER												
14	Rajasthan Renewable Energy Corporation Limited	1294.11	-	-	-	1294.11	-	-	-	-	9098.70	9098.70	7.03:1 (7.82:1)
15	Rajasthan Rajya Vidyut Utpadan Nigam Limited	311659.00	-	-	-	311659.00	65800.00	-	198849.51	13807.00	552525.43	566332.43	1.82:1 (1.35:1)
16	Rajasthan Rajya Vidyut Prasaran Nigam Limited	93900.00	-	-	-	93900.00	12500.00	-	49575.00	31349.00	247599.00	278948.00	2.97:1 (3.21:1)
17	Jaipur Vidyut Vitran Nigam Limited	47800.00	-	-	-	47800.00	8000.00	56353.44	48081.00	24147.50	234090.13	258237.63	5.40:1 (4.16:1)
18	Jodhpur Vidyut Vitran Nigam Limited	43800.00	-	-	-	43800.00	8000.00	4200.00	47639.38	41173.42	136723.02	177896.44	4.06:1 (3.88:1)
19	Ajmer Vidyut Vitran Nigam Limited	51550.00	-	-	-	51550.00	12000.00	6290.38	3000.00	47861.34	139148.85	187010.19	3.63:1 (3.22:1)
20	Chhabra Power Limited (Subsidiary of Sl. A (15))		-	5.00	-	5.00	-	-	-	-	-	-	-

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
21	Giral Lignite Power Limited (Subsidiary of Sl. A (15))		-	5.00	-	5.00	-	-	-	-	-	-	-
22	Dholpur Gas Power Limited (Subsidiary of Sl. A (15))		-	5.00	-	5.00	-	-	-	-	-	-	-
	Sector Wise Total	**550003.11**		**15.00**		**550018.11**	**106300.00**	**66843.82**	**347144.89**	**158338.26**	**1319185.13**	**1477523.39**	
	TRANSPORT AND CIVIL AVIATION												
23	Rajasthan Civil Aviation Corporation Limited	5.00	-	-	-	5.00	5.00	-	39.82	40.81	-	40.81	8.16:1
24	Jaipur City Transport Services Limited	15.00	-	-	-	15.00 (15.00)	-	-	-	-	-	-	-
25	Kota City Transport Services Limited	10.00	-	-	-	10.00	-	-	-	-	-	-	-
	Sector Wise Total	**30.00**	-	-	-	**30.00 (15.00)**	**5.00**	-	**39.82**	**40.81**	-	**40.81**	-
	Total-A Working Govt. Companies	**584309.94**	**130.93**	**1035.00**	**1066.61**	**586542.48 (115.00)**	**106571.00**	**66843.82**	**347459.81**	**160864.53**	**1329276.92**	**1490141.45**	
B. Working Statutory Corporations													
	TRANSPORT												
1	Rajasthan State Road Transport Corporation	19323.5	2682.75	-	-	22006.25	-	-	-	-	14920.96	14920.96	0.68:1 (0.74:1)
	Sector Wise Total	**19323.5**	**2682.75**	-	-	**22006.25**	-	-	-		**14920.96**	**14920.96**	
	FINANCING												
2	Rajasthan Financial Corporation	6370.60	-	-	2281.85	8652.45	500.00	-	-	3110.10	72215.38	75325.48	8.71:1 (8.97:1)
	Sector Wise Total	**6370.60**	-	-	**2281.85**	**8652.45**	**500.00**	-	-	**3110.10**	**72215.38**	**75325.48**	
	AGRICULTURE AND ALLIED												
3	Rajasthan State Warehousing Corporation	392.63	-	-	392.63	785.26	-	-	-	-	-		-
	Sector Wise Total	**392.63**	-	-	**392.63**	**785.26**	-	-	-	-	-		-
	Total-B Working Statutory Corporations	**26086.73**	**2682.75**	-	**2674.48**	**31443.96**	**500.00**	-		**3110.10**	**87136.34**	**90246.44**	
	Grand Total (A+B)	**610396.67**	**2813.68**	**1035.00**	**3741.09**	**617986.44 (115.00)**	**107071.00**	**66843.82**	**347459.81**	**163974.63**	**1416413.26**	**1580387.89**	

C. Non Working Government Companies													
	AGRICULTURE AND ALLIED SECTOR												
1	Rajasthan State Agro Industries Corp. Limited	600.73	-	-	-	600.73	-	-	-	39.42	200.00	239.42	0.40:1 (0.39:1)
2	Rajasthan State Dairy Development Corp. Limited	15.69	271.90	-	-	287.59	-	-	-	-	-	-	-
	Sector Wise Total	**616.42**	**271.90**			**888.32**				**39.42**	**200.00**	**239.42**	
	ENGINEERING SECTOR												
3	Hi-Tech Precision Glass Limited	7.60	-	-	0.05	7.65	-	-	-	11.08	-	11.08	1.45:1 (1.45:1)
	Sector Wise Total	**7.60**	-	-	**0.05**	**7.65**	-	-	-	**11.08**	-	**11.08**	
	ELECTRONIC SECTOR												
4	Rajasthan Electronics Limited (Subsidiary of Sl. A(3))	-	-	30.00	-	30.00	-	-	-	-	187.88	187.88	6.26:1 (6.26:1)
	Sector Wise Total	-	-	**30.00**	-	**30.00**	-	-	-	-	187.88	**187.88**	
	Total-C Non Working Government Companies	**624.02**	**271.90**	**30.00**	**0.05**	**925.97**				**50.50**	**387.88**	**438.38**	
	Grand Total (A+B+C)	**611020.69**	**3085.58**	**1065.00**	**3741.14**	**618912.41 (115.00)**	**107071.00**	**66843.82**	**347459.81**	**164025.13**	**1416801.14**	**1580826.27**	

* Loans outstanding at the close of 2007-08 represent long-term loans only.

Note:- 1. Figures are provisional and as given by the Companies/Corporations.

2. State Government investments in working PSU's was Rs. 7743.71 crore (Others Rs. 14240.03 crore). Figures as per finance account 2007-08 are Rs. 8341.22 crore. The difference is under reconciliation.

3. Figures in brackets in column no. 5 are for previous year.

4. Figures in brackets in column no. 3(e) represents share application money.

Annexure-2

(Referred to in paragraphs 1.6, 1.7, 1.8, 1.13, 1.19 and 1.20)

Summarised Financial Results of Government Companies and Statutory Corporations for the latest year for which accounts were finalised

(Figures in column 7 to 12 and 15 are Rupees in lakh)

Sl. No	Sector and Name of the Public Sector Undertaking	Name of Department	Date of Incorporation	Period of Accounts	Year in Which Accounts Finalised	Net Profit(+)/ Net Loss(-)	Net Impact of Audit Comments	Paid Up Capital	Accumulated Profit(+) /Loss(-)	Capital Employed	Total Return on capital employed	Percentage of total return on capital employed	Arrears of accounts in term of years	Turnover	Man-Power
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
A. Working Government Companies															
	AGRICULTURE AND ALLIED SECTOR														
1	Rajasthan Jal Vikas Nigam Limited	Ground Water Department	25 January 1984	2007-08	2008-09	(-)6.87	-	127.00	62.70	195.26	(-)6.87	-	-	419.63	36
2	Rajasthan State Seeds Corporation Limited	Agriculture	28 March 1978	2007-08	2008-09	814.05	Comments under finalisation	758.13	3293.89	4447.33	914.38	20.56	-	10245.70	240
	Sector Wise Total					**807.18**		**885.13**	**3356.59**	**4642.59**	**907.51**			**10665.33**	**276**
	INDUSTRIES SECTOR														
3	Rajasthan State Industrial Development & Investment Corporation Limited	Industries	28 March 1969	2007-08	2008-09	18157.58	Over statement of profit by Rs.8.71 crore	20820.25	14244.34	53515.92	18478.28	34.53	-	73700.70	NA
4	Rajasthan Small Industries Corporation Limited	Industries	3 June 1961	2007-08	2008-09	(-)51.25	-	546.40	(-)51.25	1487.79	(-)28.06	-	-	18807.48	302
	Sector Wise Total					**18106.33**		**21366.65**	**14193.09**	**55003.71**	**18450.22**			**92508.18**	**302**
	HANDLOOM AND HANDICRAFTS SECTOR														
5	Rajasthan State Handloom Development Corporation Limited	Industries	3 March 1984	2006-07	2007-08	(-)250.87	-	615	(-)4501.14	(-)2185.31	(-)51.21	-	1	858.04	NA
	Sector Wise Total					**(-)250.87**		**615**	**(-)4501.14**	**(-)2185.31**	**(-)51.21**			**858.04**	
	MINING SECTOR														
6	Rajasthan State Mines and Minerals Limited	Mines	07 May 1947 (Govt. Company since June 1973)	2007-08	2008-09	18344.54	Comments under finalisation	7755.15	46825.64	63502.76	18514.64	29.16	-	63641.22	1915
7	Barmer Lignite Mining Company Limited (Subsidiary joint Company of Sl.A(6))	Mines	19 January 2007	2007-08	2008-09	-	-	2000.00	-	4597.75	-	-	-	-	NA
	Sector Wise Total					**18344.54**		**9755.15**	**46825.64**	**68100.51**	**18514.64**			**63641.22**	**1915**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	CONSTRUCTION SECTOR														
8	Rajasthan State Road Development and Construction Corporation Limited	Construction	8 February 1979	2006-07	2007-08	82.20	-	1000	-	9204.09	311.90	3.39	1	2549.73	333
9	Rajasthan Urban Infrastructure Finance and Development Corporation Limited	Local self Government	1 December 2004	2006-07	2007-08	2.48	-	300	(-)0.92	290.71	2.48	0.85	1	9.28	NA
	Sector Wise Total					**84.68**		**1300**	**(-)0.92**	**9494.80**	**314.38**			**2559.01**	**333**
	STATE EXCISE SECTOR														
10	Rajasthan State Ganganagar Sugar Mills Ltd.	Finance	1 July 1956	2007-08	2008-09	196.52	-	364.73	0.60	1648.38	197.56	11.99	-	24771.04	NA
11	Rajasthan State Beverage Corporation Limited	Finance	24 February 2005	2007-08	2008-09	68.23	-	200	24.65	225.23	69.21	30.73	-	130272.38	NA
	Sector Wise Total					**264.75**		**564.73**	**25.25**	**1873.61**	**266.77**			**155043.42**	
	TOURISM SECTOR														
12	Rajasthan State Hotels Corporation Limited	Tourism	7 June 1965	2006-07	2007-08	10.48	-	146.22	(-)265.72	(-)10.24	15.98	-	1	235.54	81
13	Rajasthan Tourism Development Corporation Limited	Tourism	24 November 1978	2006-07	2007-08	82.76	Over statement of profit by Rs.11.85 crore	1845.49	(-)5.39	3745.78	85.25	2.28	1	4242.03	1215
	Sector Wise Total					**93.24**		**1991.71**	**(-)271.11**	**3735.54**	**101.23**			**4477.57**	**1296**
	POWER SECTOR														
14	Rajasthan Renewable Energy Corporation Ltd.	Energy	6 April 1995	2007-08	2008-09	1364.54	Comments under finalisation	1294.11	1733.32	14180.92	2387.29	16.83	-	2436.64	64
15	Rajasthan Rajya Vidyut Utpadan Nigam Ltd.	Energy	19 June 2000	2007-08	2008-09	-	NA*	311659.00	-	1012417.64	37423.68	3.70	-	387599.36	3298
16	Rajasthan Rajya Vidyut Prasaran Nigam Ltd.	Energy	19 June 2000	2007-08	2008-09	-	NA*	93900.00	-	455599.17	20313.25	4.46	-	87663.72	8392
17	Jaipur Vidyut Vitran Nigam Ltd.	Energy	19 June 2000	2007-08	2008-09	-	NA*	47800.00	-	632867.43	34080.43	5.39	-	320058.49	16964
18	Jodhpur Vidyut Vitran Nigam Ltd.	Energy	19 June 2000	2007-08	2008-09	-	NA*	43800.00	-	549404.51	31482.24	5.73	-	213926.16	10762
19	Ajmer Vidyut Vitran Nigam Ltd.	Energy	19 June 2000	2006-07	2007-08	-	NA*	39550.00	-	370416.65	24128.86	6.51	1	211189.29	12499
20	Chhabra Power Limited (Subsidiary of SI.A (15))	Energy	22 November 2006	2007-08	2008-09	-	-	5.00	-	2.55	-	-	-	-	NA
21	Giral Lignite Power Limited (Subsidiary of SI.A (15))	Energy	23 November 2006	2007-08	2008-09	-	-	5.00	-	2.56	-	-	-	-	NA
22	Dholpur Gas Power Limited (Subsidiary of SI.A (15))	Energy	22 November 2006	2007-08	2008-09	-	-	5.00	-	2.55	-	-	-	-	NA
	Sector Wise Total					**1364.54**		**538018.11**	**1733.32**	**3034893.98**	**149815.75**			**1222873.66**	**51979**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	TRANSPORT AND CIVIL AVIATION SECTOR														
23	Rajasthan Civil Aviation Corporation Limited	Tourism and Civil Aviation	20 December 2006	#	-	-	-	5.00	-	-	-	-	2	-	NA
24	Jaipur City Transport Services Limited	Local Self Government	6 February 2008	#	-	-	-	15.00	-	-	-	-	-	-	NA
25	Kota City Transport Services Limited	Local Self Government	22 December 2006	#	-	-	-	10.00	-	-	-	-	2	-	NA
	Sector Wise Total							**30.00**							
	Total-A Working Govt. Companies					**38814.39**		**574526.48**	**61360.72**	**3175559.43**	**188319.29**			**1552626.43**	**56101**
B. Working Statutory Corporations															
	TRANSPORT SECTOR														
1	Rajasthan State Road Transport Corporation	Transport	1 October 1964	2006-07	2007-08	(-)1914.05	Loss understated by Rs.3.43 crore	22006.25	(-)39470.40	(-)353.76	(-)311.61	-	1	97850.21	21798
	Sector Wise Total					**(-)1914.05**		**22006.25**	**(-)39470.40**	**(-)353.76**	**(-)311.61**	-		**97850.21**	**21798**
	FINANCING SECTOR														
2	Rajasthan Financial Corporation	Industries	17 January 1955	2007-08	2008-09	549.43	Comments under finalisation	8652.45	(-)5394.92	83625.29	7093.72	8.48	-	11695.30	864
	Sector Wise Total					**549.43**	-	**8652.45**	**(-)5394.92**	**83625.29**	**7093.72**			**11695.30**	**864**
	AGRICULTURE AND ALLIED SECTOR														
3	Rajasthan State Warehousing Corporation	Agriculture	30 December 1957	2007-08	2008-09	625.00	-	785.26	-	7087.25	625.05	8.82	-	2272.80	489
	Sector Wise Total					**625.00**	-	**785.26**	-	**7087.25**	**625.05**			**2272.80**	**489**
	Total-B Working Statutory Corporations					**(-)739.62**		**31443.96**	**(-)44865.32**	**90358.78**	**7407.16**			**111818.31**	**23151**
	Grand Total (A+B)					**38074.77**		**605970.44**	**16495.40**	**3265918.21**	**195726.45**			**1664444.74**	**79252**
C. Non Working Govt. Companies															
	AGRICULTURE AND ALLIED SECTOR														
1	Rajasthan State Agro Industries Corporation Ltd.	Agriculture	1 August 1969	2006-07	2008-09	(-)130.22	-	600.73	(-)4352.14	(-)2271.58	(-)9.20	-	1	-	NA
2	Rajasthan State Dairy Development Corp. Ltd.	Dairy	31 March 1975	2007-08	2008-09	(-)0.26	-	287.59	(-)19.63	267.95	(-)0.26	-	-	-	NA
	Sector Wise Total					**(-)130.48**		**888.32**	**(-)4371.77**	**(-)2003.63**	**(-)9.46**			-	-

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	ENGINEERING SECTOR														
3	Hi-Tech Precision Glass Ltd.	Finance	18 March 1963	2007-08	2008-09	0.02	-	7.65	(-)19.40	(-)0.47	0.98	-	-	-	NA
	Sector Wise Total					**0.02**	-	**7.65**	**(-)19.40**	**(-)0.47**	**0.98**				
	ELECTRONIC SECTOR														
4	Rajasthan Electronics Ltd.(Subsidiary of Sl. A(3))	Electronics	23 January 1985	2007-08	2008-09	(-)0.19	-	30.00	(-)305.85	(-)78.01	(-)0.19	-	-	-	NA
	Sector Wise Total					**(-)0.19**	-	**30.00**	**(-)305.85**	**(-)78.01**	**(-)0.19**	-		-	
	Total-C Non Working Government Companies					**(-)130.65**		**925.97**	**(-)4697.02**	**(-)2082.11**	**(-)8.67**				
	Grand Total (A+B+C)					**37944.12**		**606896.41**	**11798.38**	**3263836.10**	**195717.78**			1664444.74	**79252**

A. Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in case of finance Companies/Corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid-up-capital, free reserves, bonds, deposits and borrowings (including refinance).

* Not applicable as accounts of these Companies are prepared on no profit no loss basis as per financial restructuring plan.

First accounts have not been finalised.

Annexure-3

(Referred to in paragraph 1.5)

Statement showing subsidy received, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantees outstanding at the end of March 2008

(Figures in column 3(a) to 7 are Rupees in lakh)

Sl. No.	Name of the Public Sector Undertaking	Subsidy received during the year				Guarantees received during the year and outstanding at the end of the year					Waiver of dues during the year				Loans on which moratorium allowed	Loans Conve -rted into Equity during the Year
		Central Govt.	State Govt.	Others	Total	Cash credit from Banks	Loans from Other Sources	Letters of credit Opened by banks in respect of imports	Payment obligation under agreement with foreign consultant or contracts	Total	Loan Repayment written off	Interest Waived	Penal interest Waived	Total		
(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
A. Working Government Companies																
1	Rajasthan State Seeds Corporation Limited	222.57	2352.74	-	2575.31	-	-	-	-	-	-	-	-	-	-	-
2	Rajasthan State Industrial Development and Investment Corporation Limited	2117.26	220.00	-	2337.26	-	(1702.25)	-	-	(1702.25)	-	-	-	-	-	-
3	Rajasthan Small Industries Corporation Limited	3.75	121.78	-	125.53	-	-	-	-	-	-	-	-	-	-	-
4	Rajasthan Renewable Energy Corporation Limited	-	100.00	-	100.00	-	-	-	-	-	-	-	-	-	-	-
5	Rajasthan State Handloom Development Corporation Limited	-	59.99	-	59.99	-	-	-	-	-	-	-	-	-	-	-
6	Rajasthan Rajya Vidyut Utpadan Nigam Limited	-	0.93	-	0.93	-	143500.00 (406402.64)	-	-	143500.00 (406402.64)	-	-	-	-	-	-
7	Rajasthan Rajya Vidyut Prasaran Nigam Limited	-	373.77	-	373.77	-	294555.07 (275865.25)	-	-	294555.07 (275865.25)	-	-	-	-	-	-

(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
8	Jaipur Vidyut Vitran Nigam Limited	-	45275.84	-	45275.84	-	285438.74 (384482.38)	-	-	285438.74 (384482.38)	-	-	-	-	4000.00	-
9	Jodhpur Vidyut Vitran Nigam Limited	-	37484.44	-	37484.44	-	203121.66 (338990.74)	-	-	203121.66 (338990.74)	-	-	-	-	-	-
10	Ajmer Vidyut Vitran Nigam Limited	-	65702.10	-	65702.10	-	343915.47 (394122.50)	-	-	343915.47 (394122.50)	-	-	-	-	-	-
	Total – A	**2343.58**	**151691.59**	-	**154035.17**	-	**1270530.94 (1801565.76)**	-	-	**1270530.94 (1801565.76)**	-	-	-	-	**4000.00**	**0.00**
B. Working Statutory Corporations																
1	Rajasthan Financial Corporation	-	-	-	-	-	- (13817.50)	-	-	- (13817.50)	-	-	-	-	-	-
	Total B	0.00	0.00	0.00	0.00	0.00	- (13817.50)	0.00	0.00	- (13817.50)	0.00	0.00	0.00	0.00	0.00	0.00
	Grand Total (A+B)	**2343.58**	**151691.59**	-	**154035.17**	0.00	**1270530.94 (1815383.26)**	0.00	0.00	**1270530.94 (1815383.26)**	0.00	0.00	0.00	0.00	**4000.00**	0.00

Note 1. Figures in brackets indicate guarantees outstanding at the end of the year.
2. Figures are provisional and as given by the Companies.

Annexure-4
(Referred to in paragraph 1.7)
Statement showing financial position of Statutory Corporations

Sl. No.	Particulars	2005-06	2006-07	2007-08 (Provisional)
Working Statutory corporations				
			(Amount: Rupees in crore)	
1	**Rajasthan State Road Transport Corporation**			
A.	**Liabilities**			
	Capital (including capital loan and equity capital)	220.06	220.06	220.06
	Borrowings:			
	(Government)	-	-	-
	(Others)	173.44	163.67	149.21
	Funds*	4.89	4.99	5.03
	Trade dues and other current liabilities (including provisions)	295.45	301.26	299.89
	Total A	**693.84**	**689.98**	**674.19**
B.	**Assets**			
	Gross Block	472.23	492.51	480.92
	Less: Depreciation	241.82	267.89	285.65
	Net fixed assets	230.41	224.62	195.27
	Capital works-in-progress (including cost of chassis)	1.49	1.23	0.17
	Investment	0.32	6.55	0.49
	Current assets, loans and advances	86.06	62.88	60.13
	Accumulated losses	375.56	394.70	418.13
	Total B	**693.84**	**689.98**	**674.19**
C.	**Capital employed****	**30.01**	**(-)3.54**	**33.82**

* Excluding depreciation funds.

** Capital employed represents net fixed assets (including works-in-progress) plus working capital.

				(Amount: Rupees in crore)
Sl. No.	**Particulars**	**2005-06**	**2006-07**	**2007-08 (Provisional)**
2	**Rajasthan Financial Corporation**			
A.	**Liabilities**			
	Paid-up-capital	81.52	81.52	86.52
	Share application money	-	-	-
	Reserve fund and other reserves and surplus	51.15	54.65	58.70
	Borrowings:			
	(i) Bonds and debentures	210.53	157.18	138.18
	(ii) Fixed deposits	-	-	-
	(iii) Industrial Development Bank of India and Small Industries Development Bank of India	454.32	466.26	496.13
	(iv) Reserve Bank of India	-	-	-
	(v) Loan towards Share capital:			
	(a) State Government	13.95	13.95	13.95
	(b) Industrial Development Bank of India	9.60	9.60	9.60
	(vi) Others (including State Government)	64.65	104.17	95.41
	Other liabilities and provisions	209.58	219.55	234.90
	Total A	**1095.30**	**1106.88**	**1133.39**
B.	**Assets**			
	Cash and Bank balances	47.35	45.46	74.85
	Investment	0.06	1.06	1.06
	Loans and advances	906.50	929.61	929.83
	Net fixed assets	4.09	3.48	3.47
	Other assets	47.55	44.56	42.96
	Miscellaneous expenditure	89.75	82.71	81.22
	Total B	**1095.30**	**1106.88**	**1133.39**
C.	**Capital employed**[@]	**829.19**	**833.62**	**836.25**

[@] Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, loans in lieu of capital, seed money, debentures, reserves (other than those which have been funded specifically and backed by investment outside), bonds deposits and borrowings (including refinance). The free reserves and surplus have been reduced to the extent of debit balance of profit and loss account.

Sl. No.	Particulars	2005-06	2006-07	2007-08 (Provisional)
			(Amount: Rupees in crore)	
3	**Rajasthan State Warehousing Corporation**			
A.	**Liabilities**			
	Paid-up-capital	7.85	7.85	7.85
	Reserves and Surplus	85.43	95.01	60.45
	Borrowings:			
	(Government)	-	-	-
	(Others)	-	-	-
	Trade dues and other current liabilities (including provisions)	14.14	27.66	68.40
	Total A	**107.42**	**130.52**	**136.70**
B.	**Assets**			
	Gross Block	63.01	67.79	75.41
	Less: Depreciation	22.54	24.67	27.06
	Net fixed assets	40.47	43.12	48.35
	Capital works-in-progress	1.47	3.78	1.14
	Current assets, loans and advances	65.48	83.62	87.21
	Profit and loss account	-	-	-
	Total B	**107.42**	**130.52**	**136.70**
C.	**Capital employed**@	**93.28**	**108.83**	**70.87**

@ Capital employed represents net fixed assets (including works-in-progress) plus working capital (excluding provision for gratuity Rs. 96.70 lakh for 2007-08).

Annexure-5

(Referred to in paragraph 1.7)

Statement showing working results of Statutory Corporations

Working Statutory corporations				
				(Amount: Rupees in crore)
Sl. No.	**Particulars**	**2005-06**	**2006-07**	**2007-08 (Provisional)**
1	**Rajasthan State Road Transport Corporation**			
(1)	Operating:			
(a)	Revenue	851.40	944.34	975.09
(b)	Expenditure	904.26	996.81	1025.90
(c)	Surplus(+)/deficit(-)	(-)52.86	(-)52.47	(-)50.81
(2)	Non-operating:			
(a)	Revenue	25.35	34.16	27.04
(b)	Expenditure*	2.57	0.83	0.35
(c)	Surplus(+)/deficit(-)	22.78	33.33	26.69
(3)	Total:			
(a)	Revenue	876.75	978.50	1002.13
(b)	Expenditure	906.83	997.64	1025.55
(c)	Net Profit(+)/loss(-)	(-)30.08	(-)19.14	(-)23.42
(4)	Interest on Capital and loans	13.64	16.02	17.26
(5)	**Total return on capital employed**	**(-)16.43**	**(-)3.12**	**(-)6.16**

* In the accounts of RSRTC operating and non-operating expenditure is not shown separately. Hence only prior period adjustments have been shown under non-operating expenditure.

(Amount: Rupees in crore)				
Sl. No.	Particulars	2005-06	2006-07	2007-08 (Provisional)
2	**Rajasthan Financial Corporation**			
(1)	Income:			
(a)	Interest on loans	168.23	200.28	103.06
(b)	Other Income	8.36	10.08	8.23
	Total Income	**176.59**	**210.36**	**111.29**
(2)	Expenses:			
(a)	Interest on long term loans	70.44	70.22	65.34
(b)	Other expenses	94.7	128.90	34.36
	Total Expenditure	**165.14**	**199.12**	**99.70**
(3)	Profit before tax	11.45	11.24	11.59
(4)	Provision for tax	0.50	0.10	0.10
(5)	Other appropriations	0.6	0.6	6.00
(6)	Amount available for dividend[@]	10.35	10.54	5.49
(7)	Dividend	-	-	-
(8)	Total return on capital employed	81.29	80.75	70.94
(9)	Percentage of return on capital employed	9.80	9.69	8.48

@ Represents profit of current year available for dividend after considering the specific reserves and provisions for taxation.

				(Amount: Rupees in crore)
Sl. No.	Particulars	2005-06	2006-07	2007-08 (Provisional)
3	Rajasthan State Warehousing Corporation			
(1)	Income:			
(a)	Warehousing charges	45.24	43.87	22.73
(b)	Other income	3.19	4.32	4.92
	Total Income	**48.43**	**48.19**	**27.65**
(2)	Expenses:			
(a)	Establishment charges	8.78	14.28	14.54
(b)	Other expenses	11.94	11.58	6.59
	Total Expenditure	**20.72**	**25.86**	**21.13**
(3)	Profit(+)/loss(-) before tax (1-2)	27.71	22.33	6.52
(4)	Other appropriations	7.30	11.14	4.22
(5)	Amount available for dividend	2.75	1.96	0.79
(6)	Dividend for the year	2.75	1.96	0.79
(7)	Total return on capital employed	27.51	21.88	6.25
(8)	Percentage of return on capital employed	29.49	20.11	8.82

Annexure-6

(Referred to in paragraph 1.12)

Statement showing Operational Performance of Statutory Corporations

Working Statutory Corporations				
1. Rajasthan State Road Transport Corporation				
Sl. No.	Particulars	2005-06	2006-07	2007-08 (Provisional)
1	Average number of vehicles held	4373	4389	4306
2	Average number of vehicles on road	4207	4237	4135
3	Percentage of utilisation of vehicles	96	97	96
4	Number of employees	22369	21798	20961
5	Employee vehicle ratio	5.12:1	4.97:1	4.86:1
6	Number of routes operated at the end of the year	2780	2715	2537
7	Routes kilometres	515457	520463	504110
8	Kilometres operated (in lakh)			
(a)	Gross	5793.62	6029.68	6010.08
(b)	Effective	5629.74	5870.47	5842.44
(c)	Dead	163.88	159.21	167.64
9	Percentage of dead kilometres to gross kilometres	2.83	2.64	2.79
10	Average kilometres covered per bus per day	367	380	387
11	Average operating revenue per kilometre	1394	1507	1605
12	Average operating revenue per kilometre (paise) over previous year's income (*per cent*)	6.74	8.11	6.50
13	Average expenditure per kilometre (paise)	1492	1601	1712
14	Increase in operating expenditure per kilometre over previous year's expenditure (*per cent*)	4.40	7.31	6.93
15	Loss per kilometre (paise)	(-)0.98	(-)0.94	(-)1.07
16	Number of operating depots	48	49	48
17	Average number of break down per lakh kilometers	1	1	1
18	Average number of accidents per lakh kilometres	0.11	0.11	0.11
19	Passenger kilometres operated (in crore)	2079.71	2122.45	2165.49
20	Occupy ratio	67.40	70.10	72.00
21	Kilometres obtained per litre of:			
(a)	Diesel oil	5.09	5.00	4.97
(b)	Engine oil	3208	3496	3408

2. Rajasthan Financial Corporation							
						(Rupees in crore)	
Sl. No.	Particulars	2005-06		2006-07		2007-08	
		Number	Amount	Number	Amount	Number	Amount
1	Applications pending at the beginning of the year	23	21.45	53	54.23	63	105.65
2	Applications received	1404	667.30	1592	1308.75	1381	987.05
3	**Total**	**1427**	**688.75**	**1645**	**1362.98**	**1444**	**1092.70**
4	Applications sanctioned	771	344.27	729	368.44	856	438.21
5	Applications cancelled/ withdrawn/ rejected/reduced	603	290.25	853	888.89	533	538.54
6	Applications pending at the end of the year	53	54.23	63	105.65	55	115.95
7	Loans disbursed	647	265.94	723	261.53	726	266.92
8	Loans outstanding at the close of the year	-	906.50	-	929.61	-	929.83
9	Amount overdue for recovery at the close of the year						
	(a) Principal	-	44.82	-	33.15	-	31.63
	(b) Interest	-	155.63	-	143.39	-	138.68
	Total	**-**	**200.45**	**-**	**176.54**	**-**	**170.31**
10	Amount involved in recovery certificate cases	NA	NA	NA	NA		-
11	Percentage of default to total loans outstanding	-	12.81	-	NA		-

3. Rajasthan State Warehousing Corporation				
Sl. No.	Particulars	2005-06	2006-07	2007-08 (Provisional)
1	Number of stations covered	91	90	89
2	Storage capacity created up to the end of year (tonne in lakh)			
(a)	Owned	6.88	7.21	7.44
(b)	Hired	4.77	1.38	0.20
	Total	**11.65**	**8.59**	**7.64**
3	Average capacity utilised during the year (tonne in lakh)	11.66	11.64	7.92
4	Percentage of utilisation	102	93	62
5	Average revenue per metric tonne per year (Rupees)	409	443	560
6	Average expenses per metric tonne per year (Rupees)	175	238	428

Annexure-7
(Referred to in paragraph 1.27)
Statement showing comments/recommendations of Statutory Auditors on Internal Audit System

Sl. No.	Name of Company/Statutory Corporation	Recommendations/major comments by the Statutory Auditors on "Internal Audit" in the supplementary reports u/s 619(3) (a) of the Companies Act, 1956
A	**Government Companies**	
1	Rajasthan Jal Vikas Nigam Limited	The Company is not having any Internal Audit System.
2	Rajasthan State Seeds Corporation Limited	Internal Audit has been carried out by the independent firm of Chartered Accountants which commensurate with the size of the Company and nature of its business. However, it needs further improvement.
3	Rajasthan State Industrial Development and Investment Corporation Limited	The internal audit for infrastructure activity has been carried out by the outside agencies, however, the same is not functioning effectively in some units mainly due to non-adherence with the scope of reporting and non-compliance with the system/circulars/rules issued by the Company.
4	Rajasthan Small Industries Corporation Limited	The Company's Internal Audit system is grossly deficient looking to the size and nature of its business. No Internal Audit has been done during the year.
5	Rajasthan State Handloom Development Corporation Limited	No Internal Audit System existed during the year 2006-07.
6	Rajasthan State Mines and Mineral Limited	The Company has an Internal Audit system commensurate with its size and nature of its business. However, the system of Internal Audit needs to be strengthened in terms of its scope, timely completion and prompt remedial action.
7	Rajasthan State Road Development and Construction Corporation Limited	The Company's internal audit system is grossly deficient looking to the size and nature of its business. The scope of work given to Internal Auditor and its follow up needs to be strengthened.
8	Rajasthan State Ganganagar Sugar Mills Limited	The Company has an Internal Audit system commensurate with its size and nature of its business, however, it requires improvement particularly with regard to scope of area to be covered, frequency and submission of reports.
9	Rajasthan State Hotels Corporation Limited	The Internal Audit has been carried out by the outside agency after the close of the year. The present system of Internal Audit does not commensurate with the size and nature of the business of the Company.
10	Rajasthan Rajya Vidyut Utpadan Nigam Limited	The area of the Internal Audit System should be increased to make it more effective.
11	Rajasthan Rajya Vidyut Prasaran Nigam Limited	The Company has made arrangements regarding internal audit of most of its units but keeping in view the size and nature of its business, internal audit system of the Company still needs to be strengthened.
12	Jaipur Vidyut Vitran Nigam Limited	The Company has its own internal audit department for conducting Internal Audit. The Internal Audit System is not commensurate with the size of the Company and nature of its business and needs to be further strengthened.
13	Jodhpur Vidyut Vitran Nigam Limited	The Company has in-house Internal Audit Wing to carry out internal audit, however, Internal audit is not adequate/commensurate with the size of the Company and nature of its business.
B	**Statutory Corporations**	
1.	Rajasthan Financial Corporation	The Corporation is having a system of Internal Audit, however, the same needs further strengthening so as to be commensurate with the nature and size of the business and to be more effective.
2.	Rajasthan State Warehousing Corporation	Internal Audit System is not commensurate with the size of the business and nature of activity of the Corporation.

Annexure-8

(Referred to in paragraphs 1.6 and 1.19)

Statement showing investments made by State Government in PSUs accounts of which are in arrears

(Rs. in lakh)

S. No.	Name of PSU	Year upto which accounts finalised	Paid up capital as per latest accounts finalised	Investment made by State Government during the year 2007-08 for which accounts are in arrears			
				Equity	Loans	Subsidy	Others to be specified
Working Companies							
1.	Rajasthan State Handloom Development Corporation Limited	2006-07	615.00	-	39.07	59.99	
2.	Rajasthan State Hotels Corporation Limited	2006-07	146.22	16.00	-	-	
3.	Ajmer Vidyut Vitran Nigam Limited	2006-07	39550.00	12000.00	11830.91	65702.10	
4.	Rajasthan Civil Aviation Corporation Limited (Date of incorporation 20 December 2006)	Ist accounts have not been finalised	5.00	5.00			
5.	Kota City Transport Services Limited (Date of incorporation 22 December 2006)	- do -	10.00	10.00	-	-	
		Total	**40326.22**	**12031.00**	**11869.98**	**65762.09**	
Non-working Companies							
1.	Rajasthan State Agro Industries Corporation Limited	2006-07	600.73	-	6.02	-	-
		Total	**600.73**	**-**	**6.02**	**-**	**-**

ANNEXURE -9

(Referred to paragraphs 2.1.13 and 2.1.25)

STATEMENT SHOWING THE GOALS AND ACHIEVEMENTS OF ELECTRIFICATION OF VILLAGES, *DHANIS* AND RURAL HOUSE HOLDS

Particulars	As per census 2001	Electrified upto 31 March 2005 *i.e.* before commencement of RGGVY	Balance Electrification to be covered under RGGVY/other schemes (as on 1 April 2005)	Goals (*per cent*)	Planned to goal (*per cent*)	Sanctioned to planned (*per cent*)	Achievement to sanctioned (*per cent*)	Cumulative achievement to census 2001 as of March 2008 (*per cent*)	Sanctioned to balance electrification (*per cent*)
Villages*	14131	12171	1420@	1420 (100)	1420 (100)	363 (25.56)	363 (100)	12534 (88.70)	25.56
Dhanis*	27142	13339	13803	13803 (100)	2406 (17.43)	1706 (70.91)	961 (56.33)	14300 (52.69)	12.36
BPL RHHs*	923657	106829	816828	816828 (100)	816828 (100)	284901 (34.88)	99528 (34.93)	206357 (22.34)	34.88
APL RHHs	1748632	1062312	686320	686320 (100)	111197 (16.20)	88408 (79.51)	49803 (56.33)	1112115 (63.60)	12.88
TOTAL RHHs*	**2672289**	**1169141**	**1503148**	**1503148 (100)**	**928025 (61.74)**	**373309 (40.23)**	**149331 (40.00)**	**1318472 (49.34)**	**24.84**

* Villages/*dhanis* were to be electrified by March 2007 and Access of electricity to all RHHs to be provided by March 2009 as per RGGVY and REP.

@ Excluding 194 villages to be electrified by RREC and 346 villages were unpopulated.

Source: Records of Superintending Engineer (Plan), Ajmer Discom.

ANNEXURE -10
(Referred to paragraph 2.1.17)
STATEMENT SHOWING THE FUNDS POSITION OF AVVNL

(Rupees in crore)

Year	Loan amount		Capital grant/subsidy			Total amount	
	RGGVY	FRP	KJP	AREP	RGGVY	Loan	Subsidy
2003-04	--	--	0.46	--	--	--	0.46
2004-05	0.09*	--	1.94	0.85	--	0.09	2.79
2005-06	--	174.41	0.33	--	--	174.41	0.33
2006-07	2.84	49.37	--	--	48.91	52.21	48.91
2007-08	5.68	398.65	--	--	47.76	404.33	47.76
Total	**8.61**	**622.43**	**2.73**	**0.85**	**96.67**	**631.04**	**100.25**

* **Related to AREP**

Source: Records from Accounts/Finance wing of Ajmer Discom

ANNEXURE-11

(Referred to paragraph 2.1.40)

STATEMENT SHOWING THE EXTRA EXPENDITURE DUE TO NON-OBSERVATION OF REASONABILITY OF PRICES

(Amount in Rs.)

Sl No		Material cost / TN 102		Material cost / TN 104			Material cost / TN: 105			Material cost / TN: 107			Material cost / TN: 108		
						Difference			Difference			Difference			Difference
	Name of the item	Quantity	Ex-works Rate	Quantity	Ex-works	102-104	Quantity	Ex-works	105-104	Quantity	Ex-works	107-104	Quantity	Ex-works	108-104
1	2	3	4	5	6	7 (4-6x3)	8	9	10(9-6x8)	11	12	13(12-6x11)	14	15	16 (15-6x14)
1(a)	Pcc pole-9 mtrs	802	2510.81	1201	2289.20	177731.22	886	2292.90	3278.20	804	2454.80	133142.40	458	2410	55326.40
(b)	Pcc pole 8 mtrs	25341	1490.99	18062	1359.39	3334875.60	25817	1361.59	56797.40	15114	1457.72	1486159.62	10928	1431.12	783865.44
2	11kv top hamper	14428	152.53	11235	139.07	194200.88	5972	139.30	1373.56	7139	149.13	71818.34	3243	146.40	23771.19
	clamp	14428	49.60	11235	45.22	63194.64	5972	45.30	477.76	7139	48.49	23344.53	3243	47.61	7750.77
	Nuts & bolts	14428	17.09	11235	15.59	21642	5972	15.61	119.44	7139	16.71	7995.68	3243	16.40	2626.83
3	11kv pin insulator	14428	41.24	11235	37.61	52373.64	5972	37.66	298.60	9417	40.32	25520.07	3243	39.59	6421.14
	Pins	14428	80.38	11235	73.29	102294.52	5972	73.41	716.64	9417	78.58	49815.93	3243	77.16	12550.41
4	Disc Insulator	6060	275.86	4720	251.50	147621.60	2508	251.92	1053.36	3204	269.71	58344.84	1362	264.78	18087.36
	Hardware of T & C	6060	150.48	4720	137.19	80537.40	2508	137.41	551.76	3204	147.12	31815.72	1362	144.44	9874.50
5	LT-Pin insulator	14428	8.13	11235	7.41	10388.16	5972	7.42	59.72	6684	7.93	3475.68	3243	7.81	1297.20
	pins	14428	31.28	11235	28.52	39821.28	5972	28.58	358.32	6684	30.59	13835.88	3243	30.03	4896.93
6	Shackle insulators	6060	8.08	4720	7.36	4363.20	2508	7.36	0	2520	7.88	1310.40	1362	7.75	531.18
	Hardware of shackle insu	6060	47.80	4720	43.58	25573.20	2508	43.65	175.56	2520	46.73	7938	1362	45.87	3118.98
7	Stay set	21300	629.83	16012	574.24	1184067	17154	575.17	15953.22	11085	615.79	460581.75	7680	604.55	232780.80
	Guy insulator	21300	10.60	16012	9.66	20022	17154	9.68	343.08	11085	10.36	7759.50	7680	10.17	3916.80
	Stay wire	21300	296.71	16012	270.52	557847	17154	270.96	7547.76	11085	290.09	216933.45	7680	284.80	109670.40
	stay clamps	21300	85.01	16012	77.50	159963	17154	77.62	2058.48	11085	83.11	62186.85	7680	81.59	31411.20
	Nuts & bolts	21300	25.64	16012	23.39	47925	17154	23.42	514.62	11085	25.07	18622.80	7680	24.62	9446.40
8	ACSR Weasel Conductor	2100	21320.95	1636	19439.07	3951948	870	19522.80	72862.50	1000	20845.28	1406210	473	20464.90	485217.59

9	MS channel-structure	729	2201.85	1124	2007.50	141681.15	805	2010.75	2616.25	731	2152.73	106163.13	416	2113.44	44071.04
	Nuts & bolts	729	113.97	1124	103.91	7333.74	805	104.09	144.90	731	111.42	5489.81	416	109.41	2288
10	16 kva distribution transformer	729	33348.36	1124	31316.64	1481123.88	805	31367.20	40724.95	731	33582.06	1656022.02	416	32969.27	687494.08
11	11kv single phase switch fuse unit	729	5828.56	1124	5314.11	375034.05	805	5322.69	6906.90	731	5698.52	281003.71	416	5594.54	116658.88
12	XLPE Rabit conductor	10	65407.39	8	59794.81	56125.80	4.18	59891	402.0324	10	63948.18	41533.70	2.25	62781.26	6719.5125
13	PG Clamps	12120	67.05	9438	61.13	71750.40	5016	61.24	551.76	5040	65.56	22327.20	2724	64.36	8798.52
14	ABC-1c*25*25sqm	450	39333.83	302	35862.08	1562287.50	780.02	35920	45139.757	343	38456.31	889820.89	307	37754.57	580994.43
	suspension clamps	10350	280.11	6948	255.38	255955.50	17941	255.80	7535.22	7887	273.85	145672.89	7047	268.86	94993.56
	dead end clamps	4140	295.01	2316	268.96	107847	7177	269.39	3086.11	3155	288.43	61427.85	2819	283.15	40001.61
	LT insulation connector	4140	88.64	2316	80.83	32333.40	7177	80.96	933.01	3155	86.67	18425.20	2819	85.09	12008.94
	LT connectors	99056	67.05	222546	61.13	586411.52	62446	61.23	6244.60	47340	65.55	209242.80	39394	64.36	127242.62
15	Earthing set	729	1695.09	1124	1545.48	109065.69	805	1547.98	2012.50	731	1657.28	81725.80	416	1627.03	33924.80
	GI Wire	729	201.48	1124	183.70	12961.62	805	184	241.50	731	196.99	9714.99	416	193.39	4031.04
	Nuts & bolts	729	54.69	1124	49.87	3513.78	805	49.94	56.35	731	53.48	2638.91	416	52.50	1094.08
16	2c*2.5sqm almn. cable	1238	28491.41	2782	26046.58	3026699.54	936.69	26088.50	39266.045	711	27855.79	1286348.31	590	27347.47	767525.10
17	Energy meters	49528	499.01	111273	455.04	2177746.16	31223	455.77	22792.79	23670	487.97	779453.10	19697	479.06	473121.94
18	Angle	49528	317.14	111273	289.15	1386288.72	31223	289.62	14674.81	23670	310.08	495413.10	19697	304.41	300576.22
	Nuts & bolts	49528	39.90	111273	36.38	174338.56	31223	36.44	1873.38	23670	39.01	62252.10	19697	38.30	37818.24
19	Fabricated steel item	4.3	51135.47	8	46747.55	18868.056	3.43	46822.60	257.4901	20	49994.66	64942.20	1.50	49082.37	3502.23
20	MS nut bolts	1	56989.36	1.50	51959.23	5030.13	0.80	52046	69.416	1	55717.94	3758.71	0.50	54701.23	1371

21	11 kv earthing set	3030	565	2360	515.16	151015.20	1254	516	1053.36	1260	552.43	46960.20	681	542.35	18516.39
	GI Wire 8 SWG	3030	67.16	2360	61.23	17967.90	1254	61.34	137.94	1260	65.64	5556.60	681	64.47	2206.44
	Nuts & bolts	3030	18.23	2360	16.63	4848	1254	16.64	12.54	1260	17.83	1512	681	17.50	592.47
22	8 SWG GI WIre (4mm)	1040	5044.62	810	4599.36	463070.40	430.54	4606.80	3203.2176	433	4932.07	144063.43	234	4842.08	56796.48
23	LT cross arms-600 mm	14428	153.92	11235	140.33	196076.52	5972	140.56	1373.56	7975	150.49	81026	3243	147.74	24030.63
	clamo	14428	49.60	11235	45.22	63194.64	5972	45.30	477.76	7975	48.349	24953.775	3243	47.61	7750.77
	Nuts & bolts	14428	17.10	11235	15.59	21786.28	5972	15.62	179.16	7975	16.71	8932	3243	16.40	2626.83
24	11 kv bracket for dead end	802	919.38	1202	838.24	65074.28	886	839.60	1204.96	805	898.87	48807.15	458	882.47	20257.34
	Nuts & bolts	802	113.96	1202	103.91	8060.10	886	104.07	141.76	805	111.43	6053.60	458	109.38	2505.26
25	11kv bracket for T-OFF1*1.4m	505	459.68	394	419.12	20482.80	209	419.79	140.03	210	449.43	6365.10	114	441.24	2521.68
	Clamps	505	49.60	394	45.22	2211.90	209	45.30	16.72	210	48.49	686.70	114	47.61	272.46
	Nuts & bolts	505	17.10	394	15.59	762.55	209	15.61	4.18	210	16.71	235.20	114	16.40	92.34
26	Guard bracket-MS angle	1010	1067.71	786	973.47	95182.40	418	975.05	660.44	420	1043.89	29576.40	227	1024.84	11660.99
	clamp	1010	99.20	786	90.44	8847.60	418	90.59	62.70	420	96.98	2746.80	227	95.22	1085.06
	GI Wire	1010	343.04	786	312.76	30582.80	418	313.26	209	420	335.37	9496.20	227	329.26	3745.50
	Eye Bolts	1010	113.96	786	104.18	9877.80	418	104.34	66.88	420	111.43	3045	227	109.39	1182.67
	MS Nuts & bolts	1010	34.18	786	31.25	2959.30	418	31.30	20.90	420	33.42	911.40	227	32.82	356.39
	Total					**22930786.00**			**369034.86**			**10731115.42**			**5302997.10**
						Total of (7+10+13+16): Rs.39333933									

Source: Turnkey work orders and Letter of intents

ANNEXURE -12

(Referred to in paragraph 2.1.41)

STATEMENT SHOWING THE DETAILS OF NON LEVY OF PENALTY

(Rupees in crore)

Name of the District/ scheme	Name of the Contractor	TN/ Order Date	Work commencement Date	Schedule Completion Date	Value of contract	Value of work actually completed up to March 2008	Delayed period up to March 2008	Amount of penalty @ 5%
Jhunjhunu	M/sAngelique International Limited	108/28.06.06	04.09.06	04.09.07	12.76	7.58	27 weeks	0.64
Sikar	M/sAngelique International Limited	107/28.06.06	04.09.06	04.09.07	19.00	9.60	27 weeks	0.95
Ajmer	M/sAngelique International Limited	105/05.06.06	11.08.06	11.08.07	24.19	13.98	30 weeks	1.21
Rajsamand	M/s Kalpataru Power Transformers limited	102/02.06.06	08.08.06	08.08.07	32.75	19.63	30 weeks	1.64
Dungarpur	M/sAngelique International Limited	104/23.05.06	29.07.06	29.07.07	38.95	14.46	32 weeks	1.94
Total								**6.38**

Source: Turnkey work orders and records of Central Payment Cell of Ajmer Discom

Annexure–13

(Referred to in paragraph 2.2.9)

Statement showing circle wise position of complaints received, redressed within time and beyond time for the last three years ending March 2007

Year /Circle		Total complaints received	Complaints redressed within time	Percentage of complaints redressed within time to total complaints	Complaints redressed beyond time	Percentage of complaints redressed beyond time to total complaints	Pending complaints
2004-05	JCC	239915	231121	96.33	8438	3.52	356
	JPDC	24951	23589	94.54	1126	4.51	236
	Alwar	33547	33495	99.84	43	0.13	9
	Kota	43838	40860	93.21	2748	6.27	230
2005-06	JCC	211183	201635	95.48	5409	2.56	4139
	JPDC	23950	22970	95.91	883	3.69	97
	Alwar	31099	31095	99.99	0	0	4
	Kota	47690	41596	87.22	3060	6.42	3034
2006-07	JCC	19403	17714	91.30	1689	8.70	0
	JPDC	19863	19031	95.81	832	4.19	0
	Alwar	28387	28291	99.66	92	0.32	4
	Kota	NA	NA	NA	NA	NA	NA
Total		**723826**	**691397**		**24320**		**8109**

Source: Return submitted by circle offices.

Note: JCC: Jaipur City Circle
JPDC: Jaipur District Circle

Annexure-14

(Referred to in paragraph 2.2.13)

Statement showing circle wise position of number of stopped/defective meters more than two months and their percentage to total consumer for the last three years ending March 2007

Circle/Month		Total Consumers	Total stopped/ defective meters	Stopped/ defective meters more than 2 months	Percentage of stopped meters unreplaced for more than 2 months to total consumer	Stopped meters lying unreplaced for more than 12 months
JCC	April 2006	497310	4320	1408	0.28	45
	March 2007	527806	10569	6172	1.17	340
JPDC	April 2006	228450	22606	17143	7.50	3360
	March 2007	247176	38687	32481	13.14	11960
Alwar	April 2006	224085	24872	29131	13.00	13738
	March 2007	237453	43274	38198	16.09	19961
Kota	April 2006	266584	14582	8794	3.30	3698
	March 2007	279472	24089	17610	6.30	6220

Source: Management Information System of Revenue section of JVVNL

Annexure-15

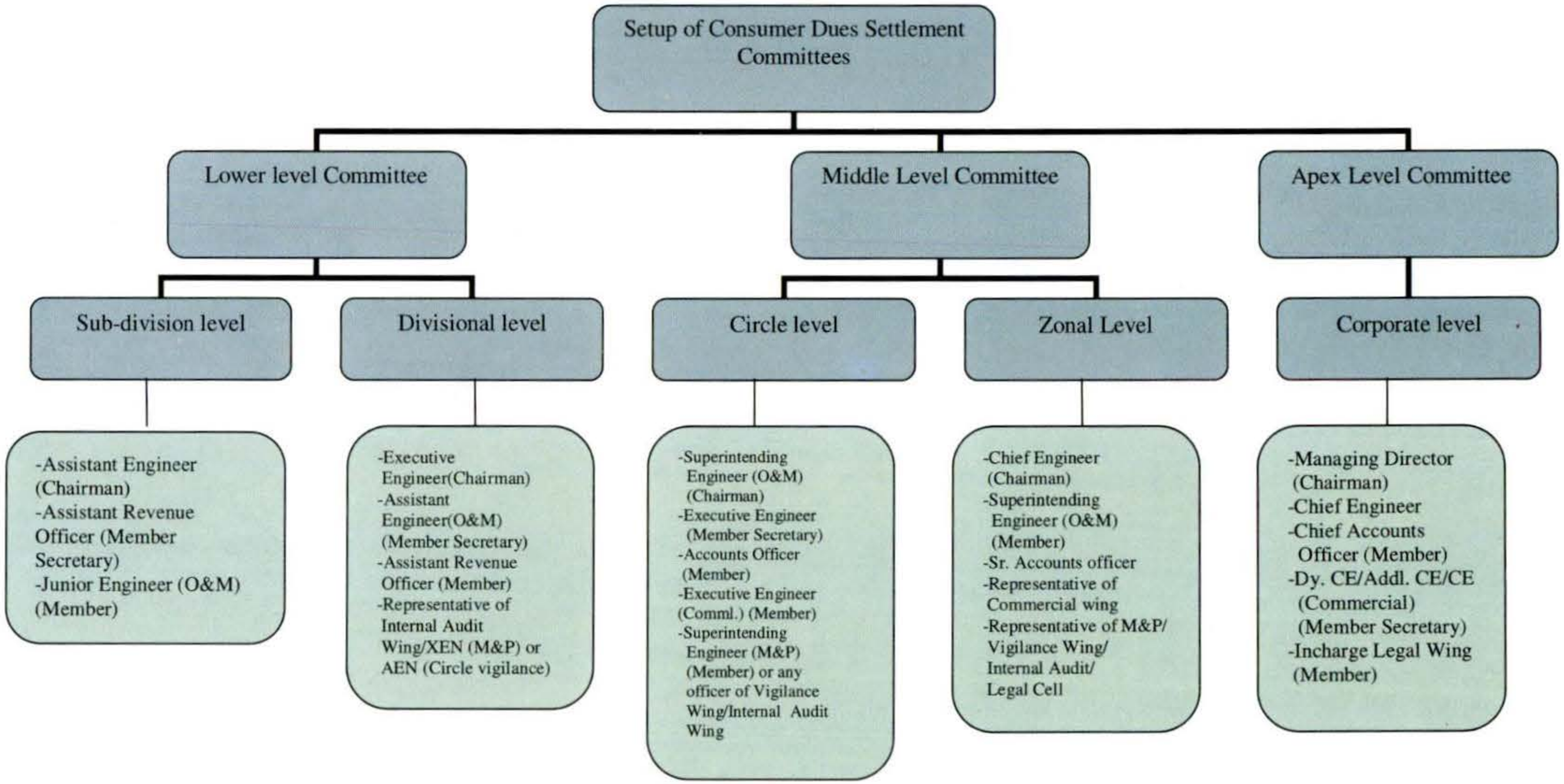
(Referred to in paragraph 2.2.17)

Statement showing the position of category wise Demand Notice not issued and connection not released within stipulated time in selected four circles for the year from 2002-03 to 2005-06

Sl no.	Year	Particulars		JCC	JPDC		Alwar		Kota		Total	
				Urban	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
1.	2002-03	DNs not issued within time	Domestic	31	23	687	25	1143	59	81	138	1911
			NDS	9	6	39	24	29	7	8	46	76
			Industrial	1	15	1	0	4	0	0	16	5
		Connection not released within time	Domestic	184	25	660	185	3293	127	71	521	4024
			NDS	15	1	84	5	47	3	1	24	132
			Industrial	11	2	7	1	4	0	0	14	11
2.	2003-04	DNs not issued within time	Domestic	51	26	753	71	885	0	36	148	1674
			NDS	12	1	67	18	42	0	0	31	109
			Industrial	1	2	6	0	5	1	11	4	22
		Connection not released within time	Domestic	202	63	583	201	2360	16	33	482	2976
			NDS	18	6	48	7	28	4	3	35	79
			Industrial	1	2	6	1	1	0	1	4	8
3.	2004-05	DNs not issued within time	Domestic	0	46	1161	0	2338	0	60	46	3559
			NDS	0	9	98	0	57	0	0	9	155
			Industrial	0	5	4	2	2	0	0	7	6
		Connection not released within time	Domestic	19	71	649	25	1769	0	52	115	2470
			NDS	2	13	31	0	16	1	3	16	50
			Industrial	13	0	8	2	6	0	1	15	15
4.	2005-06	DNs not issued within time	Domestic	0	45	2017	1	2988	0	0	46	5005
			NDS	0	17	120	0	54	0	0	17	174
			Industrial	0	7	18	3	12	0	0	10	30
		Connection not released within time	Domestic	14	77	890	44	2432	78	95	213	3417
			NDS	3	23	79	4	27	5	8	35	114
			Industrial	12	1	1	6	0	3	4	22	5
	Total (2002-03 to 2005-06)	**DNs not issued within time**	**Domestic**	**82**	**140**	**4618**	**97**	**7354**	**59**	**177**	**378**	**12149**
			NDS	**21**	**33**	**324**	**42**	**182**	**7**	**8**	**103**	**514**
			Industrial	**2**	**29**	**29**	**5**	**23**	**1**	**11**	**37**	**63**
		Connection not released within time	**Domestic**	**419**	**236**	**2782**	**455**	**9854**	**221**	**251**	**1331**	**12887**
			NDS	**38**	**43**	**242**	**16**	**118**	**13**	**15**	**110**	**375**
			Industrial	**37**	**5**	**22**	**10**	**11**	**3**	**6**	**55**	**39**

Source: Monthly D.O. letters

Annexure-16
(Referred to paragraph 2.2.24)
Statement showing composition of consumer dues settlement committees



Annexure-17

(Referred to in paragraph 2.3.8)

Statement showing original, revised estimates of GLTPP and actual expenditure their against up to March 2008

(Rs. in crore)

Sl. No.	Particulars	Original estimates (May 2002)	Revised estimates (December 2005)	Actual Expenditure Up to March 2008 (Provisional)
1.	Preliminary Investigation	0.30	0.20	0.35
2.	Land & site development	1.50	1.50	1.47
3.	Steam Generator Island	226.00	222.00	222.51
4.	Turbine generator Island			
5.	BALANCE OF PLANT			
(i)	Mechanical			
	(a) Lignite handling plant	18.00	56.89	56.03
	(b) Ash handling plant	6.00	10.34	10.23
	(c) Circulation water system & cooling Tower	8.50	8.91	10.79
	(d) other works & plant facilities	12.00	23.42	25.37
(ii)	Electrical			
	(a) Generator transformers	4.00	4.57	5.37
	(b) Switchyard	5.00	3.60	3.82
	(c) Other works including LT Transformers cable etc	12.00	23.40	29.43
(iii)	Control & Instrumentation	12.00	8.50	8.96
6.	External water supply system	83.00	64.56	65.02
7.	Initial Spares	1.00	1.00	0.00
8.	Civil Works			
(i)	Access and diversion of Roads	1.50	1.50	0.92
(ii)	Dry Ash Disposal Area Development	0.65	0.65	0.00
(iii)	Township colony	4.50	1.48	1.31
(iv)	Temporary construction Enabling work	1.00	1.10	1.97
(v)	Plant civil structural & other	39.00	94.00	67.10
(vi)	Circulating water system & cooling tower	0.00	0.00	4.08
9.	Erecting testing & commissioning	25.00	21.00	20.83
10.	Freight taxes & duties, Insurance & Price variation of main equipment.	72.50	70.50	93.04
11.	Development expenditure, legal & establishment, contingencies, audit and accounts expenditure	6.25	4.25	36.89
12.	Consultancy & Engineering	3.00	1.40	0.53
13.	Pre-operative expenditure	1.75	1.77	10.51
14.	IDC & Finance cost	73.45	73.45	79.96
15.	Advances	0.00	0.00	7.77
	Total project cost	**617.90**	**699.99**	**764.26**

Annexure-18
(Referred to in paragraph 2.3.12)
Statement showing delay in execution as compared to PERT Chart

S. No.	Electrical Name of Item/Activity	Tendering starts			Tendering finished			Ordering			Completion of works		
		Stipulate Date of start as per PERT chart	Actual finish date	Delay in month	Stipulate Date of finish as per PERT chart	Actual finish date	Delay in month	Stipulate Date of finish as per PERT chart	Actual finish date	Delay in month	Stipulate Date of finish as per PERT chart	Actual finish date	Delay in months
1	6.6 KV Switchgear	11.3.04	25.11.03	0	19.05.04	26.02.04	0	23.06.04	24.03.04	0	01.11.05	24.05.06	6
2	St. Transformer	15.04.04	02.09.03	0	23.06.04	14.11.03	0	28.07.04	30.01.04	0	30.09.05	24.05.06	7
3	LT Transformer	20.5.04	25.11.03	0	28.07.04	31.01.04	0	01.09.04	09.03.04	0	31.01.06	07.05.07	15
4	Bus ducting	20.5.04	25.11.03	0	28.07.04	03.02.04	0	01.09.04	09.03.04	0	30.12.05	24.05.06	4
5	LT Switchgear	20.5.04	26.11.03	0	28.07.04	01.03.04	0	01.09.04	19.04.04	0	31.01.06	31.10.07	21
6	MCC, ACDB	20.5.04	26.11.03	0	28.07.04	01.03.04	0	01.09.04	19.04.04	0	31.01.05	31.10.07	24
7	DG Set	24.6.04	10.01.04	0	01.09.04	16.04.04	0	06.10.04	17.05.04	0	21.03.06	25.06.07	15
	Civil Works												
1	Chimney	05.02.04	20.07.03	0	27.03.04	20.10.03	0	26.04.04		0	29.12.05.	12.04.06	4
2	RW Treatment System	-	-	-	1.12.03	NA	0	02.02.04	11.12.03	0	03.08.05	30.06.06	10
3	Intake pumping Station	-	--	-	30.08.04	02.02.04	0	30.08.04	24.04.04	0	17.01.05	14.04.06	14
4	RW treatment plant	-	-	--	15.03.04	21.09.03	0	26.06.04	27.01.04	0	03.01.06	25.06.05	0
5	DM plant Basic	-	-	-	15.03.04	21.09.03	0	26.06.04	20.12.03	0	28.02.06	15.03.06	1
6	Super structure	-	-	-	01.03.04	NA	0	02.06.04	01.03.05	8	NA	NA	0

	Mechanical												
1	Lignite handling system	02.08.04	31.01.04	0	28.09.04	09.03.05	5	02.11.04	07.04.05	5	28.04.06	15.11.07	19
2	Ash handling system	02.08.04	31.01.04	0	28.09.04	04.06.05	8	02.11.04	13.07.05	8	28.04.06	01.01.08	20
3	EOT crane	19.01.04	09.01.04	0	27.03.04	17.04.04	1	05.06.04	27.04.07	-	31.05.05	05.04.05	-
4	Cooling Tower	05.02.04	25.11.03	0	14.04.04	31.01.04	-	19.05.04	27.02.04	-	04.01.06	01.02.06	1
5	Misc. pumps & tank	30.06.04	31.01.04	0	26.08.04	-	-	30.09.04	23.11.04	2	09.03.06	09.03.06	-
6	Air Compressor	21.07.04.	02.10.04	2	28.09.04	25.06.05	9	02.11.04	29.07.05	9	13.03.06	23.11.06	8
7	LP piping	08.09.04	02.10.04	1	16.11.04	11.07.05	-	21.12.04	03.08.05	7	11.03.06	17.03.07	12
8	Misc. valves & RE JTS	23.03.04	20.05.05	14	25.05.04	15.07.05	14	29.06.04	09.08.05	13	02.01.06	31.08.06	8
9	Fire Protection system	29.07.04			06.10.04	12.04.05	6	10.11.04	10.05.05	6	25.04.06	31.03.06	-
10	Lime stone handling plant	02.08.04	05.2.04	0	28.09.04	15.07.05	10	02.11.04	29.07.05	9	28.04.06	26.12.06	-

Annexure-19
(Referred to in paragraphs 3.1 and 3.9.2)
Passenger amenities to be provided on bus stands

Category	**A**	**B**	**C**
City/town	**Big cities**	**Cities**	**Small City/ town**
No. of BS	**6**	**21**	**40**
Amenities	AC waiting hall Platform Adequate chairs with fan and light Desert coolers Urinal and Toilets for men and women Drinking water Enquiry window Ticket reservation Complaint and suggestion box Time table and fare list Public address system Weighing machine Food stall Public telephone Cloak room Bank and Post Office Police Post Porter	Waiting room Sufficient chairs with fan and light Urinal and toilets for men and women Enquiry and ticket window Public address system Ticket reservation Complaint and suggestion box Time table and fare list Drinking water Food stall Book shop Public telephone Porter	Waiting shed Sufficient chairs with fan and light Enquiry and Ticket window Food stall Water booth Urinal and Toilets for men and women. Complaint and suggestion box Time table and fare list Public address system

Source: 1. Annual Reports of the Roadways for 2004-05 and onwards.
2. Circulars issued from time to time including Circular dated 26 July 2007.

Annexure - 20

(Referred to in Paragraph 4.22)

Statement showing lack of responsiveness to Inspection Reports

Sl. No.	Name of Department	Outstanding Inspection Reports and Paragraphs				1st compliance not received				Compliance not received for more than two years			
		No. of PSUs	No. of outstanding IRs	No. of outstanding para graphs	Monetary value (Rs. in lakh)	No. of PSUs	No. of outstanding IRs	No. of outstanding para-graphs	Monetary value (Rs. in lakh)	No. of PSUs	No. of outstanding IRs	No. of outstanding para-graphs	Monetary value (Rs. in lakh)
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.
(A)	**Government companies**												
1.	Agriculture and allied	3	17	45	1227.98	1	1	4	13.01	-	-	-	-
2.	Industries	2	88	334	13904.34	-	-	-	-	-	-	-	-
3.	Handloom and Handicrafts	1	4	8	216.99	-	-	-	-	-	-	-	-
4.	Mining	1	13	48	3326.72	1	2	11	75.12	-	-	-	-
5.	Construction	2	23	88	2505.73	-	-	-	-	-	-	-	-
6.	State Excise	2	9	22	1847.41	-	-	-	-	-	-	-	-
7.	Tourism	2	48	133	1435.57	1	1	3	0.47	-	-	-	-
8.	Power	6	173	506	52096.16	1	2	7	230.78	-	-	-	-
	Total	**19**	**375**	**1184**	**76560.90**	**4**	**6**	**25**	**319.38**	-	-	-	-
(B)	**Statutory corporations**												
1.	Finance	1	91	264	87352.69	-	-	-	-	-	-	-	-
2.	Agriculture	1	30	33	213.80	-	-	-	-	-	-	-	-
3.	Transport	1	56	113	2283.99	-	-	-	-	---	---	-	-
	Total	**3**	**177**	**410**	**89850.48**	-	-	-	-	-	--	--	-
	Grand Total (A+B)	**22**	**552**	**1594**	**166411.38**	**4**	6	**25**	**319.38**	-	-	-	-

Annexure-21
(Referred to in Paragraph 4.22)
Statement showing the department wise draft paragraphs/performance audit replies to which were awaited

Sl. No.	Name of the Department	No. of draft paragraphs	Period/date of issue
1.	Energy	3	July to September 2008
2.	Mines	3	July 2008
3.	Tourism	1	September 2008
4.	Industries	1	July 2008
Total		**8**	