Report of the
Comptroller and Auditor General of India
on
Public Sector Undertakings
(General, Social, Economic and Revenue Sectors)

for the year ended 31 March 2012

Government of Chhattisgarh

Report No. 2 of the year 2013

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Preface

Government commercial concerns, the accounts of which are subject to audit by the Comptroller and Auditor General of India (CAG), 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 Chhattisgarh under Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time.

3. Audit of the accounts of Government companies is conducted by the CAG under the provisions of Section 619 of the Companies Act, 1956.

4. Audit of accounts of Chhattisgarh State Warehousing Corporation which is a Statutory corporation is conducted by Chartered Accountants and supplementary audit is done by CAG. In respect of Chhattisgarh State Electricity Board (Statutory corporation) and Chhattisgarh State Electricity Regulatory Commission, CAG is the sole auditor. The Audit Reports on annual accounts of these corporations/ commission 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 2011-2012 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 subsequent to 2011- 2012 have also been included, wherever necessary.

6. The Audit has been conducted in accordance with the Auditing Standards issued by CAG.

Overview

Overview

1. Overview of Government companies and Statutory corporations

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG). These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporation is governed by their respective legislations. As on 31 March 2012, the State of Chhattisgarh had 20 working PSUs (18 companies and two Statutory corporations), which employed 21054 employees. The working PSUs registered a turnover of ₹ 14200.21 crore for 2011-12 as per their latest finalised accounts. This turnover was equal to 10.48 per cent of the State Gross Domestic Product.

Investments in PSUs

As on 31 March 2012, the investment (Capital and Long term loans) in 20 PSUs (including two Statutory Corporations) was ₹ 17734.35 crore. It grew by 462.59 per cent from ₹ 3152.28 crore in 2007-08. 51.64 per cent of total investment was towards Capital and 48.36 per cent was towards Long-term loans. The Government contributed ₹ 2015.23 crore towards loans and grants/ subsidies during 2011-12.

Performance of PSUs

During the year 2011-12, out of 20 PSUs, 11 PSUs earned a total profit of ₹ 922.12 crore and six PSUs incurred a total loss of ₹ 612.68 crore. One PSU prepared its accounts on a "no profit no loss" basis. The remaining two PSUs did not finalise their first accounts. Losses were mainly incurred by Chhattisgarh State Power Distribution Company Limited and Chhattisgarh State Civil Supplies Corporation Limited to the extent of ₹ 581.34 crore and ₹ 29.88 crore respectively as per their latest finalised accounts. The losses incurred by PSUs are mainly attributable to deficiencies in financial management, planning, implementation of projects, running of operations and monitoring. A review of the latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of ₹ 1958.08 crore and infructuous investment of ₹ 44.12 crore which were controllable with better management.

Arrears in accounts

15 PSUs had arrears of 41 accounts as of September 2012. The PSUs need to set targets for the work relating to preparation of accounts with special focus on clearance of arrears.

Quality of accounts

The quality of accounts of PSUs needs improvement. Out of 16 accounts finalised by working PSUs during October 2011 to September 2012, Statutory Auditors had given qualified certificates on 12 accounts.

(Chapter - I)

2. Performance Audit relating to Government Company

A Performance Audit relating to Chhattisgarh State Power Transmission Company Limited was conducted. Executive summary of our audit findings is given below.

Introduction

In Chhattisgarh, transmission of power up to 31 December 2008 was carried out by the erstwhile Chhattisgarh State Electricity Board (Board). Consequent upon unbundling of the Board w.e.f 1 January 2009, the same is now carried out by the Chhattisgarh State Power Transmission Company Limited (Company). As on 31 March 2012, the Company had transmission network of 8375.77 circuit kilometers (Ckm) and 71 Extra High Tension Substations (EHT SSs) with installed capacity of 10234.50 Mega Volt Ampere (MVA). Profit after tax for the year 2011-12 and capital employed as on 31 March 2012 were ₹ 137.22 crore and ₹ 2225.94 crore respectively. It had employed 1937 employees as on 31 March 2012 against the sanctioned strength of 3418.

Planning and Development

Against the targeted construction of 35 EHT SSs and laying of 3657 Ckm of EHT lines, the Company constructed 16 EHT SSs and 2020.08 Ckm of EHT lines during the period 2007-08 to 2011-12 (achievement of 45.71 per cent and 55.24 per cent respectively). The transformation capacity added was 3299 MVA for the five-year period ending 2011-12 as against the targeted addition of 4419 MVA (achievement of 74.65 per cent).

Project Management

The Company did not follow the recommendations of the Task Force Committee and projects were awarded without undertaking various preparatory activities such as surveys, design and testing, processing of forest and other statutory clearances, tendering activities etc. in advance/ parallel to project appraisal and approval phase. Notwithstanding the elaborate guidelines given by the Task Force for timely completion of the projects, there were abnormal delays in execution of major projects on evacuation system as there was time overrun ranging between three and 38 months. In respect of ongoing projects also time overrun was upto 77 months. Consequently funds of ₹ 246.16 crore remained blocked without yielding any benefits and the Company was deprived of envisaged benefits.

Performance of transmission system

The performance of the Company mainly depends on efficient maintenance of its EHT transmission network for supply of quality power with minimum interruptions. The five SSs of 220 kilo Volt (kV) and 18 SSs of 132 kV had only one transformer each against the requirement of two as prescribed in the Chhattisgarh State Electricity Grid Code, 2007. Further, eight out of 15 SSs of 220 kV were not having Bus Bar Protection Panel (BBPP) to maintain system stability during Grid disturbances and to provide faster clearance of faults on 220 kV buses. There was decreasing trend in transmission losses as per Chhattisgarh State Electricity Regulatory Commission (CSERC) norms but it exceeded the Central Electricity Authority norms of four per cent in all the five years. However, from the year 2009-10 onwards it was within the norms fixed by CSERC.

Grid Management

31 out of 55 SSs of 132 kV were not connected to State Load Despatch Centre (SLDC) through Remote Terminal Units (RTUs) which are essential for monitoring the efficiency of the transmission system and the loads during emergency in load dispatch centre as per the Grid norms. The frequency violation of the Grid resulted in increase in receipt of type A/B/C messages in the year 2011-12. The Company's disaster management system was inadequate to meet unforeseen contingencies.

Energy Accounting and Audit

Energy accounting and audit is necessary to assess and reduce the transmission losses. The transmission losses are calculated based on meter readings obtained at boundary metering points. The Company had not conducted any Energy Audit during the period from 2007-08 to 2011-12. Against the requirement of installation of 0.2 class accuracy meters at all the 156 interface boundary metering points, only 29 interface boundary metering points were complying with this requirement as on 31 March 2012.

Financial Management

One of the major objectives of the National Electricity Policy, 2005 was to ensure financial turn around and commercial viability of Power Sector. The Debt-Equity ratio of the Company increased from 0.45:1 to 1.24:1 during the period 2009-12 mainly due to increase in borrowings from ₹298.02 crore to ₹999.07 crore because of financing of new projects. Percentage of Return on Capital Employed increased from 3.22 (2009-10) to 8.08 (2011-12) due to increase in Return on Capital Employed indicating improvement in operational performance.

The Company did not levy and recover delayed payment surcharge of ₹23.41 crore from Chhattisgarh State Power Distribution Company Limited. There was delay of 88 to 308 days in filing tariff petition by the Company resulting in loss of interest of ₹16.28 crore.

Material Management

The Company had not formulated any procurement policy and inventory control mechanism for economical procurement and efficient control over inventory. Further, the Company had neither made any ABC analysis nor fixed any maximum/ minimum level or reorder level of inventory. As a result, on 31 March 2012, the Company had non moving/surplus inventory of ₹9.97 crore.

Monitoring and Control

The Company neither maintained nor consolidated year-wise performance of the SSs and lines for evaluation of annual performance. The Company's Internal Audit system was outsourced which focused only on establishment matters rather than on the core activities of the Company i.e. stores verification, measurement books and tender procedures, etc. The Company had not constituted an Audit Committee in accordance with Section 292 A of the Companies Act, 1956.

Conclusion and Recommendations

The Company failed to achieve the targeted addition of EHT Substations and laying of EHT lines. There were abnormal delays in execution of major projects on evacuation system due to deficient planning and project management as there was time overrun ranging between three and 38 months. Eight out of 15 SSs of 220 kV were not having BBPP. From the year 2009-10 onwards, the transmission losses were within the norms fixed by CSERC. Further, 31 out of 55 SSs of 132 kV were not connected to SLDC through RTUs and receipt of type A/B/C messages had also increased during the year 2011-12. There was delay of 88 to 308 days in filing tariff petition by the Company resulting in loss of interest of ₹16.28 crore.

The Audit recommendations include introduction of an effective monitoring system to ensure that all the required approval are obtained before commencement of the projects, adherence to the standards/ norms fixed in Grid Code, installation of adequate number of BBPPs to protect the EHT SSs and lines, maintenance of SLDC as per Grid Code, provision of adequate equipments for safety of EHT SSs, filing of tariff petition with CSERC in time, framing of inventory policy and constitution of Audit Committee as per the provision of the Companies Act, 1956.

(Chapter -II)

3. Transaction Audit Observations

Transaction audit observations included in the Report highlight deficiencies in the management of Public Sector Undertakings involving serious financial implications. The irregularities pointed out are broadly of the following nature:

There was loss of ₹ 1549.85 crore in three cases due to non-compliance with rules, directives, procedures, terms and conditions of contracts.

(Paragraphs 3.5, 3.6 & 3.9)

Loss of ₹ 6.25 crore was incurred in four cases due to defective/ deficient planning.

(Paragraphs 3.1, 3.2, 3.8 & 3.10)

Loss of ₹ 8.80 crore was incurred in two cases due to inadequate/ deficient monitoring.

(Paragraphs 3.3 & 3.7)

There was loss of ₹ 3.65 crore in one case due to obtaining cash credit in a non transparent manner.

(Paragraph 3.4)

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

Non trading of columbite ore by **Chattisgarh Mineral Development Corporation Limited** resulted in loss of assured income of ₹ 3.21 crore besides encouraging trafficking of a mineral of strategic importance.

(Paragraph 3.1)

Deficient planning for investment of surplus funds resulted in loss of interest of ₹ 1.64 crore to **Chhattisgarh Rajya Beej Evam Krishi Vikas Nigam Limited.**

(Paragraph 3.2)

There was avoidable payment of penal interest of ₹ 83.19 lakh due to short payment of advance income tax and non-submission of income tax returns on time in respect of **Chhattisgarh State Beverages Corporation Limited.**

(Paragraph 3.3)

There was avoidable loss of ₹ 3.65 crore due to obtaining Cash Credit Limit from Allahabad Bank on unreasonable conditions by **Chhattisgarh State Civil Supplies Corporation Limited.**

(Paragraph 3.4)

Failure of **Chhattisgarh State Civil Supplies Corporation Limited** to detect and prevent unfair practices adopted by the bidders for transportation contract for food grains in Korba resulted in extra expenditure of ₹ 37.59 lakh.

(Paragraph 3.5)

There was potential loss of ₹ 1549.06 crore to **Chhattisgarh State Power Generation Company Limited** due to unwarranted amendment in tender condition for payment of Coal Mining Fee to Joint Venture Company for Parsa captive coal block.

(Paragraph 3.6)

Avoidable extra payment of ₹ 7.97 crore was made to South Eastern Coalfields Limited towards performance incentive on purchase of coal by **Chhattisgarh State Power Generation Company Limited.**

(Paragraph 3.7)

There was avoidable extra expenditure of ₹ 1.20 crore due to transportation of coal through uneconomical route by **Chhattisgarh State Power Generation Company Limited.**

(Paragraph 3.8)

CHAPTER - I

1. Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of a commercial nature while keeping in view the public welfare.

1.2 In Chhattisgarh, as on 31 March 2012, there were 18[1] Government companies and two[2] Statutory corporations (all working). None of these companies was listed in any of the stock exchanges. These PSUs registered a turnover of ₹ 14200.21 crore for 2011-12 as per their latest finalised accounts as of September 2012. This turnover constituted 10.48[3] *per cent* of the State Gross Domestic Product (GDP) for 2011-12. Major activities of Chhattisgarh State PSUs are concentrated in the power sector. The State PSUs earned an aggregate profit of ₹ 309.44 crore in 2011-12 as per their latest finalised accounts. They had employed 21054 employees[4] as of 31 March 2012.

1.3 During the year 2011-12, two PSUs[5] were established and no PSU/ Statutory corporation closed down.

Audit Mandate

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

1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by 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

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[1] Chhattisgarh Rajya Beej Evam Krishi Vikas Nigam Limited (CRBEKVNL), Chhattisgarh Rajya Van Vikas Nigam Limited (CRVVNL), Chhattisgarh Nishakt Jan Vitt Avam Vikas Nigam (CNJVAVN), Chhattisgarh Infrastructure Development Corporation Limited (CIDC), Chhattisgarh State Industrial Development Corporation Limited (CSIDC), Chhattisgarh Mineral Development Corporation Limited (CMDC), CMDC ICPL Coal Limited (CICL), Chhattisgarh Sondiha Coal Company Limited (CSCCL), CSPGCL AEL Parsa Collieries Limited (CSPGCL AELPCL), Chhattisgarh State Power Distribution Company Limited (CSPDCL), Chhattisgarh State Power Generation Company Limited (CSPGCL), Chhattisgarh State Power Holding Company Limited (CSPHCL), Chhattisgarh State Power Trading Company Limited (CSPTr.CL), Chhattisgarh State Power Transmission Company Limited (CSPTCL), Chhattisgarh State Beverages Corporation Limited (CSBCL), Chhattisgarh State Civil Supplies Corporation Limited (CSCSCL), Chhattisgarh Medical Services Corporation Limited (CMSCL) and Chhattisgarh Police Housing Corporation Limited (CPHCL.).

[2] Chhattisgarh State Warehousing Corporation (CSWC) and Chhattisgarh State Electricity Board (CSEB), which was unbundled into five companies with effect from 1 January 2009 as per the State Government Gazette Notification dated 19 December 2008. The name of CSEB has been included in the Chapter for reconciliation purposes as CSEB accounts were finalised during 2011-12 and is appearing in ***Annexure-1.2.***

[3] Percentage is based on the figure of State GDP for the year 2011-12.

[4] As per the details provided by 16 PSUs.

[5] CMSCL and CPHCL.

accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956.

1.6 Audit of Statutory corporations is governed by the Warehousing Corporation Act, 1962 and the Electricity Act, 2003 in respect of Chhattisgarh State Warehousing Corporation and Chhattisgarh State Electricity Board respectively. The audit of CSWC is conducted by Chartered Accountants and supplementary audit is done by CAG whereas in respect of Chhattisgarh State Electricity Board, CAG is the sole auditor.

Investment in State PSUs

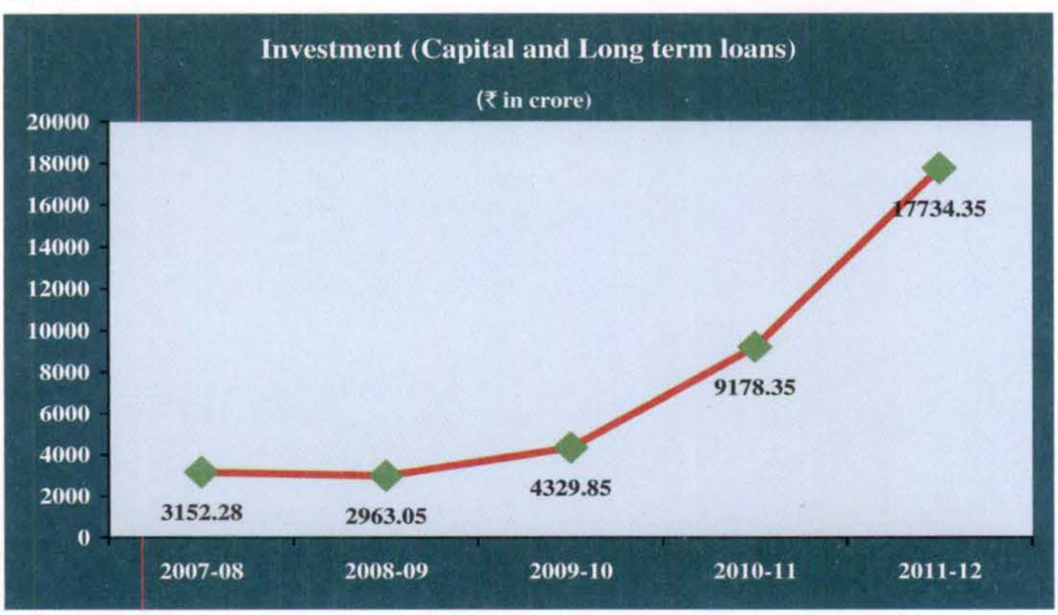
1.7 As on 31 March 2012, the investment (Capital and Long-term loans) in 20 PSUs (including two Statutory corporations) was ₹ 17734.35 crore. The details are given in the following table:

(₹ in crore)

Government companies			Statutory corporations			Grand Total
Capital	Long term Loans	Total	Capital	Long term Loans	Total	
9157.07	8564.27	17721.34	1.00	12.01	13.01	17734.35

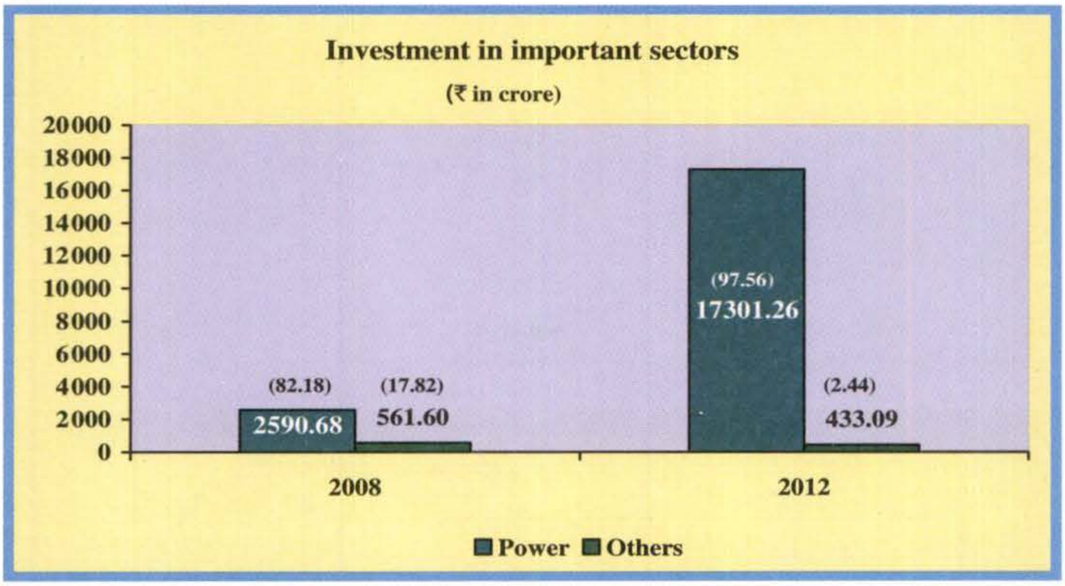
A summarised position of Government investment in State PSUs is detailed in ***Annexure-1.1***.

1.8 As on 31 March 2012, out of the total investment of ₹ 17734.35 crore, 51.64 *per cent* was towards Capital and 48.36 *per cent* was towards Long-term loans. The investment in the PSUs has grown by 462.59 *per cent* from ₹ 3152.28 crore in 2007-08 to ₹ 17734.35 crore in 2011-12 as shown below:



It may be seen from the above line graph that during the year 2011-12, there was an increase of ₹ 8556 crore over the previous year in the investment in State PSUs, which was mainly due to more investments in the power sector by way of equity of ₹ 4455.05 crore from the State Government (kept under share suspense account during the year 2010-11) and loans of ₹ 2776.38 crore from Power Finance Corporation Limited and Rural Electrification Corporation Limited.

1.9 The investment in various important sectors and percentage thereof to total investment as of 31 March 2008 and 31 March 2012 are indicated below in the bar chart.



(Figure in brackets shows percentage of total investment)

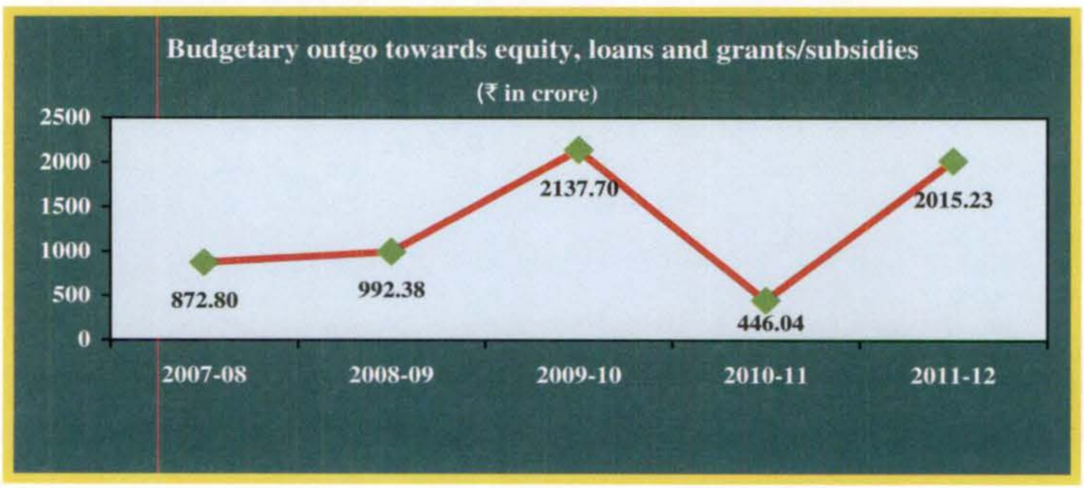
As may be seen from the above chart, the bulk of the investment of the State Government was in the PSUs in the power sector, which increased from ₹ 2590.68 crore during 2007-08 to ₹ 17301.26 crore during 2011-12.

Budgetary outgo towards Equity, Grants/Subsidies, Guarantees and Loans

1.10 The details regarding budgetary outgo by the State Government towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in ***Annexure–1.3***. The summarised details for three years ended 2011-12 are given in the following table.

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of PSUs	Amount (₹ in crore)	No. of PSUs	Amount (₹ in crore)	No. of PSUs	Amount (₹ in crore)
1.	Equity Capital outgo from budget	-	-	-	-	-	-
2.	Loans given from budget	1	500.00	1	0.01	1	500.00
3.	Grants/Subsidy received	7	1637.70	7	446.03	7	1515.23
4.	Total Outgo (1+2+3)	7[6]	2137.70	7[6]	446.04	7[6]	2015.23
5.	Loans converted into equity	-	-	-	-	-	-
6.	Guarantees issued	1	1.46	1	2.33	1	2.50
7.	Guarantee commitment	2	376.53	2	345.61	2	302.84

1.11 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the past five years are given in the following graph.



The budgetary outgo towards equity, loans and grants/subsidies increased from ₹ 872.80 crore (2007-08) to ₹ 2137.70 crore (2009-10). The same had drastically decreased to ₹ 446.04 crore (2010-11) and again increased to ₹ 2015.23 crore (2011-12). The budgetary outgo of ₹ 2015.23 crore during 2011-12 included support of ₹ 1918.02 crore extended to two PSUs viz. Chhattisgarh State Power Distribution Company Limited and Chhattisgarh State Civil Supplies Corporation Limited by way of loans, subsidy and grants of ₹ 421.10 crore and ₹ 1496.92 crore respectively.

[6] These are the actual number of PSUs which have received budgetary support in the form of equity, loans, grants and subsidy from the State Government during the year

1.12 The guarantees outstanding decreased from ₹ 376.53 crore in 2009-10 to ₹ 302.84 crore in 2011-12. None of the PSUs had paid any guarantee fee/commission to the State Government during 2011-12.

Reconciliation with Finance Accounts

1.13 The figures in respect of equity, loans and guarantees outstanding as per the records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should reconcile the differences. The position in this regard as at 31 March 2012 is stated in the following table:

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	928.37	4341.08	3412.71
Loans	484.11	390.15	93.96
Guarantees	435.94	302.84	133.10

1.14 We observed that the differences occurred in respect of eight[7] PSUs and some of the differences were pending reconciliation since 2004-05. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

1.15 The financial results of PSUs and financial position and working results of working statutory corporations are detailed in ***Annexure-1.2, 1.5*** and ***1.6*** respectively. The ratio of PSUs turnover to State GDP shows the extent of PSUs activities in the State economy. The following table provides the details of working PSUs' turnover and State GDP for the period 2007-08 to 2011-12.

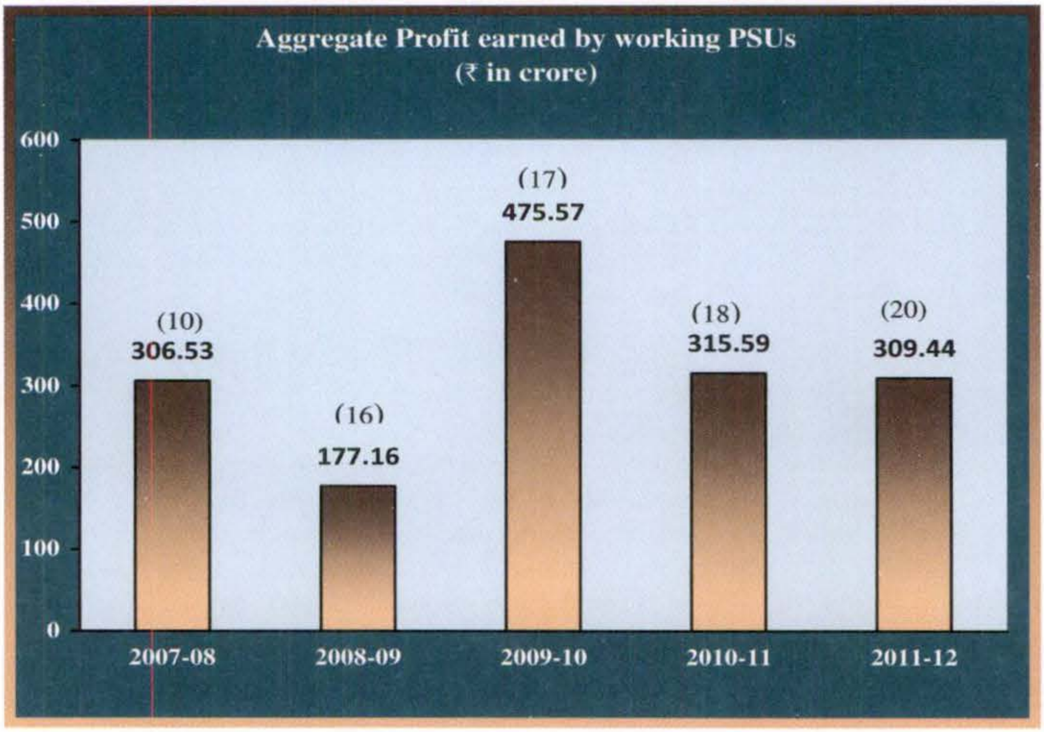
(₹ in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Turnover[8]	4493.73	4773.05	5449.33	8804.03	14200.21
State GDP[9]	67455.00	80698.41	107848.23	129717.54	135536.34
Percentage of Turnover to State GDP	6.66	5.91	5.05	6.79	10.48

The percentage of turnover of State PSUs to the State GDP has increased from 6.66 in 2007-08 to 10.48 in 2011-12.The significant increase in the turnover during the year 2011-12 was mainly due to increase in turnover in the power sector.

[7] CNJVAVN,CSIDC,CSPHCL,CSPTCL, CSPDCL,CSCSCL, CMSCL and CIDC
[8] Turnover as per the latest finalised accounts as of 30 September 2012
[9] The State GDP in respect of 2011-12 is advance estimate

1.16 The aggregate profit earned by State working PSUs during the period 2007-08 to 2011-12 is given in the following bar chart.



(Figure in brackets shows the number of working PSUs in the respective years based on finalised accounts)

As per the latest accounts finalised, out of 20[10] working PSUs, 11 PSUs[11] earned total profit of ₹ 922.12 crore and six[12] PSUs incurred total loss of ₹ 612.68 crore as per their latest finalised accounts as on 30 September 2012. One[13] PSU prepared its accounts on "no profit no loss" basis. The remaining two[14] PSUs did not finalise their first accounts. The major contributors to profit were Chhattisgarh State Electricity Board (₹ 754.13 crore), Chhattisgarh Rajya Van Vikas Nigam Limited (₹ 22.22 crore), Chhattisgarh State Power Generation Company Limited (₹ 102.51 crore) and Chhattisgarh State Warehousing Corporation (₹ 21.90 crore). Losses were mainly incurred by Chhattisgarh State Power Distribution Company Limited (₹ 581.34 crore) and Chhattisgarh State Civil Supplies Corporation Limited (₹ 29.88 crore). It needs to be mentioned here that though CSEB did not have any operations from 1 January 2009 onwards, the profit mentioned above is in respect of the nine month period ended on 31 December 2008, the accounts for which were finalised during 2011-12.

[10] Including erstwhile CSEB, which was unbundled into five power sector companies (serial number A-10 to 14 of ***Annexure – 1.2***) in December 2008, but had finalised its accounts for nine months period ended on 31 December 2008 in May 2012

[11] CRBEKVNL, CRVVNL, CNJVAVN, CIDC, CMDC, CSPGCL, CSPTr.CL, CSPTCL, CSBCL, CSWC and CSEB

[12] CSIDC, CICL, CSCCL, CSPGCL AELPCL, CSPDCL and CSCSCL

[13] CSPHCL

[14] CMSCL and CPHCL

1.17 The losses incurred by PSUs are mainly attributable to deficiencies in financial management, planning, implementation of projects, running their operations and monitoring. A review of the latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of ₹ 1958.08 crore and infructuous investments of ₹ 44.12 crore which were controllable with better management. Year wise details from the Audit Reports are as follows:

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	Total
Net Profit (+)/ loss (-) of working PSUs	475.57	315.59	309.44	1100.60
Controllable losses as per CAG's Audit Report	420.70	2096.95	1958.08	4475.73
Infructuous investments	80.92	0	44.12	125.04

1.18 The above losses pointed out in the Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses may be much more. The above table shows that with better management, the profits can be enhanced substantially. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards the need for professionalism and accountability in the functioning of PSUs.

1.19 Other key parameters pertaining to State PSUs, as per their latest finalised accounts, are given in the following table.

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Return on Capital Employed (*per cent*)	22.76	14.38	12.09	5.10	5.59
Debt(₹ in crore)	3108.27	2861.68	4249.60	5258.06	8576.28
Turnover[15](₹ in crore)	4493.73	4773.05	5449.33	8804.03	14200.21
Debt/ Turnover Ratio	0.69:1	0.60:1	0.78:1	0.60:1	0.60:1
Interest Payments (₹ in crore)	216.20	180.99	213.31	353.87	618.38
Accumulated Profits (₹ in crore)	728.52	836.89	1808.06	2052.21	2002.78

1.20 Return on Capital Employed decreased from 22.76 *per cent* in 2007-08 to 5.59 *per cent* in 2011-12 which indicated the deteriorating operational performance of PSUs. However, the Debt turnover ratio remained steady from 2007-08 to 2011-12. The accumulated profits of the State PSUs had also shown gradual improvement during the period 2007-08 to 2011-12 and had registered a growth of about three times from the year 2007-08 (₹ 728.52 crore) to 2011-12 (₹ 2002.78 crore). This indicates that the performance of the State PSUs is good enough to absorb the debt burden.

1.21 The State Government had not formulated any dividend policy for payment of minimum return on the paid-up share capital contributed by the State Government. As per their latest finalised accounts, 11 PSUs earned a total profit of ₹ 922.12 crore of which only two PSUs[16] declared dividend of ₹ 2.43 crore.

[15] Turnover of working PSUs as per the latest finalised accounts as of 30 September 2012
[16] CRVVNL and CSWC

Arrears in finalisation of accounts

1.22 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2012.

Sl. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1.	Number of Working PSUs	10	16[17]	17[18]	18[19]	20[20]
2.	Number of accounts finalised during the year	10	9	16	15	16
3.	Number of accounts in arrears	31	36	36	38	41
4.	Average arrears per PSU (3/1)	3.10	2.57	2.25	2.24	2.16
5.	Number of Working PSUs with arrears in accounts	10	13	15	15	15
6.	Extent of arrears (years)	1 to 5	1 to 5	1 to 6	1 to 5	1 to 6

1.23 The number of accounts in arrears of the PSUs had increased over the years from 31 accounts in respect of 10 PSUs in 2007-08 to 41 in 2011-12 in respect of 15 PSUs.

1.24 The State Government had invested ₹ 3253 crore (Loans: ₹ 511.96 crore, grants: ₹ 252.43 crore and subsidy: ₹ 2488.61 crore) in eight PSUs during the years for which accounts have not been finalised as detailed in ***Annexure – 1.4.*** In the absence of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested had been achieved. Thus, the Government's investment in such PSUs remained outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

1.25 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though we informed the concerned administrative departments and officials of the Government of the arrears in finalisation of accounts, no remedial measures were taken. As a

[17] Including CSPHCL and CSPTr.CL incorporated on 30 December 2008 and not considered to be in arrears as their first accounts were prepared for 15 months period

[18] Including CSEB, which was unbundled into five companies with effect from 1 January 2009 as per the State Government Gazette Notification dated 19 December 2008. The name of CSEB has been included in the Chapter for reconciliation purposes as CSEB, having pendency upto 2008-09 in finalisation of accounts is appearing under ***Annexure – 1.2*** and not considered to be in arrears of accounts

[19] CSEB not considered as arrears of accounts

[20] CSEB not considered as arrears of accounts and CPHCL incorporated on 14 December 2011 is also not considered to be in arrears as their first accounts were prepared for 15 months period. However in respect of CMSCL two accounts have been considered as arrears because the Company has prepared two accounts separately - one for the period from 7 October 2010 to 31 March 2011 and another for the period from 1 April 2011 to 31 March 2012

result of this we could not assess the net worth of these PSUs. We had also taken up (March 2012) the matter of arrears in accounts with the Chief Secretary to expedite clearance of the backlog of arrears in accounts in a time bound manner.

1.26 In view of the above state of arrears, it is recommended that the Government should monitor and ensure timely finalisation of accounts in conformity with the provisions of the Companies Act, 1956.

Accounts Comments and Internal Audit

1.27 Thirteen working companies forwarded their 14 audited accounts to the Accountant General during the period from 1 October 2011 to 30 September 2012. Out of these, 11 companies[21] were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved. The details of aggregate money value of comments of statutory auditors and CAG are as follows:

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount (₹ in crore)	No. of accounts	Amount (₹ in crore)	No. of accounts	Amount (₹ in crore)
1.	Decrease in Profit	1	3.92	3	1027.92	8	1024.43
2.	Increase in Loss	3	5.91	1	0.36	-	-
3.	Increase in Profit	-	-	2	3.66	-	-
4.	Decrease in Loss	-	-	-	-	1	6469.24
5.	Non-disclosure of material facts	3	70.14	1	15.62	-	-

1.28 During the year 2011-12, the statutory auditors had given unqualified certificates for three accounts and qualified certificates for 11 accounts. The compliance by companies with the Accounting Standards (AS) was generally satisfactory as there were only six instances of non-compliance with AS-15[22], four instances with respect to AS-2[23] and three instances with respect to AS-1[24], AS-9[25] and AS-28[26] during the year.

1.29 Some of the important comments in respect of accounts of companies finalised during 2011-12 are stated below.

Chhattisgarh State Civil Supplies Corporation Limited (2009-10)

- Loss and Current Liabilities were understated by ₹ 0.33 crore due to short provision of interest on Government Loan of ₹ 500 crore.

[21] CRBEKVNL, CRVVNL, CIDC, CMDC, CSPGCL, CSPTCL, CSBCL, CICL, CSPDCL, CSCSCL and CSPHCL
[22] AS-15: Accounting for Retirement Benfits in the Financial Statement of Employers
[23] AS-2: Valuation of Inventories
[24] AS-1: Disclosure of Accounting Policies
[25] AS-9: Revenue Recognition
[26] AS-28: Impairment of Assets.

- Current Assets (Loans & Advances) and Current Liabilities (Payment to other Parties) were overstated due to non-adjustment of advance of ₹ 424.34 crore given to Marketing Federation/Sugar Mills during the year 2009-10 for supply of De-centralised Procurement rice/sugar against Liability for purchase of rice/sugar.

Chhattisgarh State Power Transmission Company Limited (2009-10)

- There was overstatement of Profit by ₹ 56 lakh and consequent understatement of Repair, Administrative, Other expenses and Current liabilities due to non-provision of revenue expenditure.
- Current liabilities and Provision and Capital Work-in-Progress were understated due to non-accountal of expenditure of ₹ 15.15 crore incurred on 13 ongoing Capital works.
- Cash and Bank balances and Profit were understated by ₹ 26.33 lakh due to non-accountal of revenue collected in March 2010 towards transmission charges, application fees and SLDC charges.
- Current liabilities and Receivables (under Inter-company Adjustment Account) were understated by ₹ 1.69 crore due to non-inclusion of the amount recovered from consumers towards deposit works.

1.30 Similarly, two working Statutory corporations forwarded accounts to the Accountant General during the year 2011-12. Of these, audit of accounts (2008-09) of one corporation (Chhattisgarh State Electricity Board) which pertained to sole audit by CAG, was finalised in May 2012. The accounts of the other corporation (Chhattisgarh State Warehousing Corporation) were also selected for supplementary audit. The details of aggregate money value of comments of statutory auditors and CAG on these two Corporations are as follows:

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount (₹ in crore)	No. of accounts	Amount (₹ in crore)	No. of accounts	Amount (₹ in crore)
1	Increase in profit	1	23.13	-	-	-	-
2	Decrease in profit	2	82.71	2	3607.91	2	1056.20
3	Non-disclosure of material facts	1	900.77	1	1.93	-	-
	Total		**1006.61**		**3609.84**		**1056.20**

1.31 During the year, one account of Chhattisgarh State Warehousing Corporation received qualified certificate from Statutory Auditor. CAG being the sole auditor of CSEB issued negative certificate for the nine month period ended on 31 December 2008.

1.32 Some of the important comments in respect of accounts of the Statutory corporation are stated below:

Chhattisgarh State Electricity Board (2008-09)

- Other Current liabilities were understated and Profit was overstated by ₹ 1037.45 crore due to non-provision of the accrued liability towards gratuity and pension.
- Expenditure on Generation of Power were understated and Profit was overstated by ₹ 4.47 crore due to non adjustment of net shortage noticed on physical verification of Fuel Stock.
- Receivables against supply of Power, Revenue from Sale of Power and Profit were understated by ₹ 20.34 crore due to non-accountal of unbilled revenue of the same amount against High Tension consumers.
- Other Current Liabilities were understated and Profit was overstated by ₹ 8.27 crore due to short provision for coal supplied by Collieries in December 2008.
- Other Current Liabilities were understated and Profit was overstated by ₹ 26.09 crore due to non-provision towards liability of power purchase bill for the year 2006-07.

Recoveries at the instance of audit

1.33 During the course of audit in 2011-12, recoveries of ₹ 337.12 crore were pointed out to the Management of various PSUs of which ₹ 0.19 crore was admitted by one PSU (CSPGCL) and the same was recovered during the year 2011-12.

Status of placement of Separate Audit Reports

1.34 The following table shows the status of placement of Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the State Legislature.

Sl. No.	Name of Statutory corporation	Year for which SARs placed in Legislature		
		Year of SAR	Date of issue to the Government	Date of placement in Legislature
1.	Chhattisgarh State Electricity Board	2008-09	17.05.2012	16.07. 2012
2.	Chhattisgarh State Warehousing Corporation	2010-11	27.01.2012	04.04.2012

Reforms in Power Sector

1.35 The process of unbundling of Chhattisgarh State Electricity Board was completed as per the Electricity Act, 2003. The Board was unbundled into five companies[27] with effect from 1 January 2009.

1.36 The State has formed the Chhattisgarh State Electricity Regulatory Commission (CSERC) in May 2004 under Section 82 of the Electricity Act, 2003 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. During 2011-12, CSERC issued seven orders on annual revenue requirements and 65 other orders.

1.37 A Memorandum of Understanding (MoU) was signed in May 2000 between the Union Ministry of Power and the State Government of Madhya Pradesh as a joint commitment for implementation of reforms programme in the power sector with identified milestones. However, no MoU was signed between the Union Ministry of Power and the State of Chhattisgarh after formation of the latter in November 2000 bifurcating the erstwhile State of Madhya Pradesh under the Madhya Pradesh Reorganisation Act. Hence, the implementation of reforms programme and achievement of identified milestones could not be assessed.

[27] CSPDCL, CSPGCL, CSPHCL, CSPTr.CL and CSPTCL

CHAPTER – II

2. Performance Audit relating to Government Company

Performance Audit of Chhattisgarh State Power Transmission Company Limited

Executive Summary

Introduction

In Chhattisgarh, transmission of power up to 31 December 2008 was carried out by the erstwhile Chhattisgarh State Electricity Board (Board). Consequent upon unbundling of the Board w.e.f 1 January 2009, the same is now carried out by the Chhattisgarh State Power Transmission Company Limited (Company). As on 31 March 2012, the Company had transmission network of 8375.77 circuit kilometers (Ckm) and 71 Extra High Tension Substations (EHT SSs) with installed capacity of 10234.50 Mega Volt Ampere (MVA). Profit after tax for the year 2011-12 and capital employed as on 31 March 2012 were ₹ 137.22 crore and ₹ 2225.94 crore respectively. It had employed 1937 employees as on 31 March 2012 against the sanctioned strength of 3418.

Planning and Development

Against the targeted construction of 35 EHT SSs and laying of 3657 Ckm of EHT lines, the Company constructed 16 EHT SSs and 2020.08 Ckm of EHT lines during the period 2007-08 to 2011-12 (achievement of 45.71 per cent and 55.24 per cent respectively). The transformation capacity added was 3299 MVA for the five-year period ending 2011-12 as against the targeted addition of 4419 MVA (achievement of 74.65 per cent).

Project Management

The Company did not follow the recommendations of the Task Force Committee and projects were awarded without undertaking various preparatory activities such as surveys, design and testing, processing of forest and other statutory clearances, tendering activities etc. in advance/ parallel to project appraisal and approval phase. Notwithstanding the elaborate guidelines given by the Task Force for timely completion of the projects, there were abnormal delays in execution of major projects on evacuation system as there was time overrun ranging between three and 38 months. In respect of ongoing projects also time overrun was upto 77 months. Consequently funds of ₹ 246.16 crore remained blocked without yielding any benefits and the Company was deprived of envisaged benefits.

Performance of transmission system

The performance of the Company mainly depends on efficient maintenance of its EHT transmission network for supply of quality power with minimum interruptions. The five SSs of 220 kilo Volt (kV) and 18 SSs of 132 kV had only one transformer each against the requirement of two as prescribed in the Chhattisgarh State Electricity Grid Code, 2007. Further, eight out of 15 SSs of 220 kV were not having Bus Bar Protection Panel (BBPP) to maintain system stability during Grid disturbances and to provide faster clearance of faults on 220 kV buses. There was decreasing trend in transmission losses as per Chhattisgarh State Electricity Regulatory Commission (CSERC) norms but it exceeded the Central Electricity Authority norms of four per cent in all the five years. However, from the year 2009-10 onwards it was within the norms fixed by CSERC.

Grid Management

31 out of 55 SSs of 132 kV were not connected to State Load Despatch Centre (SLDC) through Remote Terminal Units (RTUs) which are essential for monitoring the efficiency of the transmission system and the loads during emergency in load dispatch centre as per the Grid norms. The frequency violation of the Grid resulted in increase in receipt of type A/B/C messages in the year 2011-12. The Company's disaster management system was inadequate to meet unforeseen contingencies.

Energy Accounting and Audit

Energy accounting and audit is necessary to assess and reduce the transmission losses. The transmission losses are calculated based on meter readings obtained at boundary metering points. The Company had not conducted any Energy Audit during the period from 2007-08 to 2011-12. Against the requirement of installation of 0.2 class accuracy meters at all the 156 interface boundary metering points, only 29 interface boundary metering points were complying with this requirement as on 31 March 2012.

Financial Management

One of the major objectives of the National Electricity Policy, 2005 was to ensure financial turn around and commercial viability of Power Sector. The Debt-Equity ratio of the Company increased from 0.45:1 to 1.24:1 during the period 2009-12 mainly due to increase in borrowings from ₹298.02 crore to ₹999.07 crore because of financing of new projects. Percentage of Return on Capital Employed increased from 3.22 (2009-10) to 8.08 (2011-12) due to increase in Return on Capital Employed indicating improvement in operational performance.

The Company did not levy and recover delayed payment surcharge of ₹23.41 crore from Chhattisgarh State Power Distribution Company Limited. There was delay of 88 to 308 days in filing tariff petition by the Company resulting in loss of interest of ₹16.28 crore.

Material Management

The Company had not formulated any procurement policy and inventory control mechanism for economical procurement and efficient control over inventory. Further, the Company had neither made any ABC analysis nor fixed any maximum/ minimum level or reorder level of inventory. As a result, on 31 March 2012, the Company had non moving/surplus inventory of ₹9.97 crore.

Monitoring and Control

The Company neither maintained nor consolidated year-wise performance of the SSs and lines for evaluation of annual performance. The Company's Internal Audit system was outsourced which focused only on establishment matters rather than on the core activities of the Company i.e. stores verification, measurement books and tender procedures, etc. The Company had not constituted an Audit Committee in accordance with Section 292 A of the Companies Act, 1956.

Conclusion and Recommendations

The Company failed to achieve the targeted addition of EHT Substations and laying of EHT lines. There were abnormal delays in execution of major projects on evacuation system due to deficient planning and project management as there was time overrun ranging between three and 38 months. Eight out of 15 SSs of 220 kV were not having BBPP. From the year 2009-10 onwards, the transmission losses were within the norms fixed by CSERC. Further, 31 out of 55 SSs of 132 kV were not connected to SLDC through RTUs and receipt of type A/B/C messages had also increased during the year 2011-12. There was delay of 88 to 308 days in filing tariff petition by the Company resulting in loss of interest of ₹16.28 crore.

The Audit recommendations include introduction of an effective monitoring system to ensure that all the required approval are obtained before commencement of the projects, adherence to the standards/ norms fixed in Grid Code, installation of adequate number of BBPPs to protect the EHT SSs and lines, maintenance of SLDC as per Grid Code, provision of adequate equipments for safety of EHT SSs, filing of tariff petition with CSERC in time, framing of inventory policy and constitution of Audit Committee as per the provision of the Companies Act, 1956.

Introduction

2.1 With a view to supply reliable and quality power to all by 2012, the Government of India (GoI) prepared the National Electricity Policy (NEP) in February 2005. The NEP laid emphasis on the requirement for adequate and timely investment in the transmission system besides efficient and coordinated action to develop a robust and integrated power system for the country. It also recognised the need for development of National and State Grids with the coordination of Central/ State Transmission Utilities. In Chhattisgarh, transmission of power up to 31 December 2008 was carried out by the erstwhile Chhattisgarh State Electricity Board (Board) which was formed on 15 November 2000 as the successor of Madhya Pradesh Electricity Board after formation of Chhattisgarh State. Consequent upon unbundling of the Board from 1 January 2009, the transmission of power in Chhattisgarh is carried out by the Chhattisgarh State Power Transmission Company Limited (Company) which was incorporated on 19 May 2003 under the Companies Act, 1956 as a fully owned Government Company under the administrative control of the Department of Energy, Government of Chhattisgarh.

Organisational setup

2.2 The Management of the Company is vested with the Board of Directors (BoD) comprising of four members[1]. The day-to-day operations are carried out by the Managing Director who is the Chief Executive of the Company with the assistance of Chief Engineer (Commercial & Planning), Chief Engineer (Transmission), Chief Engineer (EHT:C&M)[2], Chief Engineer (T&C)[3], Chief Engineer (Civil), Chief Engineer (SLDC)[4], General Manager (Finance) and Deputy General Manager (Human Resources). The organisational chart is indicated in ***Annexure – 2.1***.

Transmission network

2.3 During the year 2007-08, 13581.37 Million Units (MUs) of energy was transmitted, which increased to 17551.33 MUs in 2011-12, i.e. an increase of 29.23 *per cent* during the period 2007-12. The Company constructed 16 Extra High Tension sub-stations (EHT SSs) of 1223 Mega Volt Ampere (MVA) capacity and 29 lines of 1260.492 Circuit kilo meter (Ckm) during the period 2007-12. As on 31 March 2012, the Company had a transmission network of 8375.77 Ckm and 71 EHT SSs with installed capacity of 10234.50 MVA and was capable of annually transmitting 26738.59 MUs at 220 kV.

Financial Position and Manpower

2.4 The turnover of the Company was ₹ 758.20 crore in 2011-12, which

[1] Chief Secretary, Principal Secretary (Finance), Secretary (Energy) all from Government of Chhattisgarh and Managing Director
[2] Chief Engineer (Extra High Tension: Construction and Maintenance)
[3] Chief Engineer (Testing and Communication)
[4] Chief Engineer (State Load Despatch Centre)

was equal to 0.56 *per cent* of the State Gross Domestic Product[5]. As per the provisional accounts for the year 2011-12, the profit after tax for the year 2011-12 and capital employed as on 31 March 2012 were ₹ 137.22 crore and ₹ 2225.94 crore respectively. The Company had employed 1937 employees as on 31 March 2012 as against the sanctioned strength of 3418.

Scope and Methodology of Audit

2.5 The Performance Audit was conducted during February 2012 to June 2012 covering the performance of the erstwhile Board/ Company during the period 2007-08 to 2011-12. Audit examination involved scrutiny of records of different wings at the Head Office and State Load Despatch Centre (SLDC) at Raipur, seven[6] out of eight[7] Circles headed by Superintending Engineers and 16 out of 30 Divisions headed by Executive Engineers.

The criteria adopted for selection of EHT SSs and lines were as under:

Criteria	No. of EHT SSs/ No. of lines (Capacity/length)	No. of EHT SSs/ lines selected (Capacity/length)	Coverage (*per cent*)
New EHT SSs commissioned during the period 2007-08 to 2011-12 (220 kV)	4 (640 MVA)	4 (640 MVA)	100
New EHT SSs commissioned during the period 2007-08 to 2011-12 (132 kV)	12 (583 MVA)	9 (363 MVA)	75
New lines constructed and energised during the period 2007-08 to 2011-12 (220 kV)	12 (809.202 Ckm)	10 (753.602 Ckm)	83
New lines constructed and energised during the period 2007-08 to 2011-12 (132 kV)	17 (451.290 Ckm)	14 (444.730 Ckm)	82
Operation & Maintenance of EHT SSs	71	53	75

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

2.6 We explained the audit objectives to the Company during an Entry Conference held on 24 February 2012. Subsequently, the audit findings were

[5] ₹ 135536.34 crore

[6] T&C Circle Bhilai, T&C Circle Raipur, T&C Circle Bilaspur, C&M Circle Bhilai, C&M Circle Bilaspur, Civil-Transmission Circle, Raipur and 400 KV Construction Circle, Raipur

[7] T&C Circle Bhilai, T&C Circle Raipur, T&C Circle Bilaspur, C&M Circle Bhilai, C&M Circle Bilaspur, Civil-Transmission Circle, Raipur, Civil-Transmission Circle, Bilaspur and 400 kV Construction Circle, Raipur

reported to the Company and the State Government in July 2012. The State Government replied to the audit findings in November 2012. However, the Exit Conference to discuss the audit findings with the State Government could not be held due to lack of response from the Government. The views expressed by them have been considered while finalising this Performance Audit. The audit findings are discussed in the subsequent paragraphs.

Audit Objectives

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

- the transmission system was developed and commissioned in an economical, efficient and effective manner;
- operation and maintenance of transmission system was carried out in an economical, efficient and effective manner;
- a Disaster Management System was set up to safeguard its operations against unforeseen disruptions;
- efficient and effective energy conservation measures were undertaken in line with the NEP and and Energy Audit System established;
- there was an effective and efficient Financial Management System with emphasis on timely raising and collection of bills and filing of Aggregate Revenue Requirement (ARR) for tariff revision;
- there was an efficient, economic and effective system of procurement of material and an inventory control mechanism was set up;
- there was an effective system of stock management and disposal of obsolete stores; and
- an efficient and effective monitoring system and internal control framework was in place.

Audit Criteria

2.8 The audit criteria adopted for assessing the achievement of the audit objectives were drawn from the following sources:

- Provisions of the National Electricity Plan/ Policy;
- Business Plan and Project Reports of the Company;
- Standard procedures for award of contracts with reference to principles of economy, efficiency, effectiveness, equity and ethics;
- Manual on Transmission Planning Criteria (MTPC) issued by the Ministry of Power (MoP) in June 1994;

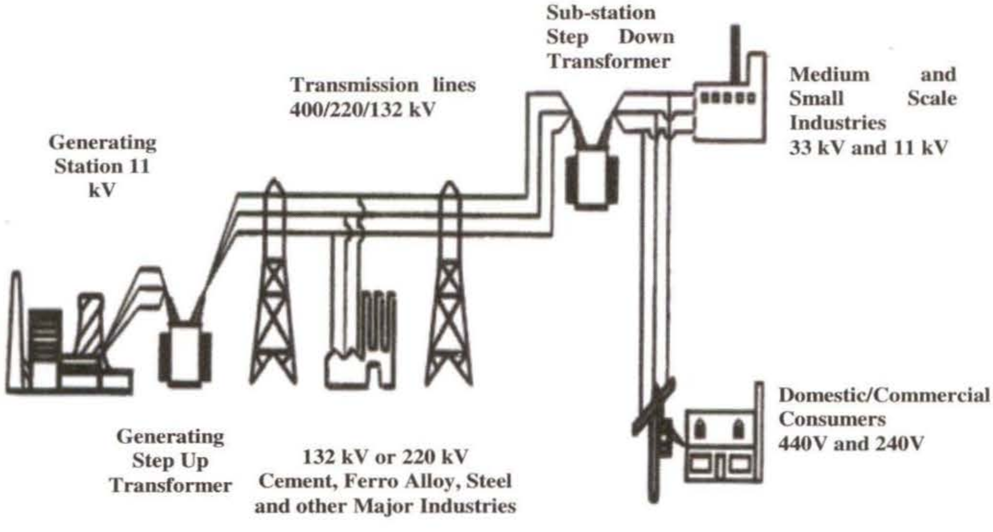
- ARR filed with Chhattisgarh State Electricity Regulatory Commission (CSERC) for tariff fixation;
- Chhattisgarh State Electricity Grid Code – 2007 issued by CSERC;
- Directions from State Government / MoP;
- Norms/Guidelines issued by CSERC/ Central Electricity Authority (CEA);
- Report of the Committee for Updating the Best Practices in Transmission system in the Country (January 2002) for maintenance of lines by the Board;
- Report of the Task Force on transmission projects constituted by the Ministry of Power in July 2005;
- Reports of Regional Power Committee (RPC)/ Regional Load Dispatch Centre (RLDC); and
- Circulars, Manuals and MIS reports of the Company.

Brief description of transmission process

2.9 Transmission of electricity is defined as bulk transfer of power over long distances at high voltages, generally at 132 kV and above. Electric power generated at relatively low voltages in power plants is stepped up to high voltage power before it is transmitted to reduce the loss in transmission and to increase efficiency in the Grid. EHT SSs are facilities within the high voltage electric system used for stepping up/ stepping down voltages from one level to another, connecting electric systems and switching equipment in and out of the system. The step up transmission SSs at the generating stations use transformers to increase the voltages for transmission over long distances.

Transmission lines carry high voltage electric power. The step down transmission SSs thereafter decreases voltages to sub transmission voltage levels for distribution to consumers. The distribution system includes lines, poles, transformers and other equipments needed to deliver electricity at specific voltages.

Electrical energy cannot be stored; hence generation must be matched to need. Therefore, every transmission system requires a sophisticated system of control called Grid management to ensure balancing of power generation closely with demand. A pictorial representation of the transmission process is as follows:



Audit Findings

Planning and Development

National Electricity Plan

2.10 The Central Transmission Utility (CTU) and State Transmission Utilities (STUs) have the key responsibility of network planning and development based on the NEP in coordination with all concerned agencies. At the end of the Tenth Plan (March 2007), the transmission system in the country at 765/HVDC/400/230/220/kV stood at 1.98 lakh Ckm of transmission lines which was planned to increase to 2.93 lakh Ckm by end of Eleventh Plan i.e. March 2012. The NEP assessed the total inter-regional transmission capacity at the end of 2006-07 as 14100 MW and further planned to add 23600 MW in Eleventh Plan bringing the total inter-regional capacity to 37700 MW.

Transmission network and its growth

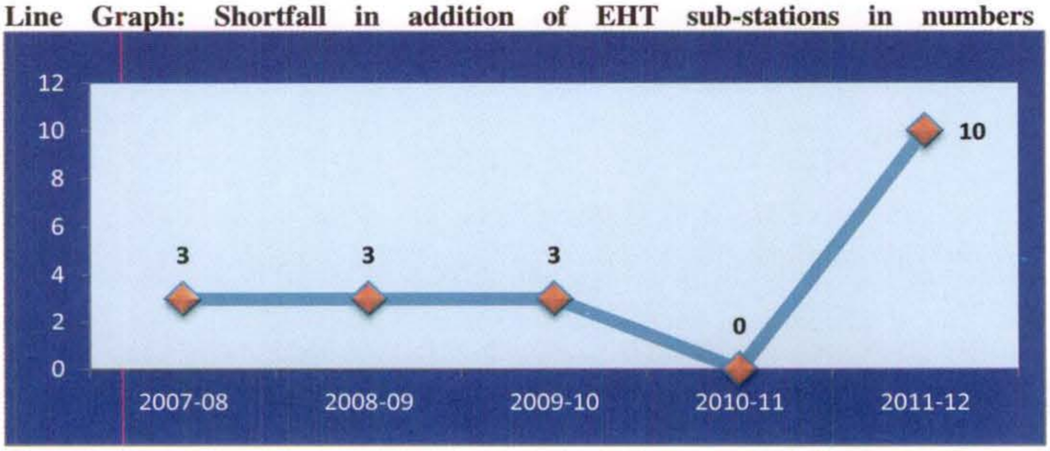
2.11 The Company's transmission network at the beginning of 2007-08 consisted of 55 EHT SSs with a transformation capacity of 6935.50 MVA and 6355.69 Ckm of EHT transmission lines. The transmission network as on 31 March 2012 consisted of 71 EHT SSs with a transformation capacity of 10234.50 MVA and 8375.77 Ckm of EHT transmission lines.

The details of the transmission capacity of the erstwhile Board/ Company at EHT level during 2007-08 to 2011-12 is given in the following table:

Sl. No.	Description	2007-08	2008-09	2009-10	2010-11	2011-12	Total
A. Sub-stations (Numbers)							
1	At the beginning of the year	55	59	61	65	68	-
2	Additions planned for the year	7	5	7	3	13	35
3	Added during the year	4	2	4	3	3	16
4	**Total sub stations at the end of the year (1+3)**	**59**	**61**	**65**	**68**	**71**	-
5	Shortfall in additions (2-3)	3	3	3	0	10	19
B. Transformers capacity (MVA)							
1	Capacity at the beginning of the year	6935.50	7395.50	7875.50	8651.50	9305.50	-
2	Additions/ augmentation planned for the year	500.00	600.00	1000.00	774.00	1545.00	4419.00
3	Capacity added during the year	460.00	480.00	776.00	654.00	929.00	3299.00
4	**Capacity at the end of the year (1+3)**	**7395.50**	**7875.50**	**8651.50**	**9305.50**	**10234.50**	-
5	Shortfall (excess) in additions/ augmentation (2-3)	40.00	120.00	224.00	120.00	616.00	1120.00
C. Transmission lines (Ckm)							
1	At the beginning of the year	6355.69	6789.11	7057.00	7425.48	7756.40	-
2	Additions planned for the year	500.00	500.00	500.00	900.00	1257.00	3657.00
3	Added during the year	433.42	267.89	368.48	330.92	619.37	2020.08
4	**Total lines at the end of the year (1+3)**	**6789.11**	**7057.00**	**7425.48**	**7756.40**	**8375.77**	-
5	Shortfall in additions (2-3)	66.58	232.11	131.52	569.08	637.63	1636.92

(Source: Compiled from the records of the Company)

Line Graph: Shortfall in addition of EHT sub-stations in numbers



Line Graph: Shortfall in addition of lines in Circuit kilometres

Against the targeted construction of 35 EHT SSs and laying of 3657 Ckm of EHT lines, the Company constructed 16 EHT SSs and 2020.08 Ckm of EHT lines during the five-year period (achievement of 45.71 *per cent* and 55.24 *per cent* respectively). The transformation capacity added was 3299 MVA for the five-year period ending 2011-12 as against the targeted addition of 4419 MVA (achievement of 74.65 *per cent*). The main reasons for shortfall in addition were due to delays in getting approval for land acquisition and forest clearance.

The particulars of voltage wise capacity additions planned, actual additions, shortfall in capacity, etc., during the period 2007-2012 are given in ***Annexure - 2.2.***

Project Management of Transmission System

2.12 A transmission project involves various activities from concept to commissioning. Major activities in a transmission project are (i) Project formulation, appraisal and approval phase and (ii) Project execution phase. For reduction in project implementation period, the Ministry of Power (MoP), Government of India constituted (February 2005) a Task Force on transmission projects with a view to:

- analyse the critical elements in transmission project implementation,
- implementation from the best practices of CTU and STUs, and
- suggest a model transmission project schedule for 24 months' duration.

The Task Force suggested and recommended (July 2005) the following remedial actions to accelerate the completion of transmission systems;

- Undertake various preparatory activities such as surveys, design and testing, processing for forest and other statutory clearances, tendering activities etc. in advance/parallel to project appraisal and approval phase and go ahead with construction activities once transmission line project sanction/approval is received;

- Break-down the transmission projects into clearly defined packages such that the packages can be procured and implemented requiring least coordination and interfacing and at same time it attracts competition facilitating cost effective procurement; and

- Standardise designs of tower fabrication so that 6-12 months can be saved in project execution.

2.13 The Company failed to undertake various preparatory activities such as surveys, design and testing, processing of forest and other statutory clearances, tendering activities etc. in advance/ parallel to project appraisal and approval phase as recommended by the Task Force Committee. Notwithstanding the elaborate guidelines given by the Task Force Committee for timely completion of the projects, the Company failed to execute several EHT SSs and Lines during 2007-12 as detailed in the following table:

Capacity in kV	Total numbers Constructed		Numbers test checked by Audit		Delay in construction (Numbers)		Time overrun (range in months)	
	EHT SSs	Lines	EHT SSs	Lines	EHT SSs	Lines	EHT SSs	Lines
220	04	12	04	10	04	09	07- 34	06-38
132	12	17	09	14	09	07	04-20	03-27
Total	**16**	**29**	**13**	**24**	**13**	**16**	**04-34**	**03-38**

(Source: Compiled from the records of the Company)

The main reasons attributed for delay were delays in acquisition of land, non-handing over of site to the contractors, Right of Way (RoW) problems and failure to obtain clearances from Ministry of Environment & Forest, Government of India (MoEF) and the Railways. The instances of delay in completion of projects which had a significant impact on the objective of increasing the transmission network are as follows:

Name of the project (Date of approval)	Value of work awarded & date of award	Scheduled date of completion (Actual date of completion/ status)	Time overrun (in months)	Reasons for delay	Loss due to delay
220 kV EHT SS Vishrampur (December 2003)	₹ 19.66 crore June 2005, ₹ 30.10 crore August 2009	June 2006 (Cancelled[8]) November 2010 (WIP[9])	77 (from the first work order)	Award of works without acquiring required land and obtaining forest clearance.	Non-achievement of anticipated benefit of 63639 LUs[10] (₹ 91.89 crore[11]) besides blocking

[8] Order was cancelled due to non-acquisition of land
[9] Work-in-progress
[10] Lakh Units
[11] As per DPR anticipated benefit of ₹14.32 crore per annum (₹ 14.32 crore X 77 months/12)

220 kV Korba – Vishrampur line (December 2003)	₹ 40.48 crore December 2004	August 2006 (WIP)	75		of funds of ₹ 81.13 crore.
The Government stated (November 2012) that the delay in construction of EHT SS was due to delay in acquiring land and obtaining forest clearance which was beyond the control of the Company. However, benefits of the reduced line loss and improved voltage regulation will be availed from the date of commissioning of the project. The fact remains that the Company had awarded the work without acquiring the required land and obtaining necessary clearances as per recommendations of the Task Force Committee.					
132 kV EHT SS Patan (March 2008) 132 kV Doma-Patan line (August 2008)	₹ 8.64 crore August 2009 ₹ 0.64 crore November 2009[12] ₹ 1.19 crore April 2011	June 2010 (May 2012) December 2010 (contract cancelled midway due to non-completion of the work by the contractor) November 2011 (as per re-award) (May 2012)	22 16	1. Poor monitoring and non-synchronisation of various activities etc. 2. Abandonment of work by original contractor and consequent re-tendering of work	Non-achievement of anticipated benefit of 3384 LUs (₹ 103.16 crore[13])
The Government stated (November 2012) that the work of EHT SS was delayed mainly due to delay in completion of transmission line on account of unforeseen problems, diversion of 40 MVA transformer from Patan EHT SS to Doma EHT SS while under transit due to non-completion of 132 kV DCSS Doma-Patan line and RoW problems, etc. However, the fact remains that the Company did not comply with the recommendations made by the Task Force Committee while executing the work.					
132 kV EHT SS Magarlod (April 2008) 132 kV Kurud-Rajim line to EHT SS Magarlod (April 2008)	₹ 8.91 crore September 2009 ₹ 0.62 crore February 2010	June 2010 (WIP) December 2010 (WIP)	30 23	RoW problem as well as lack of proper monitoring and supervision by the Company	Non-achievement of anticipated benefit of 4864 LUs (₹ 148.10 crore[14]), besides blocking of funds of ₹ 6.19 crore
The Government stated (November 2012) that the work was delayed for the reasons beyond the control of the Company because the route of the line was passing through fertile paddy fields and the area was yielding double crop. Therefore, for most of the time the area was not approachable due to crops. It was further stated that the farmers and owners of the land were also protesting due to damage to their crops as well as to land due to construction activities. However, the fact remains that the constraints cited were known to the Company at the planning stage itself which could have been addressed through proper planning.					

[12] Order was terminated due to non-execution of work within scheduled period

[13] As per DPR anticipated benefit of ₹ 56.27 crore per annum (₹ 56.27 crore X 22 months/12).

[14] As per DPR anticipated benefit of ₹ 59.24 crore per annum (₹ 59.24 crore X 30months/12)

132 kV EHT SS Balrampur (July 2004)	₹ 6.84 crore July 2005 ₹ 0.17 crore May 2009 (Re-award on labour contract basis)	December 2006 (cancelled) March 2012 (WIP)	7 (from the date of first work order)	Award of works without acquiring required land, cancellation of work order, re-award of the contract and delay in handing over of site (30 months) due to non-completion of civil works.	Blocking of funds of ₹ 34.09 crore.
132 kV DCSS Vishrampur-Balrampur line (July 2004)	₹ 25.34 crore March 2005	June 2006 (WIP)	77	Award of works without acquiring forest clearance	
The Government stated (November 2012) that the delay in construction of EHT SS was due to delay in allotment of selected land and delay in obtaining forest clearance for construction of line. The fact remains that both the orders were issued without acquiring the requisite land and obtaining forest clearance which clearly indicates improper planning and non-compliance of the recommendations made by the Task Force Committee.					
220 kV DCDS[15] line Chhuri to Mopka (August 2007)	₹ 43.29 crore June 2009 subsequently (January 2012) revised to ₹ 59.12 crore	February 2011 (WIP)	22	Award of work without conducting proper survey and obtaining forest clearance and consequent revision in length of line	Avoidable increase in cost by ₹ 15.83 crore besides blocking of funds of ₹ 33.59 crore.
The Government stated (November 2012) that increase in cost was due to increase in length of line, type of soil encountered during construction requiring higher concrete, involvement of heavier towers to cross over existing transmission lines and diversion carried out to maintain statutory clearances. The reply itself indicates that the survey was not conducted properly as per the recommendations made by the Task Force Committee.					
220 kV DCDS Raigarh-Saraipali line (June 2009)	₹ 35.15 crore November 2009 subsequently (January 2012) revised to ₹ 45.10 crore	May 2011 (WIP)	18	Award of work without conducting proper check survey[16] and the Company's failure in identifying the existence of a Wild Life Sanctuary in the route of the line.	Increase in cost by ₹ 9.95 crore besides blocking of funds of ₹ 48.85 crore.
The Government stated (November 2012) that the existence of the wildlife sanctuary could not be discovered during the route survey because there was no boundary of the wildlife sanctuary marked in the topo sheet and also due to absence of demarcation which are normally provided for identification of forest boundary at site. Accordingly, the route was decided taking into account non involvement of forest area. The reply is not convincing as the work was awarded after conducting joint check survey by the Company's officials with the contractor which indicates that route survey was not conducted properly.					

(Source: Compiled from the records of the Company)

[15] Double Circuit Double Strengthening Line

[16] Check Survey is conducted to locate and peg mark the tower positions on ground conforming to the approved profile and tower schedule.

Idling of EHT SSs/ lines due to non-synchronisation of construction activities:

Name of the project (Date of approval)	Value of work awarded and date of award	Scheduled date of completion (Actual date of completion/ status)	Date of energising (Delay in months)	Reasons for idling	Loss due to delay
220 kV EHT SS Mahasamund (September 2006)	₹ 23.21 crore July 2005 (on turnkey basis)	November 2006 (March 2007)	November 2007 (7)	Execution of work without ensuring completion of 220 kV Suhela EHT SS resulted in idling of EHT SS for seven months	Non-achievement of anticipated benefit of 5250 LUs (₹ 7.37 crore[17])
While accepting the audit observation, the Government stated (November 2012) that the EHT SS was to be energised through 220 kV DCDS line from 220 kV Suhela EHT SS, which was under construction. However, 220 kV Mahasamund EHT SS was energised after completion of 220 kV Suhela-Korba (East) line by making an interim arrangement by connecting 220 kV Korba-Bemetara-Mahasamund line on 26 November 2007. The reply confirms that the Company failed to execute the work without ensuring parallel execution of work of Suhela EHT SS.					
Second circuiting of 132 kV Kurud- Rajim line (March 2010)	₹ 0.10 crore October 2010 (on labour contract basis)	June 2011 (June 2011)	yet to be energised (17 months upto November 2012)	Placing of work order for second circuiting without synchronising with construction work of 132 kV feeder Bay at 132/33 kV EHT SS Rajim, resulted in idling of the second circuiting Kurud-Rajim line	Blocking of funds of ₹ 1.14 crore.
While accepting the fact the Government stated (November 2012) that one number bay at Rajim EHT SS was required for independent energising of second circuiting of 132 kV Kurud-Rajim line which was under progress. The reply is not convincing as the second circuiting is necessary for smooth voltage condition and stable power flow in Rajim- Mahasamund area.					
Second circuiting 132 kV Saraipali-Jhalap line (May 2009)	₹ 0.29 crore November 2009 (on labour contract basis)	September 2010 (April 2011)	Yet to be energised (19 months upto November 2012)	Due to the Company's failure in providing 70 kilo Newton disc insulators in time and non-completion of associated feeder Bay.	Blocking of funds of ₹ 2.42 crore
While accepting the audit observation, the Government stated (November 2012) that after completion of associated bay work, the asset would be used. The fact remains that the Company awarded the work without proper planning between different works and failed to provide the required disc insulators in time.					
400/220 kV EHT SS Raita (November 2006)	₹ 125.44 crore July 2009	August 2011 (WIP)	-	2 X 315 MVA Power Transformers and 7 X 50 MVAR Shunt Reactor	Blocking of funds of ₹ 38.75 crore[18] besides expiry

[17] As per DPR anticipated benefit of ₹ 12.63 crore per annum (₹ 12.63 crore x 7 months/12)
[18] 70 *per cent* released as per terms and conditions of the contract

	(on turnkey basis)			valuing ₹ 55.35 crore were procured in advance from the contractor during March 2010 to June 2010. However, the same was installed between 28 January 2012 and 9 February 2012 but were lying unutilised (November 2012) due to non-completion of line work.	of guarantee period[19] of these equipments.

(Source: Compiled from the records of the Company)

Mismatch between Generation Capacity and Transmission facilities

2.14 The National Electricity Plan (NEP) envisaged augmenting transmission capacity taking into account the planning of new generation capacities to avoid mismatch between generation capacity and transmission facilities. The transmission facilities to be provided by the Company to match with the generating Company's generation plans could not be provided in time due to delay in execution of transmission evacuation works, which ultimately resulted in mismatch between generation capacities and transmission facilities and consequent evacuation of the power with the existing and already overloaded transmission lines.

During the Performance Audit period, two units of Dr. Shyama Prasad Mukherji Thermal Power Station (DSPM TPS) were commissioned by the erstwhile Board. However, the Board failed to complete the transmission network matching with the generation plan in case of Unit-I.

The erstwhile Board placed (April 2005) order for construction of 220 kV Double Circuit Double Strengthening (DCDS) feeding transmission line from Korba (East) to Bhatapara on Associated Transrail Structures Limited, Baroda for ₹ 50 crore on turnkey basis. The work was to be completed by December 2006 so as to synchronise with Unit-I of DSPM TPS. However, it was observed that the transmission line was completed on 21 November 2007 with delay of 350 days, whereas the Unit-I of DSPM TPS was already synchronised on 30 March 2007. This resulted in mismatch in completion of work between generation of power from the generating Company (DSPM TPS) and evacuation of the same through the transmission network. Consequently, the Company had to evacuate the power through its existing system by putting more load on it during the period from 30 March 2007 to 21 November 2007.

[19] 30 months from the date of receipt

Idling of 220 kV DCDS line from Jindal Power Project to 220/132 kV EHT SS Raigarh

2.15 The erstwhile Board approved (27 May 2006) the construction of a 220 kV DCDS line from 300 MW Jindal Power Project to 220/132 kV EHT SS Raigarh to draw power from Jindal Power Limited (JPL). The construction of the line was completed in November 2008 at a total cost of ₹ 32.74 crore.

Non utilisation of 220 kV DCDS line worth ₹ 32.74 crore due to non-drawal of power.

We observed that the Company had drawn only 2874.186 MUs of energy from Jindal Power Plant during the period December 2008 to June 2011 against the available capacity of 6782.40 MUs[20] of the above line. However, from July 2011 onwards, no power was drawn (except 7.084 MUs[21] drawn during 10 October 2011 and 11 October 2011) till the date of audit (June 2012) and the line was kept idle resulting in non-utilisation of the line constructed at a total cost of ₹ 32.74 crore.

The Government stated (November 2012) that these lines are being utilised for availing power from JPL by the distribution company as and when required. It was further stated that JPL cannot use this line for sale of power to other parties without permission of the Company.

The reply is not convincing because even without construction of this line, power could have been drawn through other existing lines i.e. 220 kV DCDS Jindal Steel & Power Limited (JSPL) - Raigarh of JSPL and 400 kV DCDS JPL-Raipur of JPL interconnected at PGCIL's line. Further, benefits of capitalisation of line had been availed by the Company in 2010-11 which resulted in shifting of burden to the consumer through tariff though the 220 kV DCDS line was not utilised.

Contract Management

During the period 2007-08 to 2011-12 the contracts awarded or executed by the Company were examined in audit and the following points on non-compliance to tender conditions and Central Vigilance Commission (CVC) guidelines were noticed:

[20] For 942 days (i.e. from December 2008 to June 2011) at the rate of 7.2 MUs per day
[21] 3542000 units + 3542000 units / 1000000 = 7.084 MUs

2.16 Discrepancies in contract management and passing of undue financial benefits to the contractors:

Name of the project (Date of approval)	Value of work awarded and date of award (₹ / crore)	Scheduled date of Completion (Actual date of completion/ status)	Time overrun (in months)	Undue benefit to the contractors/ avoidable expenditurere	Amount
220 kV Korba – Vishrampur line (December 2003)	₹ 40.48 crore December 2004	August 2006 (Work-in-progress)	75	LD was deducted as per provision[22] of the work order due to non-completion of 91 km line under non-forest area in which only 37.67 km was completed. The same was waived and refunded without any justification.	₹ 64.94 lakh[23]
The Government stated (November 2012) that levy of LD was waived and refunded due to delay in arranging forest clearance by the Company which was beyond the scope of the contractor. The reply is not convincing as the contractor failed to complete the work in the available non-forest land for which no forest clearance was required.					
220 kV EHT SS Mahasamund (September 2006)	₹ 23.21 crore July 2005	November 2006 (March 2007)	7	Refund of LD recovered from the contractor by granting time extension	₹ 22.18 lakh
The Government stated (November 2012) that the LD of ₹ 0.22 crore recovered from the contractor was refunded due to extension granted in the contractual period upto 31 March 2007 and indefinite strike by the workers of the contractor's sub-vendor. The reply is not convincing because strike by the workers of the contractor's sub-vendor was an internal matter of the turnkey contractor.					
132 kV Doma-Patan line (August 2008)	₹ 0.64 crore November 2009[24] ₹ 1.19 crore April 2011 (re-award)	December 2010 (contractor left the work mid-way) November 2011 (May 2012)	16	Non-recovery of risk and cost amount from contractor as per Clause 27 (c) of the work order	₹ 58.73 lakh[25]
While accepting the audit observation the Government stated (November 2012) that the Company has sent a notice (August 2012) to the contractor for depositing the additional cost involved in completion of the work through an alternative contractor. However, the same was not deposited by the contractor so far (November 2012).					
132 kV DCSS Vishrampur-Balrampur line (July 2004)	₹ 25.34 crore March 2005	June 2006 (WIP)	77	LD was deducted as per provision[26] of the work order due to non-completion of 94 km line under non-forest area in which only 54.34 km was completed. The same was waived and	₹ 43.14 lakh[27]

[22] If the contractor fails to complete the project in schedule completion period, penalty of half *per cent* per week or part thereof, subject to maximum of 5 *per cent* of the contract price of uncompleted works will be recovered.

[23] For the period prior to obtaining permission from MoEF for diversion of forest land

[24] Order was terminated due to non-execution of work within scheduled period

[25] [₹ 119.03 lakh - (₹ 63.61 lakh award value - ₹ 14.01 lakh work done)] - ₹ 10.70 lakh forfeited

[26] If the contractor fails to complete the project in schedule completion period, penalty of half *per cent* per week or part thereof, subject to maximum of 5 *per cent* of the contract price of uncompleted works will be recovered.

[27] For the period prior to obtaining permission from MoEF for diversion of forest land.

				refunded without any justification.	
The Government stated (November 2012) that levy of LD was waived and refunded due to delay in arranging forest clearance by the Company which was beyond the scope of the contract. The reply is not convincing as the contractor failed to complete the work in the available non-forest land for which no forest clearance was required.					
220/132 kV EHT SS Chhuri (June 2006)	₹ 44.01 crore April 2011	March 2013	-	The work was taken up on turnkey basis instead of labour contract basis, ignoring the proposal made by the CE (EHT-C&M) of the Company regarding saving of 30 *per cent* on the ordered value of turnkey contract.	₹ 13.20 crore (i.e. 30 *per cent* of ₹ 44.01 crore)

(Source: Compiled from the records of the Company)

Extra expenditure on procurement of 145 KB SF6 circuit breakers

2.17 The requirement of equipments for EHT SSs for the year 2007-08 was worked out in November 2006. As per this requirement, 26 SF6 Circuit Breakers (CB) of 145 KV were required. Accordingly, after inviting (May 2007) open tender (TR 07/257), purchase orders for 16 and 10 CBs were issued (12 October 2007) to Areva T&D Limited and Siemens Limited respectively at the rate of ₹ 781636.42 per unit. As per clause 11 of the purchase order, the Company had the right to place an extension order for 100 *per cent* of the original ordered quantity within six months from the date of the original order at the same rates, terms and conditions.

Subsequently in April 2008, fresh requirement of CBs for the year 2008-09 was worked out to 39 of which 26 CBs (equal to 100 *per cent* quantity of the original order) were purchased through extension orders (26 June 2008) against the original order of TR 07/257 at the same rates[28]. While placing extension order, it was stated that there was no downward trend in the rates of CBs as there was an increase of approximately four *per cent* in the rates during this period as per Indian Electrical & Electronics Manufacturers' Association (IEEMA) price variation formula.

We observed that the time limit of six months for placement of extension order against the original order (TR 07/257) had expired on 11 April 2008. Thus, placement of extension order beyond the permissible period in violation of the purchase order condition was not in order and amounted to extension of undue benefit to the suppliers. Moreover, while issuing the extension order, the Company simply relied on price variation formula of IEEMA and did not analyse the then prevailing market trend to ensure that there was no downward trend in the rates of the CBs. The Management's failure in assessing the rate was also evident from the fact that in the subsequent tender (TR-09/26) finalised in December 2009, rates received for CBs was lower by 31.69 *per cent* than the previous rates contrary to positive price variation of 6.07 *per cent* registered during the period as per IEEMA formula. Interestingly, Siemens on whom the extension order was

[28] There was minor variation due to variation in the tax rates.

placed, had also quoted 31.10 *per cent* lower than its previous rate.

Extra expenditure of ₹ 60.84 lakh due to procurement of Circuit Breakers at higher rates through extension orders.

From the above it was clearly evident that there was drastic reduction in the rates of CBs despite registering positive price variation as per IEEMA formula. Thus, instead of placing extension order after expiry of time limit and that too without assessing the then prevailing market rate, had a fresh tender been invited by the Company for procurement of CBs, it could have saved ₹ 60.84 lakh[29] incurred extra on procurement of 26 CBs at higher rate through extension order.

The Government stated (November 2012) that due to urgent requirement, extension orders were placed after obtaining consent from the suppliers and approval of the competent authority. Had the fresh tender been invited, it would have taken minimum eight to 10 month's time to receive new CBs which would have delayed the ongoing projects.

The reply is not acceptable because the requirement was fresh requirement of CBs for the year 2008-09, which was evident from the fact that against the extension order, CBs were supplied during September-October 2008 and were drawn for utilisation during December 2008 to March 2009. Even on receipt of fresh requirement of CBs in April 2008 itself, had the Company invited fresh tenders immediately instead of placing extension orders, the material would have been received by September-November 2008, considering 100 days for tender finalisation and three-five months for delivery of material.

Irregular placement of work order

2.18 Open Tender was issued (17 February 2010) by Testing & Communication (T&C) wing of the Company for Operation and Maintenance of its six SSs of 220 kV. In response, four firms had submitted tenders and after techno commercial scrutiny, price bid of all the four bidders were opened. JBS Enterprises, Thane and Kanchan Creation, Indore (Kanchan) were L1 and L2 respectively. As per clause 10 (Section I) of the tender conditions, the work was distributed among L1 and L2 bidder in the ratio of 60:40 and order was placed accordingly as detailed below:

Order for operation & maintenance of 220 KV sub stations for two years	JBS Enterprises	Kanchan Creation
Order No. & date	02-07/Tender/T&C-04/10-11/638 dated 16/06/2010	02-07/Tender/T&C-04/10-11/639 dated 16/06/2010
No. of substations	4 (Bemetara, Suhela, Mahasamund & Thelkadih)	2 (Champa & Siltara)
Order Value (₹)	**9053424**	**4526712**

(Source: Data compiled from the records of the Company)

We observed that issue of work order to Kanchan was irregular because the

[29] 26 CBs x ₹ 2.34 lakh being rate difference between extension order of TR-07/257 (₹ 7.68 lakh) and TR-09/26 (₹ 5.34 lakh)

Irregular placement of work order worth ₹ 45.27 lakh to an ineligible bidder.

firm did not fulfill the Pre Qualifying Requirement[30] (PQR), as the firm was penalised under the Payment of Wages Act, 1936 and the Minimum Wages Act, 1948. However, in spite of noticing this deviation from the PQR, the Company considered the bid of Kanchan by obtaining an undertaking from the firm to the effect that similar violation would not be repeated in future and placed the order. Since Kanchan was not a qualified bidder, placing order on an ineligible bidder was irregular.

The Government stated (November 2012) that since Kanchan was penalised for simple irregularities under labour laws for which difference of wages was also paid by them, the bid of the firm was considered.

The reply is not acceptable because as per the guidelines[31] of Central Vigilance Commission, once the PQR is finalised the Company should strictly follow the same without any changes and if required, the Company should go for retendering with revised PQR. Placing order on an unqualified bidder is an unethical practice and indicates lack of transparency and good governance in the Company.

Performance of transmission system

2.19 The performance of the Company mainly depends on efficient maintenance of its EHT transmission network for supply of quality power with minimum interruptions. In the course of operation of sub-stations and lines, the supply-demand profile within the constituent sub-systems is identified and system improvement schemes are undertaken to reduce line losses and ensure reliability of power by improving voltage profile. These schemes are for augmentation of existing transformer capacity, installation of additional transformers, laying of additional lines and installation of capacitor banks. The performance of the Company with regard to Operation and Maintenance (O&M) of the system is discussed in the succeeding paragraphs.

Transformation capacity

2.20 The Company, in order to evacuate the power from the generating stations and to meet the load growth in different areas of the State, constructs lines and SSs at different EHT voltages. An EHT SS houses transformers which converts AC voltage and current to a different voltage and current at a very high efficiency. The voltage levels can be stepped up or down to obtain an increase or decrease of AC voltage with minimum loss in the process. The evacuation is normally done at 220 kV SSs. The transformation capacity (220 kV) created vis-à-vis the transformation capacity (peak demand met) at the end of each year by the Company during the five years ending March 2012 are as follows:

[30] Clause 3(b) (ii) states that "The contract will not be awarded to any bidder who has been penalised by any Labour Laws Enforcement Authority for non observance of any of the labour laws during the contract period. All the bidders will have to furnish a certificate in this regard as per Annexure –III"

[31] Preventive Vigilance in Public Procurement : Study based on the Power Sector (2007)

Year	Transformation capacity (in MVA) Installed	After leaving 30 *per cent* towards margin[32]	Peak demand	Excess/ shortage (-)
1	2	3 = (70% of 2)	4	5 = (3-4)
2007-08	3050	2135	2405	-270
2008-09	3370	2359	2896	-537
2009-10	3690	2583	3005	- 422
2010-11	4170	2919	3338	- 419
2011-12	4590	3213	3419	- 206

(Source: Compiled from the records of the Company)

From the above table it could be observed that the overall transmission capacity had fallen short of the requirement every year. This reflects the inadequacy of the transmission network of the Company which ultimately resulted in its inability to transmit the power as per demand.

Sub-stations

Burden on Substation

2.21 The Chhattisgarh State Electricity Grid Code, 2007 notified (December 2006) by CSERC stipulates the permissible maximum capacity for different SSs i.e., 500 MVA for 220 kV and 150 MVA for 132 kV SSs. Further, every SS of capacity 132 kV and above should have at least two transformers and the size and number of transformers in the SS shall be planned in such a way that in the event of outage of any single transformer the remaining transformer(s) could still supply the load.

We observed that the maximum capacity levels of all EHT SSs of 220 kV were within the prescribed limit. However, five[33] SSs of 220 kV and 18[34] SSs of 132 kV had only one transformer and out of this, one[35] transformer of 220 kV SS and six[36] transformers of 132 kV SSs were loaded to 100 *per cent* or more than 100 *per cent* of their capacity. As a result, during breakdowns at those SSs, the Company was having no option other than to force shutdown of the SSs which resulted in interruption of power supply and consequent loss of revenue to Chhattisgarh State Power Distribution Company Limited (CSPDCL).

The Government stated (November 2012) that one additional transformer each has been installed at two[37] SSs of 220 kV and two[38] SSs of 132 kV after March 2012. At the remaining substations, additional transformers would be provided in a phased manner as per the priority wise requirement subject to

[32] Recommendation of the Working Group on Power –Eleventh Plan.

[33] Thelkadih, Suhela, Doma, Barsoor and Banari

[34] Gunderdehi, Nawagarh, Saja, Dongargaon, Kurud, Balod, Pandariya, Baikunthpur, Silpahari, Chakarbhata, Bagbahara, Tulsi, Mana, Mandirhasaud, Bhanupratappur, Jashpur, Gharghoda and Chaple.

[35] Barsoor

[36] Gunderdehi, Saja, Pandariya, Baikunthpur, Silpahari and Gharghoda.

[37] Barsoor and Thelkadih

[38] Chakarbhata and Baramkela

availability of funds.

The Company should take early action to reduce the burden on the remaining 220 kV and 132 kV EHT SSs.

Voltage management

2.22 The licensees using intra-state transmission system should make all possible efforts to ensure that the grid voltage always remains within the prescribed limits. As per the Indian Electricity Grid Code, STUs should maintain voltages ranging between 380-420 kV, 198-245 kV and 122-145 kV in 400 kV, 220 kV and 132 kV lines respectively.

Scrutiny of the 220/132 kV bus voltages in 400/220/132 kV SSs for the period April 2007 to March 2012 revealed that the actual voltages ranged between 386-429 kV, 128-245 kV and 98-147 kV in 400 kV, 220 kV and 132 kV lines respectively.

The Government stated (November 2012) that the voltage at 400 kV and 220 kV systems could not be controlled by the Company directly as the same was regulated by power plants and interstate grid operations. It was further stated that the voltage at 132 kV depends on many factors which is constantly monitored by the Company and remedial actions like installation of capacitor banks, new substations, transmission lines and additional transformers are taken up as per business plan and availability of funds.

The reply of the Government in respect of 220 kV is not acceptable because 220 kV system is used by the power plants situated within the state who are controlled by the SLDC of the Company.

The Company may ensure that the minimum and maximum voltages are maintained as per the norms to provide quality power and reduce the transmission losses.

Bus Bar Protection Panel (BBPP)

2.23 Bus bar is used as an application for interconnection of the incoming and outgoing transmission lines and transformers at an electrical SS. BBPP limits the impact of the bus bar faults on the entire power network which prevents unnecessary tripping and is selective to trip only those breakers necessary to clear the bus bar fault. As per Grid norms and Best Practices in Transmission System, BBPP is to be kept in service for all 220 kV SSs to maintain system stability during Grid disturbances and to provide faster clearance of faults on 220 kV buses.

We observed (March 2012) that the Company was having 15 SSs of 220 kV (four single bus bar SSs and 11 double bus bar SSs) as on 31 March 2012. However, Company provided the BBPP at only 10[39] SSs and

[39] Bhilai, Gurur, Bemetara, Doma, Bhatapara, Paraswani, Barsoor, Thelkadih, Suhela and Banari

Eight out of 15 SSs of 220 kV were not having Bus Bar Protection Panel to maintain system stability during Grid disturbances and to provide faster clearance of faults on 220 kV buses.

in the remaining five[40] SSs, BBPP was not provided. It was further observed that out of 10 SSs where BBPP was available, only seven[41] were in service and two[42] were not in working condition as those had become old and obsolete. At one[43] SS, though BBPP was installed (December 2006) the same was yet to be commissioned (November 2012). Non installation of BBPP may result in unnecessary tripping of the entire network instead of tripping of only the defective lines.

While accepting the audit observation, the Government stated (November 2012) that provisions for replacement/ installation of balance seven BBPPs are being made in the business plan of the Company and the work would be carried out accordingly. The Government also stated that provision has been made in the tender for providing BBPP at the forthcoming 220 kV SSs.

Maintenance

Performance of Current transformers (CT)

2.24 Current transformers are one of the most important and cost-intensive components of electrical energy supply networks. Thus it is imperative to prolong their life duration while reducing their maintenance expenditure. In order to gather detailed information about the operational conditions of CTs, various kinds of oil analysis like the standard oil Dissolved Gas Analysis (DGA) tests are generally conducted. For CT insulation a combination of an insulating liquid and a solid insulation impregnated therewith are used. For an evaluation of the actual condition of this insulating system usually a DGA test is used, as failures inside the CT lead to a degradation of the liquid insulation in such a way that the compound of the gases enables an identification of the failure cause. The following table indicates the status of failure of transformers during the years 2007-08 to 2011-12:

Year	No. of CTs at the beginning of the year	No. of CTs failed	No. of CTs which failed within the guarantee period	No. of CTs which failed within the normal working life
2007-08	1221	8	0	8
2008-09	1392	14	2	12
2009-10	1428	18	1	17
2010-11	1611	11	1	10
2011-12	1731	19	4	15

(Source: Information furnished by the Company)

From the above it could be seen that out of total 1731 CTs installed at the beginning of the year 2011-12, only 62 CTs (3.58 *per cent*) failed within their normal working life during the last five years upto 2011-12 which indicated that maintenance of CTs was carried out properly by the Company.

[40] Urla, Siltara, Kotmikala, Mopka and Raigarh

[41] Bhilai, Gurur, Bemetara, Thelkadih, Doma, Supela and Banari SSs

[42] Barsoor and Bhatapara SS not in working condition since 1996 and 2005 respectively

[43] Paraswani SS

Loss of ₹1.55 crore due to procurement of new power transformers instead of timely repairing of failed transformers

2.25 For augmenting the power supply, the Company has been regularly purchasing and commissioning power transformers (PT) of different capacities at its various EHT SSs. During the years 2007-08 to 2011-12, the Company had installed 21 new PTs of 40 MVA at various 132 kV SSs at a total cost of ₹ 53.06 crore.

We observed (March 2012) that despite huge requirement of PTs of 40 MVA which were being met through regular procurement, the Company did not take prompt and timely action to repair four failed PTs of 40 MVA lying at its various SSs for a long time as follows:

SN	Substation	Transformer			Repairing details		
		Make	SN	Failed on	NIT No. & Date	Repaired transformer Installed on	Cost of repair (₹ in lakh)
1	Bilaspur	GEC	B28152	29.06.05	07/290 10.12.07	03.09.11	49.00
2	Champa	EMCO	HT-1344/11643	20.07.05		27.02.10	45.31
3	Raigarh	BHEL	2011268	14.04.07	10/61 07.07.10	Under repair	54.60
4	Raipur	BHEL	2007607	05.04.09		Under commissioning	56.13

(Source: Data compiled from information furnished by the Company)

Loss of interest of ₹ 1.55 crore due to procurement of new power transformers instead of repairing of failed transformers.

It may be seen from the above that in all the four cases, NITs for repairing of transformers were issued with delays ranging between 15 and 30 months. As the average cost of repairing of PT was very less (₹ 51.26 lakh) as compared to average cost of new PT (₹ 252.65 lakh) and in a situation when the Company was managing its finances by borrowing funds from outside sources, its decision to procure new transformers in place of repairing the failed one was not in the best interest of the Company. Timely repair of these transformers would have avoided investment on procurement of new transformers and consequent payment of interest of ₹ 1.55 crore[44] on such investment.

On failure of a transformer, a Committee should have been constituted immediately to ascertain the causes of failure and assess its reparability so that prompt and timely action can be taken to avoid idling of failed transformers.

The Government stated (November 2012) that in compliance with the suggestion of audit, a time bound programme has been formulated which specifies the time limit for each activity to be carried out right from constitution of a committee, inspection, tendering, dismantling, transportation, repair and transportation back to the site for its erection and commissioning.

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[44] (₹ 252.65 lakh – ₹ 51.26 lakh) X 7 years for delay X 11 *per cent* being minimum rate of interest at which the Company borrowed fund from outside agencies

Working of hot lines divisions/ sub-divisions

2.26 Regular and periodic maintenance of the transmission system is of utmost importance for its un-interrupted operation. Apart from scheduled patrolling of lines, following techniques are prescribed in the Report of the Committee for updating the Best practices of Transmission in the Country (January 2002) for maintenance of lines:

- Hot Line Maintenance
- Hot Line Washing.
- Hot line Puncture Detection of Insulators.
- Preventive Maintenance by using portable earthing hot line tools.
- Vibration Measurement of the line.
- Thermo-scanning.
- Pollution Measurement of the equipment.

The Hot Line Technique (HLT) envisages attending to maintenance works like hot spots, tightening of nut and bolts, damages to the conductor, replacement of insulators etc. of SSs and lines without switching off. This includes thermo scanning of all the lines and SSs towards preventive maintenance. HLT was introduced in India in 1958.

On scrutiny of records relating to hot line maintenance facilities we observed (May 2012) the following:

The Company was not having separate/adequate staff/ division for HLT. Out of the above mentioned seven HLT, only Hot Line Maintenance technique was implemented by the Company. The hot line maintenance work was performed by EHT Maintenance Divisions – Bhilai and Bilaspur having experience mainly for cold line maintenance[45]. Further, the Company has not prepared any manual/ guidelines for hot line maintenance.

The Government stated (November 2012) that hot line works were undertaken by the present hot line staff with the help of cold line staff available in the Maintenance Division Bhilai/ Bilaspur and assured that training of personnel in Hot Line Training Institute, Bangalore is being chalked out for the new recruits. It was also stated that the other suggested technology (except hot line washing which is required in heavily polluted area such as seashore) if needed would be outsourced immediately.

Three thermo vision cameras were provided to Testing and Communication (T&C) wing for thermo scanning of SSs only. Out of these, one camera provided to Bilaspur Circle was not working since 2009. However, no thermo vision camera was provided to the EHT divisions for line maintenance which was the primary requirement for preventive maintenance.

The Government stated (November 2012) that the process for repairing the defective camera has been initiated. The Government further stated that the

[45] When maintenance work is carried out by taking shut down, it is called cold line maintenance.

thermo vision cameras provided to the T&C circles are also being used by the EHT Line Maintenance Division.

For proper maintenance of EHT SSs and lines, the Company may consider providing thermo vision cameras to all the maintenance divisions.

Transmission losses

2.27 When energy is carried from the generating station to the consumers through the Transmission & Distribution (T&D) network, some energy is lost which is termed as T&D loss. Transmission loss is the difference between energy received from the generating station/Grid and energy sent to power distribution utilities. The details of transmission losses from 2007-08 to 2011-12 are as follows:

Sl No.	Particulars	Unit	Year				
			2007-08	2008-09	2009-10	2010-11	2011-12
1	Power received for transmission	MUs	14328.61	16504.27	16444.32	17512.78	18305.24
2	Net power transmitted	MUs	13581.37	15672.14	15679.52	16740.20	17551.33
3	Actual Transmission loss (1-2)	MUs	747.24	832.13	764.80	772.58	753.91
4		Percentage	5.22	5.04	4.65	4.41	4.12
5	Target Transmission loss as per the CEA norm	Percentage	4.00	4.00	4.00	4.00	4.00
6	Target Transmission loss as per CSERC norms	Percentage	4.03	4.03	4.90	4.67	4.57
7	Transmission loss in excess of CSERC norm [1X(4-6)/100]	MUs	170.51	166.69	Nil	Nil	Nil
8	Realisation per unit	₹	0.13	0.13	0.17	0.17	0.43
9	Total loss (7X8)	₹ in crore	2.21	2.17	Nil	Nil	Nil

(Source: Data compiled from information furnished by the Company)

Transmission loss in excess of the norms fixed by CSERC- ₹ 4.38 crore.

It could be seen from the above that there was decreasing trend for transmission losses as per CSERC norms but it exceeded the CEA norms of four *per cent* in all the five years. From the year 2009-10 onwards it was within the norms fixed by CSERC. The value of transmission loss suffered by the Company in excess of the norms fixed by the CSERC for the years 2007-08 and 2008-09 was 337.20 MUs valued at ₹ 4.38 crore. Though transmission loss was within the norms during the last three years, the Company should make efforts to reduce it further below the CEA norms.

The Government stated (November 2012) that works for construction of new EHT SSs and EHT lines etc. are being taken up continuously to have a reliable and stable transmission system which would further reduce the transmission losses in future.

Grid Management

Maintenance of Grid and performance of SLDC

2.28 Transmission and Grid Management are essential functions for smooth evacuation of power from generating stations to the DISCOMs/consumers.

Grid Management ensures moment-to-moment power balance in the interconnected power system to take care of reliability, security, economy and efficiency of the power system. Grid management in India is carried out in accordance with the standards/directions given in the Grid Code issued by CEA. The National Grid consists of five regions viz., Northern, Eastern, Western, North Eastern and Southern Grids, each of these having a Regional Load Despatch Centre (RLDC), an apex body to ensure integrated operation of the power system in the concerned region. The Chhattisgarh State Load Despatch Centre (SLDC), a constituent of Western Region Load Despatch Centre (WRLDC), Mumbai, ensures integrated operation of power system in the State. The State Government notified December 2000 that the SLDC shall be operated by the erstwhile Board (now Company). The SLDC levies and collect such fees and charges from the generating companies and licensees engaged in intra-state transmission of electricity as specified by the CSERC.

Infrastructure for load monitoring

2.29 Remote Terminal Units/Sub-station Management Systems (RTUs/SMSs) are essential for monitoring the efficiency of the transmission system and the loads during emergency in load dispatch centre as per the Grid norms for all EHT SSs.

Non installation of RTUs at 31 SSs of 132 kV.

We observed that there were one SS of 400 kV, 15 SSs of 220 kV, 55 SSs of 132 kV and 19 generators, out of which all the 400 kV SS, 220 kV SSs and generators were having RTUs for recording and integrating real time data through Supervisory Control and Data Acquisition System (SCADA) at SLDC for efficient Energy Management System. However, only 24 out of 55 SSs of 132 kV (43.64 *per cent*) were provided with RTUs. Online data recording and integration at remaining 31 SSs of 132 kV were not carried out by SLDC.

The Government stated (November 2012) that 31 RTUs have been procured (February 2012 to April 2012) and their installation at 132 kV SSs is in progress.

Grid discipline by frequency management

2.30 As per the Grid Code, the transmission utilities are required to maintain Grid discipline for efficient functioning of the Grid. All the constituent members of the Grid are expected to maintain a system frequency between 49 and 50.5 Hertz (Hz) (49.2 and 50.3 Hz with effect from April 2009). However, due to various reasons such as shortages in generating capacities, high demand, Grid indiscipline in maintaining load generation balance, inadequate load monitoring and management, Grid frequency goes below or above the permitted frequency levels. To enforce Grid discipline, the WRLDC issues (w.e.f. April 2010) three types of violation messages (A, B, C). Message A is issued when the frequency is less than 49.2 Hz and over-drawal is more than 50 MW or 10 *per cent* of schedule, whichever is less. Violation B message is issued when the frequency is less than 49.2 Hz and over-drawal is between 50 and 200 MWs for more than ten minutes or 200 MW for more than five minutes. Message C (serious nature) is issued 15 minutes after the issue of message B when frequency continues to be less than 49.2 Hz and over-drawal is more than 100 MW or 10 *per cent* of the schedule, whichever is less.

We observed that type A, type B and type C messages received by the Company during 2010-11 were 43, 12 and 2 respectively, which had increased to 142, 103 and 29 respectively during 2011-12. The increase in the number of type A, type B and type C messages indicates inadequate Grid discipline which may lead to levy of penalty by CERC.

The Government stated (November 2012) that every effort would be made to keep the frequency within the permitted levels for strict grid discipline.

Non compliance of Backing Down Instructions

2.31 When the frequency exceeds the ideal limits i.e. in a situation where generation is more and drawal is less (at a frequency above 50 Hz) SLDC takes action by issuing Backing Down Instructions (BDI) to the generators to reduce the generation for ensuring the integrated Grid operations and for achieving maximum economy and efficiency in the operation of the power system in the State. Failure of the generators to follow the SLDC instructions would constitute violation of the Grid code and would entail penalty not exceeding ₹ five lakh. The Company issued 2388 BDIs for 399 MUs for compliance during the period 2007-12 against which 36 generators failed to comply 438 BDIs[46] for 102.75 MUs. The percentage of non-compliance of backing down in terms of MUs was on the higher side which worked out to 25.75 *per cent.* Non compliance to BDI by generators puts the State transmission grid at risk. To protect the Grid from indisciplined generators, SLDC should have approached CSERC for imposition of maximum penalty on the defaulting generators as per Sections 33 (4) and 33 (5) of the Electricity Act, 2003. However, SLDC did not file any application to CSERC regarding imposition of penalty on 36 defaulting generators for non-compliance of BDIs.

The Government stated (November 2012) that after detailed analysis of 438 BDIs, 428 BDIs were considered as BDI complied and hence those cases were not found fit for reporting to CSERC. However, the remaining 10 cases of non-compliance of BDIs involving penalty of ₹ 50 lakh have now been reported (August 2012) to CSERC as suggested by audit.

The fact remains that the detailed analysis of 438 BDIs were carried out only after the matter was raised by Audit. Thus, to have a transparent mechanism for proper implementations of BDIs, the detailed analysis of each BDI should be carried out simultaneously and the findings recorded in the BDI register itself so that cases of non compliance can be reported to CSERC immediately.

Non-collection of registration fee

2.32 As per clause 24 of CSERC (Fees and Charges of State Load Despatch Centre and Other Related Matter) Regulations, 2010, all intra-state users (excluding bulk consumer and captive users) intending to get connected to the intra-state transmission system or distribution system shall register themselves

[46] 77 BDIs not complied at all and remaining 361 BDIs partially complied

with the SLDC by filing an application along with the required fee. The applicant has to remit registration fees of ₹ 10 lakh for installed capacity of 50 MW and above or ₹ five lakh for installed capacity below 50 MW. In case of default in payment of registration fees by the existing intra-state users or an intra-state entity or power generating plant SLDC may approach CSERC.

Scrutiny of records revealed that 50 users were connected as on 31 March 2012 with the intra-state transmission system and therefore, SLDC was required to collect ₹ 3.16 crore towards registration fee from these users. However, SLDC could recover ₹ 2.76 crore from 45 users only and the remaining five users[47] did not remit the registration fees of ₹ 40 lakh. Non-collection of registration fees resulted in violation of intra-state open access regulations.

Non-collection of registration fee of ₹ 25 lakh from three customers connected to intra-State transmission system.

The Government stated (November 2012) that registration fees amounting to ₹ 15 lakh have now been collected from two customers viz JSPL (Transmission Licensee) and Indsil Energy & Electrochemicals Limited. The matter relating to remaining three customers has been reported to CSERC.

The above reply only confirms that the action was taken by the Company after the same was pointed out by audit and ₹ 25 lakh was not yet recovered from the remaining three customers.

Disaster Management

2.33 Disaster Management (DM) aims at mitigating the impact of a major break down on the system and restoring it in the shortest possible time. As per the Report of the Committee for Updating the Best Practices in the transmission system in the Country (January 2002), DM facilities should be set up by all power utilities for immediate restoration of transmission system in the event of a major failure. DM is carried out by deploying Emergency Restoration System, Diesel Generating (DG) sets, vehicles, fire fighting equipments, skilled and specialised manpower.

Disaster Management Centre, National Load Dispatch Centre, New Delhi acts as a Central Control Room in case of disasters. As a part of DM programme mock drills for starting up generating stations during black start[48] operations were to be carried out by the Company at periodic intervals.

Inadequate facilities for DM

2.34 On scrutiny (May 2012) of records relating to DM facilities available with the Company, we observed the following:

- The Company had not fixed any periodicity for conducting mock drills for starting up generating stations during black start operations. A mock drill

[47] NTPC SAIL Power Company Limited, Jindal Steel & Power Limited (JSPL) (Transmission licensee), Jindal Steel & Power Limited (Distribution licensee), Indsil Energy & Electrochemicals Limited and Hira Power & Steel Power

[48] The procedure necessary to recover from a partial or a total black out.

was carried out for the first time in August 2012 at Hasdeo Bango Hydro Power Station only after it was pointed out by audit (May 2012).

- DG sets and synchroscopes[49] form part of DM facilities at EHT SSs (220 kV) connecting major generating stations. However, DG sets were not available in all the six 220 kV SSs connected to generating stations as on 31 March 2012 while at only two[50] 220 kV SSs synchroscopes were available.

  In reply, the Government stated (November 2012) that a provision would be made in the business plan of the Company to provide DG sets and synchroscopes at the remaining places.

- Further, the Company did not identify vulnerable installations for provision of metal detectors and did not have any plans for handing over the security of the sites to the security forces to meet any crisis arising out of terrorist attacks, sabotage and bomb threats.

  In reply, the Government stated (November 2012) that vulnerable installations have been identified for providing CCTV cameras.

Inadequate safety measures at Substations and Switchyards

2.35 CEA issued (August 2010) the Central Electricity Authority (Technical Standards for Construction of Electrical Plants and Electric Lines) Regulations, 2010. These regulations provided for certain safety measures such as Fire Detection, Alarm and Protection System, Conditioning Monitoring/ Diagnostic Equipments to be in place in each EHT SS and switchyard.

The position regarding such safety measures in the Company is given below:-

Fire Detection, Alarm and Protection System

- A comprehensive fire detection, alarm as well as Fire Protection System (FPS) was required to be installed. The Control Room was to be provided with fire detection and alarm system based on smoke detectors and/ or heat detectors. As against the above, fire detection/ alarm system was available only at 400 kV SS Bhilai and in all other 220/ 132 kV SSs, only Portable Fire Extinguishers were available. Further, Control Rooms were not provided with any smoke/ heat detectors.

- The transformers or reactors of 10 MVA and higher rating or oil filled transformers or reactors with oil capacity of more than 2000 litre were required to be provided with automatic High Velocity Water Spray System as per relevant Indian Standard or Nitrogen Injection based FPS. The transformers/reactors of 220 kV or higher voltage should preferably be

49 In an AC electrical power system it is a device that indicates the degree to which two systems generators or power networks are synchronised with each other

50 220 kV SS at Suhela and Banari

provided with Nitrogen injection based FPS in addition to automatic High Velocity Water Spray System.

As against the above, only one transformer (400 kV SS at Bhilai) was provided with High Velocity Water Spray System.

- Water Hydrant System was to be provided for DG Set, Auxiliary Power Supply System Area, Stores, Fire Fighting Pump House and Transformer/ reactors in all the EHT SSs and Switchyards. As against the above, no water hydrant system was provided in any of the EHT SSs of the Company.

The Government stated (November 2012) that provision would be made in the business plan of the Company to provide 156 numbers FPS at all the remaining places.

Conditioning Monitoring/ Diagnostic Equipments

Diagnostic equipment is required to be provided to assess the health of various equipment in SSs and switchyards of 132 kV and higher voltages. Online diagnostic equipment were to be of dedicated type for those critical equipments, the health of which is required to be monitored continuously. Portable type on-line diagnostic equipment and off-line diagnostic equipment was required to be provided for one or a cluster of SSs and switchyards, depending upon the size of the same. The diagnostic equipment should include Dissolved Gas Analyzer (DGA), winding resistance meter and frequency response analyzer for transformers and reactors, capacitance and tan-delta measuring units for transformers and instrument transformers, circuit breaker analyzer including dynamic contact resistance meter and leakage current monitor for surge arrester and relay testing kit.

As against the above, the online DGA System was available only at 40 MVA transformers at 132 kV SSs – Balodabazar, Mandir Hasaud, Chakarbhata, Baramkela, Baikunthpur and Dhamdha commissioned during the period 2009-12. Other offline diagnostic equipments were available with SSs individually/ in cluster.

The Government stated (September 2012) that the estimated expenditure for providing 151 numbers DGA system at all the remaining places has been worked out to ₹ 3.02 crore for inclusion in the business plan of the Company.

From the above it may be concluded that the safety arrangements at the Company's various SSs were inadequate and the Company is not adequately equipped to handle the situation effectively in the event of a major disaster.

Unfruitful expenditure of ₹ 11.38 crore on purchase of second set of Emergency Restoration System

2.36 Emergency Restoration System (ERS) is used to restore power supply after break down of transmission towers due to floods, storms, cyclones etc. In February 2006, administrative approval for procurement of two sets of ERS was accorded subject to examination of its usefulness. As the erstwhile Board did not have prior knowledge of the utility and cost benefits of ERS, the BoD of the erstwhile Board in its 61st meeting held on 15 December 2006 decided to procure one set of ERS suitable for 400/220/132 KV transmission lines subject to assessment of the cost effectiveness, essentiality for procurement, etc. at the competent level. The Committee, constituted (19 December 2006) for this purpose, analysed all the instances of tower collapse since inception of the erstwhile Board and observed (23 December 2006) that in all the cases new towers were erected and power supply was restored in minimum time with the help of its own tower parts fabrication division. The Committee, however, opined that in certain cases the use of ERS may be beneficial. Regarding cost benefit analysis, the Committee expressed its inability to assess the same stating that the possibility of tower collapse, its frequency, possible revenue loss, etc. could not be worked out and hence it recommended to consider purchase of ERS as an insurance spare for attending any emergency situation. Accordingly, the erstwhile Board decided (28 December 2006) to procure one set of ERS and placed (9 January 2007) orders with PCI Limited, New Delhi at a total cost of ₹ 11.69 crore. The equipment was delivered on 9 July 2007. Subsequently, the erstwhile Board placed (29 November 2007) an extension order with the same firm and procured one more set of ERS at the negotiated cost of ₹ 11.38 crore without citing any justification for its procurement.

On scrutiny of records we observed that as the first set of ERS itself was procured as an insurance spare since its full utilisation and cost benefit could not be assessed, the erstwhile Board should have gone for the procurement of the second unit only if the instances of tower collapse was so high that the erection of new towers and early restoration of power supply could not be managed with one unit. It is pertinent to mention that since procurement of ERS, there were only two instances[51] of tower collapse up to March 2012, of which in one instance only (Korba-Bhilai line) ERS could be utilised. In the other occasion of tower collapse in Bastar region, ERS could not be utilised due to hilly terrain though it was considered as most useful by the Committee for the purpose of quick restoration of power supply in the region being a sensitive area. The Company's inability to use ERS in hilly terrain of Bastar region proves that ERS was feasible only in plain terrain and approachable locations. This fact was also reported (6 June 2006) by the field engineer of the erstwhile Board. CSERC had also advised (24 August 2006) the erstwhile Board not to procure ERS at all because it may not be prudent to make huge investment for procurement of ERS which may remain idle most of the time and may be useful only in plain terrain.

Unfruitful expenditure of ₹ 11.38 crore on purchase of second set of ERS without any justification.

Thus procurement of the second set of ERS was not justifiable which resulted in unfruitful expenditure of ₹ 11.38 crore.

The Government stated (November 2012) that the ERS is not only an exceptionally useful equipment in the event of breakdown of transmission lines but is also an asset to be used in regular transmission works. The

[51] 05.06.2008 - Gurur Barsoor Line and 05.06.2009 - Korba Bhilai Line

Company has been successful in using ERS on various such occasions and saved crores of rupees towards power supply.

The fact remains that during the last five years, the ERS was used only four times for normal work and only once during collapse of towers which does not justify the procurement of a second set of ERS.

Energy Accounting and Audit

2.37 Energy accounting and audit is necessary to assess and reduce the transmission losses. The transmission losses are calculated based on Meter Reading Instrument (MRI) readings obtained from Generation to Transmission (GT) and Transmission to Distribution (TD) boundary metering points. However, the Company had not conducted any Energy Audit during the period from 2007-08 to 2011-12. As on 31 March 2012 there were 156 interface boundary metering points between TD (130) and GT (26) where 0.2 class accuracy meters were required to be provided.

All the GT points and three TD points were provided with 0.2 class meters. However, the remaining 127 TD points were provided with different class (1.0 and 0.5) accuracy meters.

Further, test check of data for a three month period from January 2012 to March 2012 of six divisions[52] with 203 numbers of feeders indicated existence of high percentage of losses in 25 feeders ranging between 4.59 *per cent* to 42.86 *per cent* and gains ranging between 0.01 *per cent* to 24.56 *per cent* in 148 feeders. This was due to usage of different accuracy class meters.

The Government stated (November 2012) that provision would be made in the business plan of the Company to replace all the meters installed at the remaining 127 numbers TD boundary points with 0.2 accuracy class meters.

Thus, the usage of different class of meters at input and output points made energy accounting by the Company unrealistic.

Financial Management

2.38 One of the major objectives of the National Electricity Policy 2005 was to ensure financial turnaround and commercial viability of the Power Sector. The financial position of the Company for the three years[53] ending 2011-12 is as given in the following table:

[52] Raipur, Jadgalpur, Bhilai, Bilaspur, Raigarh and Bishrampur

[53] The Company started its activities w.e.f 1 January 2009 after restructuring of the erstwhile CSEB. Hence, data has been furnished from 2009-10 onwards.

(₹ in crore)

Sl. No.	Particulars	2009-10 (Audited)	2010-11 (Audited)	2011-12 (Provisional)
A. Liabilities				
1	Paid up Capital	0.05	0.05	650.05
2	Share Capital Suspense A/c	655.10	655.10	155.10
3	Reserves & Surplus[54]	-	-	109.44
4	Borrowing (Loan Funds)			
4 (i)	Secured	230.09	627.72	952.04
4 (ii)	Unsecured	67.93	57.48	47.03
4 (iii)	Total 4 (i) + 4 (ii)	298.02	685.20	999.07
5	Deferred Liabilities	42.21	193.33	450.04
6	Inter Company Adjustment A/c	252.41	124.67	225.28
7	Current Liabilities & Provisions	228.22	278.70	639.75
8	**Total**	**1476.01**	**1937.05**	**3228.73**
B. Assets				
9	Gross Block	1222.34	1746.89	1915.40
10	Less: Depreciation	288.40	377.97	477.67
11	Net Block	933.94	1368.92	1437.73
12	Capital Works-in-Progress (CWIP)	280.23	149.04	640.47
13	Investments	0.00	0.00	363.04
14	Current Assets, Loans and Advances (CA)	249.79	391.32	787.49
15	Accumulated loss	12.04	27.77	0.00
16	**Total**	**1476.01**	**1937.05**	**3228.73**
17	Debt Equity Ratio = 4 (iii) / (1+2)	0.45	1.05	1.24
18	Profit after tax/ Loss (-)	5.50	(-) 15.99	137.22
19	Interest (net of IDC[55] capitalised)	34.25	30.97	42.63
20	Total return on Capital Employed (18+19)	39.75	14.98	179.89
21	Capital Employed [11+12+(14-7)]	1235.75	1630.58	2225.94
22	Percentage Return on Capital Employed (20/21 X 100)	3.22	0.92	8.08

(Source: Data furnished by the Company)

It may be seen from the above that the Debt-Equity ratio of the Company increased from 0.45:1 to 1.24:1 during the period 2009-12 mainly due to increase in borrowings from ₹ 298.02 crore to ₹ 999.07 crore because of financing of new projects.

Percentage of Return on Capital Employed increased from 3.22 (2009-10) to 8.08 (2011-12) due to increase in Return on Capital Employed indicating improvement in operational performance. Capital Employed also increased from ₹ 1235.75 crore (2009-10) to ₹ 2225.94 crore (2011-12) due to increase in Net Block and Capital Work-in-progress.

2.39 The details of working results like revenue realisation, net surplus/loss and earnings and cost per unit of transmission are as follows:

[54] Including Capital Grants but excluding Depreciation Reserve

[55] Interest During Construction

Sl. No	Description	2009-10 (Audited)	2010-11 (Audited)	2011-12 (Provisional)
1	**Income**			
(a)	Revenue from transmission & SLDC charges (₹ in crore)	262.95	290.35	758.20
(b)	Other income including interest/subsidy (₹ in crore)	11.59	7.38	29.11
(c)	**Total Income (a) +(b)** (₹ in crore)	**274.54**	**297.73**	**787.31**
2	**Transmission**			
(a)	Installed capacity (in MVA)	3690	4170	4430
(b)	Power received from generating units (in MUs)	16444.32	17512.78	18305.24
(c)	Loss in transmission (in MUs)	764.80	772.58	753.91
(d)	**Net power transmitted (b)-(c)**	**15679.52**	**16740.20**	**17551.33**
(e)	**Percentage of transmission loss [2(c) / 2(b) X 100]**	**4.65**	**4.41**	**4.12**
3	**Expenditure** (₹ in crore)			
(a)	**Fixed cost**			
(i)	Employees cost (₹ in crore)	107.15	113.08	390.22
(ii)	Administrative and General expenses (₹ in crore)	18.45	15.43	22.88
(iii)	Depreciation (₹ in crore)	40.95	89.57	99.60
(iv)	Interest and finance charges (Net after capitalisation) (₹ in crore)	34.25	30.97	42.63
(v)	**Total fixed cost** (₹ in crore)	**200.80**	**249.05**	**555.33**
(b)	**Variable cost:**			
(i)	Repairs & maintenance (₹ in crore)	25.44	24.51	24.66
(ii)	Total variable cost (₹ in crore)	**25.44**	**24.51**	**24.66**
C	**Total Cost 3(a)+(b)** (₹ in crore)	**226.24**	**273.56**	**579.99**
4	Realisation (₹ per unit) 1 (a) / 2 (d)	0.167	0.173	0.432
5	Fixed cost (₹ per unit) 3 (a) (v) / 2 (d)	0.128	0.149	0.316
6	Variable cost (₹ per unit) 3 (b) (ii) / 2 (d)	0.016	0.015	0.014
7	Total cost (₹ per unit) (5+6)	0.144	0.164	0.330
8	Margin (4-6) (₹ per unit)	0.151	0.164	0.418
9	**Net surplus (₹ per unit)**	**0.023**	**0.009**	**0.102**

(Source: Data furnished by the Company)

It may be seen from the above that during the period from 1 April 2009 to 31 March 2012, the realisation per unit increased by 159 *per cent* from ₹ 0.167 (2009-10) to ₹ 0.432 (2011-12). This was mainly due to approval of enhanced tariff by CSERC in the tariff order for the year 2011-12. Although there was an increase of 129 *per cent* from ₹ 0.144 (2009-10) to ₹ 0.330 (2011-12) in total cost per unit but due to increase in margin per unit by 177 *per cent* from ₹ 0.151 (2009-10) to ₹ 0.418 (2011-12) which resulted in increase in surplus by 343 *per cent.*

It was further observed that the transmission losses decreased from 4.65 *per cent* (2009-10) to 4.12 *per cent* (2011-12) and was even better than the norms fixed by CSERC from the year 2009-10 onwards as discussed in *paragraph 2.27*.

Points noticed on financial management are discussed in the following paragraphs:

Non execution of long term Power Transmission Agreement with CSPDCL

2.40 After restructuring of the erstwhile Board w.e.f. 1 January 2009, the Company signed (15 October 2009) a Memorandum of Understanding (MoU) with CSPDCL. The MoU *inter alia* provided the following:-

- A long term Power Transmission Agreement (PTA) between the Company and CSPDCL would be executed for capacity allocation as per the Chhattisgarh State Electricity Board Transfer Scheme (transfer scheme) to be notified by the State Government, within 30 days from the date of notification of above transfer scheme.
- PTA would be submitted immediately to CSERC for approval.
- The MoU would remain in force until the long term PTA was executed by the companies and approved by CSERC.
- CSPDCL would undertake to make payment for transmission service as per tariff decided by CSERC and as per arrangement to be agreed mutually between them.

In this connection, on scrutiny of records relating to billing of transmission charges by the Company and its realisation from CSPDCL, we observed as follows:-

Non realisation of ₹ 406.22 crore from CSPDCL towards transmission charges due to non execution of PTA.

2.40.1 The Government of Chhattisgarh had notified the transfer scheme on 31 March 2010. In accordance with the MoU, the PTA was to be executed on or before 30 April 2010. Though the draft PTA was forwarded (May 2010) to CSPDCL by the Company, the same was not executed (November 2012) due to lack of response from CSPDCL and non pursuance of the matter by the Company. Consequently, the modalities for payment of transmission bills by CSPDCL also could not be finalised and this led to irregular payments to the Company by CSPDCL thereby putting the Company in a financial crunch. Since August 2011, CSPDCL had not made any payment to the Company resulting in accumulation of outstanding amount of ₹ 406.22 crore upto March 2012. As a result, the Company was not having sufficient funds for its routine O&M works as well as for capital works as discussed in *paragraph 2.43.*

It is also pertinent to mention that CSERC in its Tariff Orders for the financial year 2009-10 (May 2009) and 2011-12 (March 2011) had directed the Company to finalise the long term PTA at the earliest being a basic requirement for functioning of the Company. In spite of the above, the Company did not finalise the PTA.

The Government stated (November 2012) that the draft PTA submitted to CSPDCL was received back (June 2012) after vetting and the same has been submitted (June 2012) to CSERC for approval.

Non-realisation of revenue of ₹ 23.41 crore due to non levy of late payment surcharge on CSPDCL.

2.40.2 As per CSERC (Terms & Conditions of determination of Multi Year Tariff Principles) Regulations, 2010 (applicable w.e.f. FY 2010-11), the bills relating to transmission charges were to be paid within 60 days from the date of issue and in case of delay, surcharge at the rate of 1.25 *per cent* per month would be levied by the Company on CSPDCL. However, scrutiny of bills raised by the Company w.e.f. April 2010 revealed that the Company did not levy any surcharge on CSPDCL though the bills were paid with delays ranging between 15 and 227 days. Non-levy of surcharge on CSPDCL as per regulations resulted in non-realisation of revenue of ₹ 23.41 crore to the Company.

The Government stated (November 2012) that in September 2011 the Company had requested CSPDCL for payment of surcharge but the same was not considered by CSPDCL citing the reasons that PTA was not executed. The Government further added that looking to the observation of audit, the Company has raised (August 2012) surcharge bill of ₹ 23.41 crore on CSPDCL.

The fact remains that the Company could not recover the above amount so far (November 2012).

Defective cash management in SLDC resulting in loss of interest of ₹25.89 lakh

2.41 SLDC has been maintaining a separate current account with State Bank of India (SBI) since 16 May 2009 for collection of various receipts i.e. Application Fees, Short Term Open Access Charges, Long/ Medium Term Open Access Charges etc. Subsequently, CSERC (Fees and Charges of State Load Despatch Centre and Other Related Matter) Regulation, 2010 was notified (26 October 2010) and according to the regulation, SLDC was to create and maintain a separate fund called "SLDC Development Fund". The charges on account of return on equity, interest on deposit, depreciation and other income such as registration fee, application fee, 50 *per cent* of short term open access charges (operating charges) etc were to be deposited to the Fund. Accordingly, SLDC opened (13 April 2011) 'SLDC Development Fund A/c' with SBI.

On scrutiny of the bank statement of Collection Account for the period from 16 May 2009 to 31 March 2012, we observed that SLDC failed to transfer the funds deposited in this account to the Company's account at the head office or Development Fund Account immediately. The delay in transferring the funds ranged between one and 290 days and funds remained unutilised in a non-interest bearing current account. Since it is a collection account and no payment was being made from this account, the amount deposited in this account should have been transferred to the Company's account at the Head Office immediately. Delay in transferring the funds resulted in blocking of funds and consequent loss of interest of ₹ 21.13 lakh[56].

[56] worked out at the minimum interest rate of 10.15 *per cent* per annum at which Company obtained cash credit from bank

In respect of Development Fund Account, SLDC opted for auto sweep facility for current account called Corporate Link Term Deposit (CLTD) on 23 February 2012. Under CLTD facility, the customer has to maintain a minimum balance of ₹ 25,000 and any amount exceeding the minimum balance would be converted into Fixed Deposits (FD) in multiples of ₹ 5,000 automatically for the period till the fund is utilised by the customer. At the requirement of the customer, if there are insufficient funds in the current account, the FD would be automatically closed (depending on the withdrawal amount) without any loss of interest. However, for CLTD, SLDC had fixed a minimum balance of Rupee one crore. Had SLDC exercised its option for availing CLTD facility from the beginning with minimum balance of ₹ 25,000 instead of Rupee one crore, it could have earned additional interest of ₹ 4.76 lakh during the period from 13 April 2011 to 31 March 2012.

Loss of interest of ₹ 25.89 lakh due to defective cash management.

Thus, due to defective cash management the Company had suffered loss of interest of ₹ 25.89 lakh.

The Government stated (November 2012) that as suggested by audit, auto sweep facility on daily basis for transferring amount from above accounts to head office main account has since been started from 6 July 2012.

Tariff Fixation

2.42 The financial viability of the Company depends upon generation of surplus (including fair returns) from operations to finance its operating needs and future capital expansion programmes by adopting prudent financial practices. Revenue collection is the main source of generation of funds for the Company.

The tariff structure of the Power Transmission Company is subject to revision approved by the CSERC after the objections, if any, received against Aggregate Revenue Requirement (ARR) petition filed by them within the stipulated date. The Company was required to file the ARR for each year 120 days before the commencement of the respective financial year. For example, ARR for the year 2011-12 was required to be filed by November 2010. CSERC accepts the application filed by the Company with such modifications/conditions as may be deemed just and appropriate and after considering all suggestions and objections from the public and other stakeholders. The following table shows the due date of filing ARR, actual date of filing ARR, date of approval of tariff petition and the effective date of the revised tariff:

Year	Due date of filing	Actual date of filing	Delay in days	Date of approval	Effective date
2007-08	November 06	31.07.2007	243	22.10.2007	01.11.2007
2008-09	November 07	No tariff petition[57]			
2009-10	November 08	26.02.2009	88	30.05.2009	01.04.2009
2010-11 (MYT)	November 09	04.10.2010	308	No tariff order[58]	
2011-12 (MYT)	November 10	04.10.2010	--	31.03.2011	09.04.2011

(Source: Data compiled from information furnished by the Company)

From the above it may be seen that during the four years ending 31 March 2011, the Company failed to file application for determination of tariff in time and the delay ranged between 88 and 308 days. Even after getting exemption for filing petition for the year 2008-09 on the grounds of preparing Multi Year Tariff (MYT) petition for the year 2009-10, the Company defaulted in submission of the business plan and the MYT application for the year 2009-10.

Deferment of realisation of revenue of ₹ 148 crore due to delayed filing of tariff petition resulted in loss of interest of ₹ 16.28 crore.

Further, while issuing (30 May 2009) tariff order for the year 2009-10, CSERC had directed the Company to ensure filing of tariff petition under MYT principles for the year 2010-11 in time i.e. November 2009 so that the next tariff order could take effect from 1 April 2010. However, the Company filed the petition on 4 October 2010. As a result, no tariff order could be passed by CSERC for the year 2010-11 and consequently the Company had to realise revenue during the year at the lower rate of 2009-10 leading to short recovery of ₹ 148 crore which was realised in 2011-12. Thus, delay in filing tariff petition for the year 2010-11 resulted in deferment of realisation of ₹ 148 crore by one year and consequent loss of interest of ₹ 16.28 crore[59] to the Company.

It is pertinent to mention that the erstwhile Board/ Company was having a separate wing headed by a Chief Engineer to deal with tariff related issues but despite this the Company could not file the tariff petition in time.

The Government stated (November 2012) that the delay for the year 2010-11 occurred due to delay in issue of MYT Regulations by CSERC. After issuance (January 2010) of the MYT Regulation 2010, the business plan of the Company was approved by CSERC in June 2010 and thereafter, the MYT petition was filed in October 2010. The Government further stated that the ARR is determined by CSERC in advance which is provisional in nature. Adjustment of surplus and deficit on account of true up of expenditure on various heads of ARR based on actual is a regular and continuous process. It

[57] On request of erstwhile CSEB, CSERC did not insist on filing of tariff application for the year 2008-09 so as to allow it sufficient time to prepare Multi Year Tariff (MYT) application for first control period of three years from 2009-10 to 2011-12. In absence of tariff order, ARR approved for 2007-08 was continued.

[58] By the time (31.03.2011) CSERC finalised the tariff order; previous year 2010-11 was already over. As such, no tariff order was passed separately for the year 2010-11 and revenue realisation was made based on ARR of 2009-10.

[59] Calculated at the minimum borrowing rate of interest of 11 *per cent* at which the Company borrowed funds from PFC during the year 2010-11.

was further stated that though audit has observed deficit of ₹ 148 crore resulting in loss of interest to the Company, it has not considered the fact that surplus of ₹ 110 crore realised by the Company during 2005-06 to 2009-10 adjusted in the ARR of 2010-11 has also resulted in gain of interest to the Company by applying the same logic.

The reply does not consider the fact that the 'CSERC (Terms and conditions of determination of tariff according to multi year tariff principles) Regulations, 2008' was already in force based on which the Company was required to file the MYT petition for the year 2010-11 by November 2009. The reply regarding deferment of revenue is not acceptable because surplus/ deficit do arise in normal course due to reasons beyond the control of the Company but in the instant case the deficit of ₹ 148 crore had arisen due to controllable delay of one year in filling tariff petition by the Company. Regarding surplus of ₹ 110 crore pertaining to previous years, it is pertinent to mention that while working out the loss of interest, audit had considered the net deficit of ₹ 148 crore after adjusting the surplus of ₹ 110 crore.

Inadequate repair and maintenance of transmission system due to shortage of funds

2.43 Repair and maintenance (R&M) is an important activity and thus it should not be neglected. The essential works needed for security, safety and efficient operation of the transmission system must be carried out in time in a planned way. For every financial year, the Company forecasts R&M expenses and gets it approved in the tariff order of the concerned year. The details of R&M expenses approved by CSERC and actual expenditure incurred thereagainst for the last five years are as follows:

Year	Nature of Expenditure	Approved in tariff order (₹ in crore)	Actual expenditure as per true up petition (₹ in crore)	Percentage of actual expenditure to approved expenditure
1	2	3	4	5 = (4/3X100)
2007-08	R&M	24.70	10.69	43
2008-09	Data not available in absence of separate tariff order			
2009-10	R&M	42.61	27.28	64
2010-11	O&M[60]	274.20	148.18	54
2011-12	O&M	302.20	190.00 (as per revised ARR)	63

(Source: Data compiled from information furnished by the Company)

From the above it may be seen that the Company could not spend the full amount planned for R&M/O&M activities during the last five years and actual expenditure ranged between 43 and 64 *per cent*. We observed that the reason for lower expenditure during the years 2010-11 and 2011-12 was shortage of funds due to delay in filing of tariff petition and non payment of transmission

[60] including employee cost, Administrative & General expenses and R&M

charges by CSPDCL as discussed in *paragraph 2.42* and *paragraph 2.40.1* respectively. As a result, the Company could not take up the necessary renovation and replacement of equipments, old circuit breakers, relay, etc. and modernisation works in EHT SSs.

The Government stated (November 2012) that optimum repair and maintenance works of the transmission system were carried out as per the routine practice. However, due to shortage of funds, some of the renovation and modernisation works have been slightly deferred which have not affected the Company's operation. This is evident from the fact that the Company has achieved better transmission system availability factor of more than 99.80 *per* cent during the years 2010-11 and 2011-12 against the target of 97 *per cent* set by CSERC.

The reply is not acceptable because merely achieving better transmission system availability factor does not guarantee against possible breakdowns in future, which can only be prevented by timely and adequate repair and maintenance of the system.

Material Management

2.44 The key functions in material management are laying down an inventory control mechanism, procurement policy for materials and a policy for disposal of obsolete inventory. We observed that the Company had not formulated any procurement policy, inventory control mechanism for economical procurement and efficient control over inventory and a policy for disposal of obsolete inventory.

2.45 The details of consumption and closing stocks of inventory[61] since December 2010 are as follows:

(₹ in crore)

Year	Opening inventory	Purchase during the year	Consumption	Consumption (per month)	Closing inventory	Closing stock in terms of months to consumption
1	2	3	4	5	6 (2+3-4)	7 (6/5)
2010-11 (01.12.2010 to 31.03.2011)	26.38	24.34	31.21	7.8	19.51	2.50
2011-12	19.51	103.65	83.81	6.98	39.35	5.64

(Source: Data compiled from information furnished by the Company)

Though the Company had limited its closing stock to six months' consumption, but due to absence of an inventory control mechanism, it had

[61] Though restructuring of erstwhile CSEB was made effective from 1 January 2009,the Company wise bifurcation of store materials has taken place w.e.f. 01.12.2010 vide Government of Chhattisgarh order dated 29.10.2010. Prior to this, inventory was held combinedly by the Company and CSPDCL.

neither made any ABC analysis[62] nor fixed any maximum/ minimum level or reorder level of inventory.

The Government stated (November 2012) that the observations of audit regarding ABC analysis and fixing of inventory levels have been noted and action would be taken accordingly.

Physical verification of stocks in the stores

2.46 There are two[63] area stores under the control of the Company. Physical verification of the stores was conducted as per the Store Manual which provides that the stock of every material is to be physically verified not less than once in a year in each area store. Physical verification of both the stores for the year 2011-12 was in progress (May 2012).

Non-disposal of unserviceable materials

2.47 The value of non-moving, surplus, obsolete, unserviceable and scrap items since December 2010 is as follows:

(₹ in crore)

Particulars	2010-11 (01.12.2010 to 31.03.2011)	2011-12
Surplus/ obsolete/ unserviceable scrap	1.79	1.95
Non-moving	6.56	8.02
Total	**8.35**	**9.97**
Disposal of surplus/ obsolete/ unserviceable/ scrap	**0**	**0.10**

(Source: Data compiled from information furnished by the Company)

Unjustified procurement of tower parts resulted in blocking of funds of ₹ 1.27 crore.

It may be seen from the above that after starting accounting of inventory separately by the Company from December 2010, the stock of unserviceable and non moving items as on 31 March 2012 had increased by about nine and 22 *per cent* respectively. We also observed that the non-moving stock included two sets 60 degree and eight sets tangent multi circuit towers weighing 163.37 MT valuing ₹ 1.27 crore which were procured in June 2006. However, these could not be utilised for more than six years and were kept in the open yard. This resulted in blocking of funds to the tune of ₹ 1.27 crore with consequential loss of interest of ₹ 0.84 crore[64]. This was also indicative of poor material management.

The Government stated (November 2012) that regular action such as holding e-auction, identification of non-moving inventory for utilisation/ disposal etc is being taken to reduce the inventory of unserviceable materials. The Government further stated that the towers were procured with a view to maintain a reasonable inventory of essential, important and special material to

[62] System of inventory control where items are categorised according to their value. For example, high value items are categorised as A and least valued items are categorised as C.

[63] Bhilai and Bilaspur

[64] ₹ 1.27 crore X 6 yrs X 11 *per cent* i.e. minimum interest rate at which the Company borrowed loan from outside agencies

deal with unforeseen situation for effective and regular power supply.

Regarding procurement of tower parts, the reply is not acceptable because the above material was included in the non-moving items due to non-utilisation of such material for more than six years. Further, the deterioration of quality of the material could not be ruled out. The Company should take steps to utilise or dispose of the materials.

Non-disposal of unserviceable power transformers

2.48 On failure of transformers installed at SSs, a Committee is set up to assess their reparability and to give their recommendations. If it was found that the transformer was not reparable, the same was to be surveyed of and action for disposal initiated. The Company entered (21 February 2011) into an agreement with Metal Scrap Trading Corporation Limited, Kolkata (MSTC) for sale of scrap material through e-auction.

On scrutiny of the records relating to disposal of scrap we observed that 20 numbers of failed/ unserviceable power transformers of various capacities were lying at various SSs for periods ranging between seven and 316 months for disposal as detailed in ***Annexure 2.3***. From the Annexure it could be seen that though failed /out of service transformers were lying for considerable period, the Company did not take any action for their disposal. For disposal of scrap, the Company initiated action belatedly during 2011. Out of 20 numbers of failed transformers, only six transformers (serial number 1-6 of ***Annexure 2.3***) were put on auction and the Company was able to get successful bidders for four power transformers at a total value of ₹ 2.12 crore.

This indicates that the erstwhile Board/ Company did not have any policy and monitoring mechanism for identification and timely disposal of scrap. Had the Company initiated action for disposal of unserviceable power transformers promptly, the Company could have earned revenue and freed up space for storage of other materials.

The Government stated (November 2012) that the action is being taken for disposal of unserviceable transformers in a definite timeframe as suggested by audit.

Monitoring and Control

2.49 The performance of the EHT SSs and lines of 400/220/132 kV on various parameters like maximum and minimum voltage levels, breakdowns, voltage profiles should be recorded/ maintained as per the Grid code standards.

To ascertain the adequacy of the monitoring mechanism prevailing in the Company, we called (May 2012) for information regarding the procedures existing for monitoring the performance of the SSs and lines, monthly MIS reports, details regarding programmed overhauls of equipments like CBs, due dates of next oil change, OLTC[65] operations, schedule of maintenance works, performance of EHT SS batteries, performance of relays and cause-wise analysis of feeder breakdowns etc. However, no information was furnished by the Company so far (November 2012).

In absence of the reply, we were not able to comment on the adequacy of the monitoring mechanism in the Company.

2.50 SLDC did not maintain any register/ log book for recording of A/B/C messages received on account of grid violation (refer *paragraph – 2.30)*. We further observed that Company had no Management Information System (MIS) in place for apprising the BoDs regarding yearly performance of the Grid/ number of messages received and action taken by the Company to ascertain Grid discipline.

The Government stated (November 2012) that a register for recording of A/B/C type messages has now been opened with effect from May 2012.

Internal Controls and Internal Audit

2.51 Internal control is a process designed for providing reasonable assurance for efficiency of operations, reliability of financial reporting and compliance with applicable laws and statutes which is designed to ensure proper functioning as well as effectiveness of the internal control system and detection of errors and frauds.

The Company outsourced the internal audit function to private Chartered Accountant firms from the financial year 2009-10 onwards. Scrutiny of the Internal Audit Reports revealed that the Internal Audit focused only on establishment matters rather than on the core activities of the Company. We also observed that there were lapses in the internal control system leading to a case of embezzlement, which could not be detected by the Company, as discussed below:-

Embezzlement of ₹23785

2.52 As per standard practice, the Drawing and Disbursing Officer (DDO) should check all the entries in the cash book as soon as possible after the date of their occurrence and should initial the book with date after the last entry checked. The cash book should be signed by him at the end of the month and such signature should be understood as fixing responsibility for all entries of the month inclusive of the closing balance. Further, the disbursing officer should verify the totalling of the cash book or have this done by some principal subordinate who should initial it as correct. The actual balance of cash in the chest should be physically verified on the last working day of each month.

The Substation Division, Bhilai of the Company receives cash from various parties regularly and the cashier of the division was required to remit the daily

[65] On Load Tap Changer.

cash receipts to Regional Accounts Office (RAO), Durg (now RAO of CSPDCL) immediately. However, on test check of entries pertaining to cash receipts and cash remittance in respect of the division, we observed that the cash received on eight occasions during the period 20 March 2009 to 17 May 2010 were not remitted to RAO, Durg by the cashier. This fact was also overlooked by the DDO due to non-verification of relevant records on periodical basis as per standard practice. Thus, failure of the DDO to verify the cash book regularly led to embezzlement of ₹ 23785 by the cashier. Had the DDO followed the laid down procedures and checked the entries in the cash book, the above incident could have been avoided.

While accepting the audit observation, the Government stated (November 2012) that ₹ 23785 has now been recovered from the wife of the concerned cashier and necessary guidelines have been issued to the dealing assistant and the principal subordinates by the Executive Engineer (Substation) Division, Bhilai.

Audit Committee

2.53 As per Section 292A of the Companies Act, 1956 every public company having paid up capital of not less than rupees five crore shall constitute an Audit Committee. During the financial years 2007-08 to 2010-11, the paid up capital of the Company was below rupees five crore. Hence, the provision relating to constitution of an Audit Committee under Section 292 A of the Companies Act 1956 was not applicable to the Company. However, during the financial year 2011-12, the Company's paid up capital increased to ₹ 650.05 crore but the Company had not constituted any Audit Committee till date (November 2012).

While accepting the audit observation, the Government stated (November 2012) that the Company had initiated the process for constituting the Audit Committee.

Conclusion

The Performance Audit revealed that there were abnormal delays in execution of projects due to deficient planning and non-adherence to the recommendations of Task Force Committee to undertake various preparatory activities in advance/ parallel to project appraisal and approval phase resulting in time overrun ranging between three and 38 months. The main reasons attributed for delay were delay in acquisition of land, non- handing over of site to the contractors, Right of Way problems and lack of clearances from Ministry of Environment & Forest and Railways. Against the targeted addition of transformation capacity by 4419 MVA during the years 2007-08 to 2011-12, the Company could add only 3299 MVA. Bus bar protection panels were not in place to maintain the system. The rate of failure of CTs within normal working life during the last five years upto 2011-12 was 3.58 *per cent* which indicated that CTs were maintained properly. However, the Company had not taken immediate steps to repair the failed PTs and instead

procured new ones resulting in blocking of funds. From the year 2009-10 onwards, the transmission losses were within the norms fixed by CSERC. 31 out of 55 numbers of 132 KV SSs were not connected to SLDC through RTU for safety and security of Grid. Increase in number of type A/B/C messages indicated that the Company failed to maintain the grid discipline. The Company did not have adequate infrastructure for disaster management and the safety measures at EHT SSs and Switchyards were also not adequate. The Company failed to execute long term Power Transmission Agreement with CSPDCL as well as recover the transmission charges amounting to ₹ 406.22 crore as on 31 March 2012. There was delay in filing tariff petition ranging between 88 and 308 days resulting in deferment of realisation of revenue and consequent loss of interest of ₹ 16.28 crore. The Company had neither laid down any inventory policy nor fixed minimum/ maximum level of stock. The Company had not constituted an Audit Committee though it was a statutory requirement under the Companies Act, 1956.

Recommendations

The Company may

- introduce an effective monitoring system to ensure that all the required approvals are obtained before commencement of the projects;
- ensure adherence to the standards/ norms fixed in the Chhattisgarh State Electricity Grid Code for effective functioning and maintenance of transmission network;
- ensure installation of adequate number of bus bar protection panels to protect the SSs and lines;
- maintain SLDC as per Grid Code and ensure that all EHT SSs are connected to SLDC through RTUs on real time basis for safety and security of Grid;
- provide adequate equipments for safety of EHT SSs and switchyards;
- file tariff petition with CSERC in time for timely realisation of revenue;
- frame an inventory policy clearly indicating minimum, maximum and re-ordering level of various inventories and ensure prompt disposal of the unserviceable/ obsolete items; and
- constitute an Audit Committee as per the provision of the Companies Act, 1956.

CHAPTER - III

3. Transaction Audit Observations

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

Government Companies

Chhattisgarh Mineral Development Corporation Limited

3.1 Loss of assured income

Non trading of columbite ore by the Company resulted in loss of assured income of ₹ 3.21 crore besides encouraging trafficking of a mineral of strategic importance

As per Section 4 of the 'Mines and Minerals (Development and Regulation) Act, 1957' (MMDR Act), only authorised persons can extract, store and transport minerals in accordance with the provisions of the MMDR Act. Accordingly[1], the erstwhile Government of Madhya Pradesh, vide notification dated 27 February 1984 had authorised members of the Scheduled Tribes (local tribals) of Bastar region of the present Chhattisgarh State to extract tin ore and sell it to any Government agency or Government Company entitled to extract ore. After creation (November 2000) of Chhattisgarh State, the Government of Chhattisgarh (Government) had also issued (September 2002) a similar notification authorising members of Scheduled Tribes of the region to extract tin ore and sell it to the Chhattisgarh Mineral Development Corporation Limited (Company).

Accordingly, the Company had been procuring tin ore from local tribals in Bastar region since its inception (2001)[2]. However, columbite, a co-product of tin ore, was not being procured by the Company from the local tribals. Columbite has strategic importance for the Atomic Energy Department, (AED), Government of India as it is utilised for nuclear research, besides being used in cellular phones, personal computers, mass storage devices, automotives, digital cameras, jewellery etc. AED had suggested (July 2001) to the Company to procure columbite from the local tribals and sell it to AED. As the Company found this business profitable (with zero establishment cost and no other expenses), it started (March 2002) procurement of columbite along with tin ore from local tribals. However, the response from the tribals was very poor. Upto March 2004, the Company procured a total of 383.500 kg of columbite and sold it to AED at a total value of ₹ 25379. The main reason for low procurement was the low purchase price (₹ 10 per kg) fixed by the Company for columbite which was also resulting in illegal trafficking of the precious mineral. Though the Company subsequently increased the

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[1] In exercise of the powers conferred by sub paragraph (1) of paragraph 5 of the Fifth Schedule of the Constitution of India (Provisions as to the Administration and Control of Scheduled Areas and Scheduled Tribes).

[2] The Company had continued procurement of tin ore as per the notification of 1984 prior to issue of notification in 2002 by Government of Chattisgarh.

purchase price to ₹ 50 per kg (6 June 2006) and ₹ 80 per kg (27 February 2007), there was still no response from the tribals. The Government also requested (6 February 2007) AED to increase the purchase price of columbite so that it could in turn be procured by the Company from the tribals at a higher rate.

Since increase in the purchase price of columbite was essential to generate a good response from local tribals, the Company invited (March 2007) offers from AED-authorised private parties to finalise the selling price of columbite so that the proportionate purchase price for procurement of columbite from local tribals could also be fixed. Based on the highest rate received, the Company finalised an agreement (September 2007) with M/s Vimal Stone Associates, Jagdalpur (Firm) for selling 120 MT columbite per annum at the rate of ₹ 403 per kg for a period of three years. Further, based on the above selling price, the Company also increased (October 2007) the purchase price of columbite from tribals to ₹ 310 per kg. During November 2007 to January 2008, the Company procured 14.89 MT of columbite and earned net profit of ₹ 13.85 lakh by selling the same to the firm. However, since 17 January 2008, the Company discontinued procurement of columbite from tribals citing shortage of funds.

We observed that discontinuation of trading of columbite on the ground of shortage of funds was not justified because the Company was having surplus funds[3] ranging between ₹ 7.12 crore to ₹ 131.02 crore during the period from 2007-08 to 2010-11. Moreover, a guaranteed market was available for the same and the firm had also requested (September 2010) the Company to restart the supplies. Further, the stoppage of trading in columbite by the Company encouraged illegal trafficking of the mineral, as reported by Bastar District administration to the Company in January 2008, April 2008 and September 2008.

Thus, discontinuation of trading of columbite was not in the interest of the Company as it caused loss of guaranteed income of ₹ 3.21 crore[4] to the Company during October 2007 to September 2010 as well as loss of revenue to the State Government in the form of royalty amounting to ₹ 0.32 crore, besides depriving the tribals of Bastar of a means of livelihood. Further, discontinuation of trading by the Company actually benefited private parties which indulged in illegal trafficking of columbite.

The Government stated (May 2012) that the trading of minerals (tin ore, columbite etc.) is governed by the MMDR Act, 1957. Though a specific provision has been made in the Act for trading of tin ore, no provision exists for trading of columbite. A proposal (October 2009) from the Company for inclusion of the word 'columbite' along with tin ore in the Act by issuing necessary notification is

[3] Amount in current account and fixed deposit *less* unspent amount of "Mineral Development Fund" as on 31 March of respective financial years.

[4] Loss calculation

Total contracted quantity to be sold to the firm for 3 years (120000x 3) (kg)	360000
Total quantity sold to the firm (kg)	14895
Quantity sold less than the agreement quantity (kg)	345105
Guaranteed margin earned by the Company (₹ per kg) (403-310)	₹ 93
Loss (₹) 345105 X 93	**₹ 32094765**

under process at the level of Government of Chhattisgarh. In the absence of authority to collect columbite from the tribals, the Company could not start the collection of columbite till publication of notification by the Government of Chhattisgarh.

The Government's contention that in absence of authority the Company could not start the collection of columbite appears to be an afterthought. The fact remains that the Government, despite being aware[5] of the absence of authority for collection of columbite, had not taken any initiative to issue the required notification in this regard and on the contrary, had allowed the Company to collect the mineral from the tribals. The matter of procurement and illegal trafficking of columbite was regularly discussed in the meetings of the 'District Level Task Force Committee' constituted by the Government to check illegal trafficking of minerals.

The Government may take immediate steps to issue the necessary notification to enable the Company to start trading in columbite in order to protect its financial interest and also to afford a legitimate means of livelihood to the tribals of Bastar.

Chhattisgarh Rajya Beej Evam Krishi Vikas Nigam Limited

3.2 Deficient investment planning led to loss of interest

Deficient planning for investment of surplus funds resulted in loss of interest of ₹ 1.64 crore

On separation from Chhattisgarh Mandi Board, Chhattisgarh Rajya Beej Evam Krishi Vikas Nigam Limited (Company) was incorporated in August 2004 and started its activities in August 2005. Though the Company has not formulated any policy regarding investment of surplus funds but with the intention of earning interest on such funds, the Company invests the same in Fixed Deposits (FD) with various scheduled banks as detailed in ***Annexure - 3.1***.

It may be seen from the Annexure, that out of four FDs made by the Company since 2006, two FDs in Punjab National Bank (PNB) were made for a longer period of five years each. However, the other two FDs in State Bank of India (SBI) and Union Bank of India (UBI) were made for a period of 550 days and 60 days respectively and were being renewed every 550 days and 91 days respectively at the then prevailing lower rate of interest.

We observed (October 2011) that the Company was not in urgent need of funds as it was having sufficient balances in its current accounts for meeting day-to-day expenditure. Hence, the amount invested in SBI and UBI for shorter periods could have been invested for longer periods in the first instance (as was done in case of FDs in PNB) because SBI and UBI had at that point of time offered higher rate of

[5] On 9 October 2006, the Collector, Dakshin Bastar, Dantewada had requested the Additional Chief Secretary, Department of Minerals, Government of Chhattisgarh for issuing necessary notification to authorise the tribals to extract columbite and sell it to the Company in line with the action taken for amendment in the MMDR Act, 1957 for tin ore.

interest of 9.25 *per cent* (for four years to 59 months) and 9.10 *per cent* (for three years and above) respectively. Had the Company *ab initio* invested the funds for longer periods at higher rates of interest instead of investing the same for 550 days/60 days and reinvesting the sums subsequently in cycles of 550 days/ 91 days at lower rates of interest, it could have earned additional interest of ₹ 1.64 crore as detailed in ***Annexure - 3.2***. Thus, deficient planning for investment of surplus funds resulted in loss of interest of ₹ 1.64 crore to the Company.

The Management stated (January 2012) that FDs were made for shorter periods to meet any urgent need of cash.

The reply is not acceptable as the Company was already having sufficient funds (ranging between ₹ 8.71 crore and ₹ 83.11 crore) in its bank accounts during the period from July 2008 to March 2011 to meet any emergent situation. Moreover, the Company was not preparing periodical cash/fund flow statements to assess the requirement for cash. Further, the Company also did not liquidate the FDs made for shorter periods in SBI and UBI during the period 2007 to 2011 which indicates that there was no urgent requirement of funds.

The Company should formulate a long-term investment policy to maximise its internal resources by investing surplus funds judiciously.

We reported (May 2012) the matter to the Government; their reply is awaited (January 2013).

Chhattisgarh State Beverages Corporation Limited

3.3 Avoidable payment of penal interest

Avoidable payment of penal interest of ₹ 83.19 lakh due to short payment of advance tax and non-submission of income tax returns on time

Section 210 of the Companies Act 1956, read with Sections 166 and 216, casts upon the Board of Directors of a Company the duty to place the accounts of the Company along with the Auditor's Report (including supplementary comments of CAG) in the Annual General Meeting of the shareholders within six months of the close of the financial year.

As per Section 208 of the Income Tax Act, 1961 (Act), advance tax (AT) is payable during a financial year, in every case, where the amount of such tax payable by the assessee during the year is rupees ten thousand[6] or more. Section 234B of the Act stipulates that where in any financial year, an assessee who is liable to pay AT under Section 208 failed to pay such tax or where the AT paid by such assessee is less than 90 *per cent* of the assessed tax, the assessee shall be liable to pay simple interest at the rate of one *per cent* for every month from the first day of April on the amount by which the AT paid fell short of the assessed tax.

[6] Substituted for "five thousand" by the Finance Act, 2009 w.e.f 1.4.2009.

Further, Section 234C of the Act provides that if an assessee fails to pay AT or the AT paid is less than 15 *per cent*, 45 *per cent*, 75 *per cent* and 100 *per cent* of the tax due till 15 June, 15 September, 15 December and 31 March respectively, the assessee shall be liable to pay simple interest at the rate of one *per cent* per month on the amount of the shortfall. In terms of the provision of Section 234A, in case the return of income for any assessment year is furnished after the due date, simple interest at the rate of one *per cent* for every month or part of a month is chargeable on the amount of tax on the assessed income less AT paid and tax deducted/collected at source.

There was a backlog in preparation of the annual accounts of Chhattisgarh State Beverages Corporation Limited (Company). The annual accounts of the Company for the years 2008-09 and 2009-10 were finalised and certified by the Statutory Auditors on 20 June 2011 and 29 December 2011 respectively and the Income Tax (IT) returns for those years were filed by the Company on 28 June 2011 and 31 January 2012 respectively.

We observed that due to delay in finalisation of accounts and absence of a system for periodical review of budgeted income, the Company failed to precisely assess the profit/loss on a quarterly basis for the purpose of payment of AT as required under the Act. During the year 2008-09, the Company had earned profit of ₹ 9.45 crore and the total tax liability worked out to ₹ 3.02 crore. As against this, the Company had paid only ₹ 1.35 crore towards AT on the basis of estimated profit of ₹ 3.94 crore. Thus, due to short remittance of AT and delayed filing of the IT return, the Company had to pay ₹ 82.10 lakh towards penal interest[7]. Further, during the year 2009-10, though the Company had paid ₹ 50.20 lakh more towards AT, it however, failed to adhere to the quarterly schedule of payment of AT. As a result, it had to pay penal interest of ₹ 1.09 lakh under Section 234C. It was further observed that the Company had failed to file the IT returns for the years 2010-11 and 2011-12 on the due dates and is therefore liable to pay penal interest under the Act.

Thus, delayed filing of IT return and failure on the part of the Company to assess its income on quarterly basis for paying AT resulted in avoidable payment of ₹ 83.19 lakh towards penal interest.

The Government stated (June 2012) that due to registering excess turnover and less expenditure in 2008-09, the actual profit was more than the estimated profit, which led to less payment of AT. It was also stated that due to non finalisation of annual accounts, the Company could not assess its income properly.

The fact remains that there was delay in finalisation of accounts and absence of a system for periodical monitoring of the budgeted income to take care of any significant changes during the year end so as to estimate AT payable more accurately.

The Company needs to clear the backlog of accounts. It should also devise a system for periodical monitoring of the budget and estimation of quarterly profits in order to pay AT accordingly.

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[7] Under Section 234A - ₹ 30.14 lakh, Section 234B - ₹ 40.19 lakh and Section 234C - ₹ 11.77 lakh of the Act.

Chhattisgarh State Civil Supplies Corporation Limited

3.4 Avoidable loss

Avoidable loss of ₹ 3.65 crore due to obtaining Cash Credit from Allahabad Bank on unreasonable conditions

In the State of Chhattisgarh, paddy is procured from farmers by Marketing Federation (Markfed) at minimum support price and given to rice millers for milling. The milled rice is procured by Chhattisgarh State Civil Supplies Corporation Limited (Company) from Markfed through rice millers and is distributed through the Public Distribution System (PDS) at subsidised rates. The subsidy portion is reimbursed to the Company by the State/Central Government at a later date. After realising sale proceeds from PDS shops, the Company makes payment to Markfed. As the reimbursement of subsidy portion from State/Central Government takes time, the Company faces liquidity problem. The Company therefore takes short term credit facility (short term loan/cash credit facility/working capital etc.) from commercial banks to overcome this problem.

To make payment to Markfed during Khariff Marketing Season (KMS) 2006-07, the Company sent (June 2006) a proposal to the Government of Chhattisgarh (Government) for either providing a short term loan of ₹ 350 crore or to permit the Company to avail the same from the bank for which Government was to provide guarantee. Government, however, instructed (June 2006) the Company to obtain the loan from commercial banks and also accorded approval (13 October 2006) for providing Government guarantee of ₹ 500 crore. In compliance, the Company selected Allahabad Bank for obtaining Cash Credit (CC) of ₹ 500 crore and accordingly, Allahabad Bank sanctioned (20 October 2006) a two-tier short term loan (first tranche of ₹ 100 crore and second tranche of ₹ 400 crore) at the rate of 8.75 *per cent* interest per annum. The terms and conditions of the loan *inter alia* provided that the Company should hypothecate its food grain stocks and the loan should be guaranteed by the Government. Further, pending execution of Government guarantee, the Company was to pay additional interest of 0.50 *per cent* per annum.

Before withdrawing the first tranche of ₹ 100 crore on 24 October 2006, the Company requested (23 October 2006) Allahabad Bank to convert the second tranche of ₹ 400 crore short term loan into ₹ 500 crore CC limit as it had applied for CC limit. The Company had also requested the bank to waive the condition of additional interest of 0.50 *per cent* to be levied in lieu of Government guarantee as the Government did not agree (October 2006) for payment of additional interest. Both the requests were considered (31 October 2006) favourably by Allahabad Bank. The first tranche loan account (CA 2003928) was closed in March 2007.

Meanwhile, Government expressed (12 January 2007) its inability to provide the required guarantee. In absence of Government guarantee and considering the requirement of fund in the near future, the Company *suo moto* proposed (5 and 18 January 2007) to Allahabad Bank to accept ₹ 150 crore as Fixed Deposit (FD) to be made in Allahabad Bank in lieu of Government guarantee and permit the Company to draw the amount from the second tranche of CC limit. Allahabad

Bank accepted the Company's proposal and sanctioned (12 February 2007) release of the remaining CC limit of ₹ 400 crore (out of aggregate limit of ₹ 500 crore) on the condition that the Company would maintain a deposit of ₹ 150 crore under the 'Current Plus Scheme' (FD) of the Bank over and above the primary security of hypothecation of stocks. In order to make the required FD in Allahabad Bank as security, the Company requested (12 February 2007) Government to arrange interest free working capital of ₹ 150 crore. The Company withdrew (19 February 2007) ₹ 450 crore from its CC Account (No. 3003833) in the same bank of which ₹ 300 crore was paid to Markfed and the remaining ₹ 150 crore was utilised for opening a new 'Current Plus Account' (No. 2003960) as security on the same day.

Subsequently, Government sanctioned (10 May 2007) ₹ 150 crore as revolving fund at the rate of 8 *per cent* interest per annum to the Company which was utilised (22 May 2007) by the Company to repay equal amount of CC limit. The 'Current Plus Account' was closed on 22 August 2007 by transferring the proceeds to CC account. In Current Plus Account, the Company earned interest ranging between three *per cent* and 5.5 *per cent*. The second tranche CC account was closed in February 2008.

In this connection we observed the following:

i. For obtaining CC limit of ₹ 500 crore, the Company had directly selected Allahabad Bank without obtaining quotations from other banks by inviting open tenders. In absence of quotations, reasonability of terms and conditions and competitiveness of rate of interest could not be ensured.

   The Management stated (April 2012) that a system of inviting quotation from banks was not in practice during those years. However, it had contacted Allahabad Bank, Punjab National Bank (PNB) and HDFC Bank for obtaining CC limit.

   The fact remains that by inviting quotations the Company could have compared the rates offered by Allahabad Bank vis-a-vis those offered by others in order to secure the best rates. Moreover, PNB was contacted (3 November 2006) only after sanction (20 October 2006) of CC limit by Allahabad Bank.

ii. The Company's request to the Government for providing guarantee was under consideration which was finally turned down by the Government on 12 January 2007. However, before getting formal communication in this regard, the Company *suo moto* asked (5 January 2007) Allahabad Bank to intimate the amount to be deposited in the form of FD with it as security in lieu of Government guarantee for availing the second tranche of CC limit. Again the Company on its own offered (18 January 2007) to deposit ₹ 150 crore as FD. This proposal was not in the financial interest of the Company, as Allahabad Bank had already waived (31 October 2006) levy of additional interest of 0.50 *per cent* in lieu of Government guarantee and did not ask the Company to deposit any amount for the same. Since the Company was facing liquidity problems, to make this FD of ₹ 150 crore, it had to withdraw an equal amount from its CC account which was attracting a higher rate of interest

(8.75/ 11.25 *per cent* per annum) and park the fund in the same bank as FD at a lower rate of interest (three to 5.5 *per cent* per annum) which resulted in avoidable loss of ₹ 3.65 crore to the Company as detailed in ***Annexure - 3.3***.

The Management stated (April 2012) that as per Allahabad Bank's request (12 February 2007), ₹ 150 crore was deposited in FD. Further, under Decentralised Procurement Scheme, the Company gets reimbursement of interest paid by it from Government of India. Accordingly, it had received ₹ 39 crore (being 90 *per cent* of claimed amount of ₹ 44 crore) for the year 2006-07 which included the amount of interest paid to Allahabad Bank. Thus, there is no loss to the Company.

The reply is not acceptable because Allahabad Bank itself never asked the Company to deposit any amount in lieu of Government guarantee. Rather, the Company itself proposed to deposit ₹ 150 crore as FD which was accepted by Allahabad Bank. As regards reimbursement of interest by the Government of India merely getting reimbursement of any loss does not justify availing loan from Allahabad Bank on unreasonable conditions. The Company being a commercial entity must manage its finances observing financial propriety and acting with due prudence.

Thus, the Company obtained cash credit from Allahabad Bank without adhering to financial propriety and prudence which ultimately resulted in loss of ₹ 3.65 crore to the Government of India.

We reported (May 2012) the matter to the Government; their reply is awaited (January 2013).

3.5 Extra expenditure due to non detection of unfair practice of the bidders

Failure of the management to detect and prevent unfair practices adopted by the bidders for transportation contract for food grains in Korba resulted in extra expenditure of ₹ 37.59 lakh

Chhattisgarh State Civil Supplies Corporation Limited (Company) invites open tenders for transportation of food grains in the State of Chhattisgarh by publishing the Notice Inviting Tender in newspapers as well as uploading the same on the website of the State Government. Accordingly, for finalisation of annual rates for transportation of various food grains, salt and sugar from its Base Depots to Fair Price Shops (FPS) situated in different blocks in various districts, the Company has been inviting open tenders at the district level (the work is awarded only to a domicile resident of the concerned district) since 2006-07. This system of transportation is called *Dwar Praday* (DP). On the basis of rates obtained in the tender, the Company finalises annual transportation rate per metric tonne (MT).

Scrutiny of records (November 2011) relating to transportation contracts finalised by the Company in July 2010 and July 2011 for the years 2010-11 and 2011-12 respectively revealed that in Korba District, the average increase in transportation rates during the years 2010-11 and 2011-12 was on the higher side as compared to the average increase in the whole State as detailed below:

Year	Chhattisgarh State		Korba District		
	Average Dwar Praday rates per MT (₹)	Average increase over the previous year's rate (%)	Actual Dwar Praday rates per MT (₹)	Average increase over the previous year's rate (%)	Per MT Dwar Praday rates as per average increase in whole state (₹)
2009-10	237	-	330	-	330
2010-11	245	3	359	9	340
2011-12	267	9	430/410*	20/14	371

(Source: Approved tender rates furnished by the Company)

On further scrutiny we observed that during the years 2010-11 and 2011-12, all the bids in Korba were submitted by bidders who shared the same registered addresses, landline and mobile numbers. This indicated that one bidder was operating under different names which resulted in no/nil competition (details vide *Annexure - 3.4*). Despite being aware of receipt of higher rates in Korba, the Company, while finalising the tenders for the years 2010-11 and 2011-12, did not verify the credentials of the bidders even though there was evidence of malpractice and instead of rejecting all the bids and blacklisting the bidders, the Company accepted the higher rates. Thus, the Company's failure to verify the documents properly facilitated the bidders to submit higher rates through collusive bidding. This resulted in irregular placement of orders worth ₹ 4.84 crore during the years 2010-11 and 2011-12 and consequent extra expenditure of ₹ 37.59 lakh as detailed in *Annexure - 3.4*.

We also observed that the Company's policy to invite open tender at district level to award the work only to the residents of the concerned district restricted competition leading to receipt of higher rates.

The Management stated (April 2012) that in 2010-11 and 2011-12, tenders were invited through open tender and all bids were submitted by different firms by furnishing different Permanent Account Numbers, Income Tax returns and Vehicle Registration documents.

While it is a fact that bids were furnished by different firms, their addresses and telephone/mobile numbers were identical which proves that all the bids were submitted by bidders related to each other and operating from the same location. This proves collusive bidding. Accordingly, the Company should have taken action by referring the matter to the Competition Commission of India under Section 19 of the Competition Act, 2002.

The Company may explore the possibility of inviting tenders at the State level instead of at the district level for ensuring competitive bidding. Further, while finalising tenders, the Company should be more vigilant so that unfair practices adopted by the bidders can be detected.

We reported (May 2012) the matter to the Government; their reply is awaited (January 2013).

* The Company invited tenders for all the seven blocks of Korba District and finalised ₹ 430 per MT for three blocks and ₹ 410 per MT for the remaining four blocks.

Chhattisgarh State Power Generation Company Limited

3.6 Potential loss due to unwarranted amendment in tender condition

Potential loss of ₹ 1549.06 crore due to unwarranted amendment in tender condition for payment of Coal Mining Fee to Joint Venture Company for Parsa captive coal block

Ministry of Coal (MoC), Government of India had allotted (August 2006) Parsa Coal Block having estimated coal reserve of 150 million tonnes (MTs) in Hasdeo-Arand Coalfields situated in Bilaspur - Ambikapur State highway to the erstwhile Chhattisgarh State Electricity Board (CSEB) {now Chhattisgarh State Power Generation Company Limited (Company)} for captive use for its Marwa Thermal Power Project (Marwa Project). The Board of Directors (BoD) of CSEB in its 77th meeting held in June 2008 decided to develop the Parsa coal block through a Joint Venture Company (JVC). Though Parsa was an unexplored coal block but as per the Regional Exploration Report (1988) of Geological Survey of India (GSI), the overall quality of coal in the area was of D to E grade.

In compliance to the decision of BoD, the Company issued (February 2009) a Notice Inviting Tender (NIT) for selection of a Joint Venture Partner (JV Partner) to develop, mine and transport coal up to Marwa Project from the Parsa Coal Block. As per the NIT, JVC shall be formed between the Company and the bidder who offered the highest discount on the CIL/SECL[8] notified price for F grade coal as prevailing on the date of signing of the 'Coal Mining & Service Agreement' (CMSA). Such discounted price would be considered as 'Coal Mining Fee' to be paid by the Company to the JVC. During the pre-bid conference (19 May 2009), one of the bidders, Adani Enterprise Limited (AEL) had raised a query regarding the applicable basic price of coal, if after detailed exploration, the quality of coal was found to be of better quality (say E) than F grade coal. The Company clarified (20 May 2009) that the discount would be applicable on SECL price of actual grade of coal instead of F grade coal.

In response to the NIT, three firms (SECL, MMTC Limited and AEL) had participated and price bids of all the three bidders were opened (6 August 2009). AEL was selected (19 October 2009) as the JV partner as it had offered highest unconditional discount of three *per cent* on the existing price of F grade coal. The Joint Venture Agreement was executed between the Company and AEL on 6 July 2010 setting up a JVC called "CSPGCL AEL Parsa Collieries Limited" in which the Company was to hold 51 *per cent* share as cashless equity and AEL was to hold 49 *per cent* equity. The Managing Director of the JVC would be from AEL and all executive powers would be exercised by him. The CMSA, finalised on 23 February 2011 between the Company and the JVC, stipulated that the agreement unless terminated earlier, would continue to remain in force until coal reserves from the coal block was exhausted.

We observed that amendment in the tender condition relating to "Price/coal mining fee" i.e. applicability of discount on SECL-notified price of actual grade of

[8] South Eastern Coal Fields Limited (SECL); a subsidiary of Coal India Limited (CIL)

coal instead of F grade coal was unwarranted and against the interest of the Company. To get the maximum benefit and to obtain coal at the least cost, the bid document stipulated the selection criteria for the JV partner as the qualified bidder who offered the highest discount on the SECL-price for F grade coal (inferior/cheaper grade) because the Company was aware that the actual grade of coal available in Parsa block was D and E which was costlier than F grade coal[9]. Since the role of the JVC was only to develop, mine and transport the coal to the power plant of the Company (irrespective of grade of coal) for which it had quoted its rate, passing of the benefit of higher grade coal (i.e. D and E) to the JVC was not justifiable particularly in view of the fact that the Company is the owner of the mine and whatever grade of coal was extracted, the same would be used for its own consumption.

Thus, by changing the pricing clause in the tender, the Company has extended undue benefit to the JVC. Because of this unwarranted amendment, the Company is likely to lose ₹ 1549.06 crore during the entire period of the CMSA as detailed in ***Annexure - 3.5***.

The Government stated (May 2012) that the Company's decision to change the pricing clause from F grade coal to actual grade of coal was a vendor neutral decision. It was also stated that the calculation regarding loss to the Company is based on Audit's assumption that Parsa is having superior grade coal. This conclusion is arbitrary because based on the Geological Report (GR) prepared by Adani Mining Private Limited[10] (AMPL) after detailed exploration, it is proved that the combined grade of seams of coal at Parsa is of F grade.

The reply is not acceptable because the Company is a commercial undertaking and thus it should have protected its own interest first. In the tender documents, the Company had rightly fixed the pricing clause criteria as F grade coal because the Company was aware that actual grade of coal available in Parsa as per the then available data of GSI was of D and E which was costlier than F grade coal. After finalisation of pricing clause in the tender documents, no changes/development had taken place which would warrant the change in the pricing clause from F grade coal to actual grade coal.

Further, the Geological Report (GR) prepared (April 2012) by AMPL itself confirms the availability[11] of superior grade of coal i.e. D and E in Parsa coal block. The GR clearly indicates that out of the three seams (seams VI, V and IV), seam IV is the most important seam as was also indicated by the GSI and out of the total graded reserves of 172.30 MTs[12], 123.93 MTs of superior grade coal was from seam IV alone. Thus, assessment of overall grade of coal as F in the GR based on combined seams was unwarranted and without any basis because in Parsa coal block, seams are occurring with high parting[13] thickness[14]. With such

[9] Basic price of different grades of coal of SECL as on 23/02/2011 was F-₹ 570/tonne, E - ₹ 730/tonne, D- ₹ 880/tonne

[10] Subsidiary Company of AEL, the partner of the JVC

[11] Out of the total seam wise graded reserves of 172.30 MTs of coal, 72 *per cent* was of superior grades i.e. D and E.

[12] Grade D- 0.48 MT, Grade E- 123.45 MT, Grade F-20.29 MT and Grade G -28.08 MT

[13] Material between the coal seams (partitions) mainly comprising soil, stone, shale etc.

[14] 11.33 meters to 33.27 meters

high parting thickness, there was no scope for combination of seams and thus, there is no possibility for combined mining by mixing coal of one seam with that of another.

The Government subsequently (December 2012) further informed that the Company has already initiated the process to amend the CMSA facilitating payment of Coal Mining Fees to the JVC based on SECL's basic price for F grade coal only and that the same shall be finalised shortly.

The reply confirms that the Company had made changes to the pricing clause in the tender to its disadvantage and the same is now being proposed for amendment, only after it was pointed out by Audit.

3.7 Avoidable extra payment towards performance incentive on purchase of coal

Avoidable extra payment of ₹ 7.97 crore to South Eastern Coalfields Limited towards performance incentive on purchase of coal

Chhattisgarh State Power Generation Company Limited (Company) finalised (10 September 2009), a Coal Supply Agreement (CSA) with South Eastern Coalfields Limited (SECL) for supply of coal to its Power Houses at Korba viz Hasdeo Thermal Power Station (HTPS), Korba Thermal Power Station (KTPS) and Dr. Shyama Prasad Mukherjee Thermal Power Station (DSPM). The CSA came into force from 1 April 2009 and is valid for 20 years. As per the CSA, the Annual Contracted Quantity (ACQ) of coal separately fixed for HTPS, KTPS and DSPM was 47 lakh MT, 27 lakh MT and 26 lakh MT respectively. Clause 3.3.1 of CSA provides that the Seller shall endeavor to supply coal from its own sources and in case it is not in a position to do so, the seller shall have the option to supply the balance quantity of coal from an alternate source based on mutual consultation. The CSA also provides for payment of compensation for short delivery/lifting of coal below 90 *per cent* of the ACQ as well as performance incentive for supply of coal above 90 *per cent* of the ACQ as detailed below:

Compensation for short delivery/ lifting: If during a year, the seller supplies/ purchaser lifts quantity of coal below 90 *per cent* of the ACQ, the seller or purchaser shall pay compensation at the rate of 10 *per cent*, 20 *per cent* and 40 *per cent* of the shortfall quantity for delivery level of ACQ ranging between below 90 *per cent and* 85 *per cent,* below 85 *per cent* and 80 *per cent* and below 80 *per cent* respectively.

Performance incentive: If the seller delivers coal to the purchaser in excess of 90 *per cent* of the ACQ in a particular year, the purchaser shall pay performance incentive at the rate of 10 *per cent*, 20 *per cent* and 40 *per cent* of the excess quantity for delivery level of ACQ ranging between 90 *per cent* and 95 *per cent*, above 95 *per cent* and 100 *per cent* and above 100 *per cent* respectively.

Scrutiny of records (December 2011) revealed that during the years 2009-10 and 2010-11, SECL could not supply the ACQ of coal to KTPS due to poor supply from its Manikpur mines. However, SECL was able to supply coal in excess of the ACQ to HTPS. To meet the shortage of coal at KTPS, the Company diverted coal from the excess supplies made to HTPS. During the years 2009-10 and 2010-11, HTPS transferred 4.19 lakh MT and 4.95 lakh MT coal respectively to KTPS. Due to receipt of coal in excess of the ACQ at HTPS, the level of delivery at HTPS had increased significantly. As a result, HTPS paid performance incentive to SECL at a higher rate of 40 *per cent* for the quantity supplied beyond ACQ whereas due to lower level of delivery, KTPS paid/ received performance incentive/ compensation at a lower rate ranging between 10 and 20 *per cent* as detailed in the *Annexure - 3.6*.

We observed that SECL had failed to supply the ACQ of coal to KTPS which was made good by the Company by diverting coal from the excess supplies made at HTPS. However, the Company paid performance incentive to SECL in respect of HTPS for the years 2009-10 and 2010-11 on the total quantity of coal received by HTPS including the quantity transferred to KTPS. The Company was aware that receipt of more coal at HTPS would result in payment of performance incentive at higher rates. Thus, the Company should have taken up the matter with SECL for adjustment of the quantity of coal short supplied to KTPS from the excess quantity supplied to HTPS. This would have reduced the payment of performance incentive to SECL by ₹ 7.97 crore as detailed in ***Annexure - 3.7*** while fulfilling the requirement of KTPS.

Thus, the Company's failure to take up the matter with SECL had resulted in avoidable extra payment of ₹ 7.97 crore towards performance incentive to SECL.

The Government stated (August 2012) that audit has included the quantity of coal diverted from HTPS to KTPS for calculation of incentive. This quantity is separate and can not be considered as supply by SECL to KTPS because clause 3.2 of CSA stipulates that the purchaser may transfer the coal meant for its one power plant to another power plant provided that such supply of coal shall for all commercial purposes under CSA remains unchanged on account of the original power plant.

The fact remains that SECL had failed to supply the ACQ of coal to KTPS and the shortage was met by the Company by diverting coal from the excess supplies made to HTPS. The Company, however, failed to take up the matter with SECL for adjustment of the quantity of coal short supplied to KTPS from the excess quantity supplied to HTPS for the purpose of calculation of performance incentive. It is also pertinent to mention here that during the year 2011-12 also, SECL had failed to supply the ACQ to KTPS which was made good by supplying the coal through HTPS. However, while calculating the performance incentive for the year 2011-12, SECL had adjusted the quantity of coal supplied to KTPS through HTPS. Accordingly, had similar adjustment been made for the previous years, the extra payment of incentive made to the SECL could have been avoided.

The Company should take up the matter with SECL immediately for refund of the excess payment made.

3.8 Avoidable extra expenditure on coal transportation

Avoidable extra expenditure of ₹ 1.20 crore due to transportation of coal through uneconomical route

The Hasdeo Thermal Power Station (HTPS) and Korba Thermal Power Station (KTPS) of Chhattisgarh State Power Generation Company Limited (Company) receive coal from various mines situated in Korba field of South Eastern Coal Fields Ltd (SECL). HTPS receives coal from Kusmunda mines through its 'Long Distance Coal Conveyor' (LDCC) system having transportation capacity of 2000 MT per hour. Similarly, KTPS receives coal from Manikpur mines from where it is transported to the power house through rail, road and Bi-cable Rope Way (BCRW) system. KTPS also receives coal from HTPS by road through stock transfer. Further, depending upon the actual availability of coal in its mines, SECL also allocates coal to KTPS from other mines too.

As the coal supplies to KTPS from Manikpur Colliery during the year 2009-10 was very poor, SECL allocated (July and October 2009) three lakh MT coal to KTPS from its Kusmunda mines. The allocated coal was transported by the Company from Kusmunda to KTPS by road (lead 40.40 km) by engaging transport contractors as detailed in ***Annexure - 3.8***.

We observed (January 2012) that KTPS has been regularly receiving coal from HTPS by road (lead 16 km). Therefore, three lakh MT coal from Kusmunda to KTPS should also have been transported via HTPS by following the existing route i.e. Kusmunda mines to HTPS (by LDCC) and then from HTPS to KTPS by road (lead 16 km) which was more economical[15] than the direct transportation of coal from Kusmunda to KTPS by road (lead 40.40 km). Thus, due to transportation of coal through an uneconomical route, the Company had to incur extra expenditure of ₹ 1.20 crore as detailed in ***Annexure - 3.9***.

The Management stated (April 2012) that in case of supply of coal from Kusmunda to coal bunker of LDCC at HTPS, SECL levied an additional charge of ₹ 40 per MT towards Surface Transportation Charges (STC)[16] which was not levied in case of coal transported to KTPS by road. Considering this additional charge, the cost of transportation of coal through both the routes worked out to more or less the same i.e. ₹ 136.19 per MT in respect of LDCC route and ₹ 137 per MT in respect of direct route. Thus, there was no loss to the Company. The Government further added (August 2012) that as against the designed capacity of 2000 MT per hour of LDCC system, the actual available capacity was around

[15] Average cost of transportation of coal from Kusmunda to HTPS via LDCC and from HTPS to KTPS by road during 2009-10 was ₹ 50.86/MT and ₹ 45.33/MT respectively. Thus, total average cost of transportation of coal from Kusmunda to KTPS (via HTPS) comes to ₹ 96.19/MT, whereas cost of transportation of coal by road directly from Kusmunda to KTPS was in the range of ₹ 120.21-137.36/MT.

[16] Where coal is transported beyond a distance of 3 Kms to the loading point, the coal companies charge additional transport costs from the purchasers at the following rates (then prevailing):
- For a distance of more than 3 kms but not more than 10 kms , ₹ 40 per MT
- For a distance of more than 10 kms but not more than 20 kms , ₹ 70 per MT
- For a distance of more than 20 kms, transportation charges on actual basis

1250 MT per hour due to constant wear and tear of the system. Hence it was not feasible to accommodate additional coal supply of three lakh MT coal in the same system.

The Management's reply is factually not correct because in case of transportation of coal from Kusmunda to KTPS by road also, SECL had levied ₹ 40 per MT towards STC which makes actual cost of transportation through direct route to ₹ 177 per MT instead of ₹ 137 per MT. Levy of STC at the rate of ₹ 40 per MT by SECL in respect of coal transported through both the routes makes the LDCC route more economical as already explained in foregoing paragraphs. The reply of the Government is also not acceptable because the actual capacity utilisation of LDCC system during the year 2009-10 was only 640.25 MT per hour against the available capacity of 1250 MT per hour which clearly indicates that the additional quantity of three lakh MT coal could have easily been transported through the system.

3.9 Undue favour to the contractor engaged in coal handling

Undue favour to the contractor by making extra payment of ₹ 41.25 lakh due to delay in termination of contract for the coal handling work at DSPM TPS

Coal is the primary fuel for generating electricity in coal based plants. To ensure its continuous and uninterrupted supply, Chhattisgarh State Power Generation Company Limited (Company) finalised (10 September 2009) a Coal Supply Agreement with South Eastern Coalfields Limited (SECL) for supply of 26 lakh MT coal per annum to its Dr. Shyama Prasad Mukherjee Thermal Power Station, Korba (DSPM) for 20 years w.e.f. 1 April 2009. After receipt of coal from SECL, the coal handling work (unloading, breaking and passing of coal into the track hopper) at Coal Handling Plant (CHP) is carried out. As the coal handling work was of essential nature and was to be done daily on a continuous basis to ensure sufficient availability of coal, work order for unloading of coal at track hoppers from Railway's Box-N type (side discharge) coal wagons, breaking and pushing coal into the track hopper and removing of stones from track hoppers at CHP of DSPM was issued (7 August 2009) to M/s Sweta Construction for 36 lakh MT at a value of ₹ 3.55 crore excluding Service Tax (initial nine lakh MT at the rate of ₹ 8.80 per MT and remaining 27 lakh MT at the rate of ₹ 10.21 per MT).

In the meantime, South East Central Railway (SECR) started giving coal through BOBRN type (Bottom discharge type) wagons from 18 December 2009 in place of Box-N type wagons. Since in BOBRN wagons, unloading of coal was not required as it was done automatically, the Company, after issuing (20 January 2010) one month's notice to M/s Sweta Construction, terminated the existing contract from 19 February 2010. Subsequently, by inviting limited tender, the Company started (23 February 2010) awarding work for only 'Breaking and passing of coal into the track hopper and removing of stones from track hopper' to the contractors on per day rate basis for short term duration up to 22 November 2011. The first such contract was awarded to M/s K. S. Construction on 23 February 2010 at the rate of ₹ 11815 per day (excluding Service Tax) for 30 days. During this period of 30 days (23 February 2010 to 24 March 2010), the contractor handled 252705.49 MT coal. Thus, the effective rate (excluding Service Tax) worked out to ₹ 1.40 per MT[17].

In this connection we observed that SECR had started supplying coal through BOBRN wagons from 18 December 2009 in place of Box-N type wagons which does not require unloading of coal separately. Thus, immediately after getting coal through BOBRN wagons, the existing order placed on M/s Sweta Construction for handling of coal through Box-N wagon should have been terminated (since unloading of coal which was a major part of the work was no longer required) on 2 January 2010 by issuing 15 days' notice on 18 December 2009 itself as stipulated in clause 17 of the work order. However, the Company did not act promptly and instead issued one month notice after delay of one month on 20 January 2010 and finally terminated the contract on 19 February 2010 with a total delay of 48 days (3 January 2010 to 19 February 2010). As a result, M/s Sweta Construction was paid an amount of ₹ 47.81 lakh at the full rate of ₹ 10.21 per MT including unloading charges for 424526.34 MT coal handled by it during the period between 3 January 2010 and 19 February 2010 though the unloading work was actually not carried out by it as the scope of work remained limited only to breaking and pushing coal into the track hopper at CHP.

Had the existing work order been cancelled timely on 2 January 2010 and work for only 'Breaking and passing of coal into the track hopper and removing of stones from track hopper' been awarded simultaneously on per day rate basis (as was done subsequently from 23 February 2010 onwards), the extra expenditure of ₹ 41.25 lakh[18] incurred due to making full payment to M/s Sweta Construction for 424526.34 MT coal could have been avoided.

The Management stated (June 2012) that Railways had placed BOBRN wagons on their own for the first time and therefore, Railways was requested (8 January 2010) to confirm regular supply through BOBRN wagons but no assurance was given by them. In absence of specific assurance of discontinuing Box-N wagon and using BOBRN wagon, the contract was continued to ensure uninterrupted receipt of coal. It was also further stated that after observing operation of wagons for about a month, termination notice was issued to the contractor. The Government added (August 2012) that due to oversight, a notice of termination allowing 30 days was served to cancel the agreement instead of 15 days and for this, a warning has been issued to the concerned Superintending Engineer to remain vigilant in future while dealing with such cases.

The Management's reply is not acceptable because SECR was supplying BOBRN rakes daily from 18 December 2009 onwards and hence, there was no need for obtaining further confirmation from SECR.

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[17] ₹ 11815 per day X 30 days / 252705.49 MT

[18] 424526.34 MT coal X (₹ 10.21- ₹ 1.40) + Service Tax at the rate of 10.30 *per cent*

3.10 Loss of interest due to idling of funds

Delay in transfer of funds from Regional Accounts Office, DSPM TPS to Head Office resulted in idling of funds and consequent loss of interest of ₹ 20.08 lakh

Regional Accounts Office (RAO) of Dr. Shyama Prasad Mukherjee Thermal Power Station (DSPM TPS), Korba of Chhattisgarh State Power Generation Company Limited (Company) maintains two bank accounts, namely disbursement account and collection account for its day-to-day activities. All payments are made through the disbursement account for which funds are made available by the Head Office (HO) of the Company based on the request of the RAO. Similarly, all receipts are deposited in the collection account which is in turn transferred to the HO of the Company. To avoid blocking of funds, RAOs were directed (May 2003) by the HO that requisition for funds should be made with due diligence so that there should not be any over requisition and any unspent balance/excess funds should be remitted to the HO within five days from the date of receipt of such funds.

On scrutiny of disbursement account cash book for the period 2006-07 to 2008-09, we observed that minimum funds ranging between ₹ 1.91 lakh (16 February 2009) and ₹ 1.82 crore (19 August 2008) were lying in a non interest bearing current account. Despite the specific instructions of the HO, the RAO failed to transfer the excess funds to the HO regularly leading to blocking of funds with consequent loss of interest of ₹ 9.56 lakh worked out at average rate of interest of 9.50 *per cent*[19].

Similarly, on scrutiny of the bank statement of the collection account for the period from 2006-07 to 2010-11, we observed that there was inordinate delay of upto 729 days in transferring the funds to HO. These funds were also lying unutilised in a non-interest bearing current account. Since no payments were made from this account being a collection account, the total funds collected every day should have been transferred to the HO immediately to avoid any blocking of funds. Delay in transferring the funds resulted in loss of interest of ₹ 10.52 lakh worked out at average rate of interest of 9.50 *per cent*.

Had the unspent/balance funds been transferred to the HO in time, the Company could have avoided idling of such funds and consequential loss of interest. The RAO should make requisition for funds realistically based on actual requirement and a proper system should be evolved under strict monitoring of HO for timely transfer of funds as well as timely preparation of Bank Reconciliation Statements so that idling of funds can be avoided.

The Government stated (August 2012) that even if the funds had been transferred to HO account, it would not have made any substantial change as this account is a current account having no facility for interest payment. The Government further stated that the Company has now developed a system for timely transfer and close

[19] Company paid interest to Rural Electrification Corporation at the rate of seven *per cent* to 12.25 *per cent* during the period 2006-07 to 2010-11

monitoring of funds as well as timely preparation of Bank Reconciliation Statements based on the observation of the audit.

The fact remains that had the funds been transferred to HO, the same could have been utilised by the HO of the Company. Thus, unrealistic requisition of funds by RAO in excess of its requirement and delay in transfer of unspent/balance funds to HO resulted in loss of interest of ₹ 20.08 lakh to the Company.

GENERAL

3.11 Follow up action on Audit Reports

3.11.1 Audit Reports of the Comptroller and Auditor General of India represent 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.

Audit Reports for the years 2007-08 to 2010-11 were placed in the State Legislature in February 2009, March 2010, March 2011 and April 2012 respectively. Out of 30 paras/Performance Audits involving 11 PSUs under eight Departments featured in the Audit Reports (Civil & Commercial) for the years 2007-08 to 2010-11, no replies in respect of two paras/Performance Audits have been received from the Government by 30 September 2012 as indicated below:

Year of Audit Report	Total Paragraphs/Performance Audits in Audit Report	No. of Departments involved	No. of Paragraphs/Performance Audits for which replies were not received
2007-08	6	3	-
2008-09	6	6	2
2009-10	9	4	-
2010-11	9	5	-
Total	**30**		**2**

Department wise analysis is given in ***Annexure - 3.10***.

Compliance with the Reports of Committee on Public Undertakings (COPU)

3.11.2 In the Audit Reports (Civil & Commercial) for the years 2001-02 to 2010-11, 56 paragraphs and six Performance Audits were included. Out of these, 46 paragraphs and five Performance Audits had been discussed by COPU upto 30 September 2012. COPU had made recommendations in respect of six paragraphs of Audit Reports for the years 2001-02 to 2009-10. No recommendations have been made on the Performance Audits so far.

As per the working rules of the COPU, the concerned departments are required to submit Action Taken Notes (ATNs) to COPU on their recommendations within three months. Upto 30 September 2012, only one ATN for the years 2001-02 to 2009-10 was received.

Response to Inspection Reports, Draft Paragraphs and Performance Audits

3.11.3 Audit observations noticed during audit and not settled on the spot were communicated to the heads of PSUs through Inspection Reports (IRs). The heads of PSUs are required to furnish replies to the IR within a period of four weeks of its receipt. IRs issued upto March 2012 pertaining to 11 PSUs disclosed that 619 paragraphs related to 198 IRs remained outstanding at the end of September 2012. Department-wise break-up of IRs and audit observations outstanding as on 30 September 2012 are given in ***Annexure - 3.11***.

Similarly, draft paragraphs and Performance Audits on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned and the Principal Secretary, Finance demi-officially, seeking confirmation of facts and figures and their comments thereon within a period of six weeks. Out of 10 draft paragraphs and one performance audit report forwarded to the various departments during March 2012 to July 2012, the Government had replied to seven draft paragraphs and the Performance Audit report so far (January 2013). Replies to three draft paragraphs have not been received as detailed in ***Annexure - 3.12.***

We recommend that the Government should ensure that (a) a procedure exists for taking action against the officials who failed to send replies to Inspection Reports/Draft Paragraphs/Performance Audits and Action Taken Notes on the recommendation of COPU as per the prescribed time schedule, (b) action is taken to recover loss/outstanding advances/overpayments in a time bound manner, and (c) the system of responding to audit observations is revamped.

Raipur
The 0 5 MAR 2013

(PURNA CHANDRA MAJHI)
Accountant General (Audit), Chhattisgarh

Countersigned

New Delhi
The 0 7 MAR 2013

(VINOD RAI)
Comptroller and Auditor General of India

Annexures

Annexure -1.1

Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2012 in respect of Government companies and Statutory corporations

(Referred to in paragraph 1.7)

(Figures in column 5 (a) to 6(d) are ₹in crore)

Sl. No	Sector & Name of the company	Name of the Department	Month and year of incorpo-ration	Paid-up capital$				Loans outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Manpower (No. of employees) (as on 31.03.2012)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7	8
A. Working Government Companies													
AGRICULTURE & ALLIED													
1	Chhattisgarh Rajya Beej Evam Krishi Vikas Nigam Limited	Agriculture	08.10.2004	0.50	-	-	0.50	-	-	-	-	-	160
2	Chhattisgarh Rajya Van Vikas Nigam Limited	Forest	22.05.2001	25.73	0.92	-	26.65	-	-	-	-	-	578
Sector wise total				**26.23**	**0.92**	**-**	**27.15**	**-**	**-**	**-**	**-**	**-**	**738**
FINANCE													
3	Chhattisgarh Nishakt Jan Vitt Avam Vikas Nigam	Social Welfare	19.07.2004	5.00	-	0.00[1]	5.00	-	-	11.47	11.47	2.29:1	7
Sector wise total				**5.00**	**-**	**0.00**	**5.00**	**-**	**-**	**11.47**	**11.47**	**2.29:1**	**7**
INFRASTRUCTURE													
4	Chhattisgarh Infrastructure Development Corporation Limited	Finance	26.02.2001	4.20	-	-	4.20	-	-	-	-	-	5
5	Chhattisgarh State Industrial Development Corporation Limited	Commerce & Industries	16.11.1981	1.60	-	-	1.60	22.96	-	-	22.96	14.35:1 (14.35:1)	289
Sector wise total				**5.80**	**-**	**-**	**5.80**	**22.96**	**-**	**-**	**22.96**	**3.96:1 (3.96:1)**	**294**
MANUFACTURING													
6	Chhattisgarh Mineral Development Corporation Limited	Geology & Mining	07.06.2001	1.00	-	-	1.00	-	-	-	-	-	198
7	CMDC ICPL Coal Limited	Geology & Mining	11.04.2008	-	-	37.00	37.00	-	-	-	-	-	-
8	Chhattisgarh Sondiha Coal Company Limited	Geology & Mining	30.12.2008	-	-	11.26	11.26	-	-	-	-	-	-
9	CSPGCL AEL Parsa Collieries Limited	Geology & Mining	06.12.2010			0.05	0.05	-	-	-	-	-	1
Sector wise total				**1.00**	**-**	**48.31**	**49.31**	**-**	**-**	**-**	**-**	**-**	**199**

[1] Actual amount is ₹ 8000

Sl No	Sector & Name of the company	Name of the Department	Month and year of incorporation	Paid-up capital[5]				Loans outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (previous year)	Manpower (No. of employees) (as on 31.03.2012)
				State Government	*Central Government*	*Others*	*Total*	*State Government*	*Central Government*	*Others*	*Total*		
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7	8
POWER													
10	Chhattisgarh State Power Distribution Company Limited	Energy	19.05.2003	-	-	1913.31	1913.31	169.26	-	215.04	384.30	0.20:1 (0.15:1)	11366
11	Chhattisgarh State Power Generation Company Limited	Energy	19.05.2003	-	-	1193.73	1193.73	150.90	-	6699.73	6850.63	5.74:1 (3.87:1)	4964
12	Chhattisgarh State Power Holding Company Limited	Energy	30.12.2008	5155.02	-	-	5155.02	-	-	-	-	-	192
13	Chhattisgarh State Power Trading Company Limited	Energy	30.12.2008	-	-	0.05	0.05	-	-	-	-	-	33
14	Chhattisgarh State Power Transmission Company Limited	Energy	19.05.2003	-	-	805.15	805.15	47.03	-	952.04	999.07	1.24:1	1937
Sector wise total				**5155.02**	**-**	**3912.24**	**9067.26**	**367.19**	**-**	**7866.81**	**8234.00**	**0.91:1 (1.28:1)**	**18492**
SERVICES													
15	Chhattisgarh State Beverages Corporation Limited	Commercial Tax	7.11.2001	0.15	-	-	0.15	-	-	-	-	-	54
16	Chhattisgarh State Civil Supplies Corporation Limited	Food, Civil Supplies & Consumer Protection	13.03.2001	0.90	-	0.00[2]	0.90	-	-	295.84	295.84	328.71:1 (333.34:1)	569
17	Chhattisgarh Medical Services Corporation Limited	Health	7.10.2010	1.00	-	-	1.00	-	-	-	-	-	3
18	Chhattisgarh Police Housing Corporation Limited	Home	14.12.2011	0.50	-	-	0.50	-	-	-	-	-	-
Sector wise total				**2.55**	**-**	**0.00**	**2.55**	**-**	**-**	**295.84**	**295.84**	**116.02:1 (285.72:1)**	**626**
Total A (All sector wise working Government companies)				**5195.60**	**0.92**	**3960.55**	**9157.07**	**390.15**	**-**	**8174.12**	**8564.27**	**0.94:1 (1.34:1)**	**20356**

[2] Actual amount is ₹ 7000

Sl No	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital[$]				Loans outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Manpower (No. of employees) (as on 31.03.2012)
				State Govern-ment	Central Government	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7	8
B. Working Statutory corporations													
POWER													
1.	Chhattisgarh State Electricity Board[3]	Energy	15.11.2000	-	-	-	-	-	-	-	-	-	-
Sector wise total				-	-	-	-	-	-	-	-	-	-
MISCELLANEOUS													
2.	Chhattisgarh State Warehousing Corporation	Food	02.05.2002	0.50	-	0.50	1.00	-	-	12.01	12.01	12.01:1 (6.50:1)	698
Sector wise total				**0.50**	**-**	**0.50**	**1.00**	**-**	**-**	**12.01**	**12.01**	**-**	**-**
Total B (All sector wise working Statutory Corporations)				**0.50**	**-**	**0.50**	**1.00**	**-**	**-**	**12.01**	**12.01**	**-**	**698**
Grand Total (A + B)				**5196.10**	**0.92**	**3961.05**	**9158.07**	**390.15**	**-**	**8186.13**	**8576.28**	**0.94:1 (1.34:1)**	**21054**

(Source: Data furnished by Government companies/Statutory corporations).

[$]Paid-up capital includes Share Application Money.

[3] CSEB was un-bundled into five companies (Sl. No. A-10 to 14 above) w.e.f. 1 January 2009 as per State Government Gazette Notification dated 19 December 2008. As per Transfer Scheme Rules, 2010 notified (31 March 2010) by the State Government, all interests, rights, properties, liabilities, etc. of CSEB stand transferred to and vested with the State Government w.e.f. 1 January 2009. As such, CSEB did not virtually hold any assets, liabilities, etc. with effect from the said date. The name of CSEB has been included in the Annexure for reconciliation purpose as CSEB is having pendency in finalisation of accounts, and is therefore appearing under ***Annexure - 1.2.***

Annexure - 1.2

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised

(Referred to in paragraph 1.15)

(Figures in column 5 (a) to (11) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-): Net Profit/ Loss before Interest & Depreciation	Net Profit (+)/ Loss (-): Interest	Net Profit (+)/ Loss (-): Depreciation	Net Profit (+)/ Loss (-): Net Profit/ Loss	Turnover	Impact of Accounts Comment#	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
A. Working Government Companies														
AGRICULTURE & ALLIED														
1.	Chhattisgarh Rajya Beej Evam Krishi Vikas Nigam Limited	2006-07	2012-13	1.87	-	0.17	1.70	70.10	(-) 4.13	0.50	1.78	3.45	1.70	49.28
2.	Chhattisgarh Rajya Van Vikas Nigam Limited	2010-11	2011-12	22.72	-	0.50	22.22	41.99	(-) 2.93	26.65	83.36	118.82	22.22	18.70
Sector wise total				24.59	-	0.67	23.92	112.09	(-)7.06	27.15	85.14	122.27	23.92	19.56
FINANCE														
3.	Chhattisgarh Nishakt Jan Vitt Avam Vikas Nigam	2007-08	2010-11	0.64	0.04	0.01	0.59	0.64	Non-review	5.00	0.96	10.06	0.63	6.26
Sector wise total				0.64	0.04	0.01	0.59	0.64	Non-review	5.00	0.96	10.06	0.63	6.26
INFRASTRUCTURE														
4.	Chhattisgarh Infrastructure Development Corporation Limited	2006-07	2011-12	(-) 0.08	-	0.02	(-) 0.10	0.18	-	4.20	(-) 0.86	3.34	(-) 0.10	-
5.	Chhattisgarh State Industrial Development Corporation Limited	2005-06	2010-11	10.30	2.84	0.20	7.26	66.68	(-) 2.09	1.60	(-) 35.61	31.83	10.10	31.73
Sector wise total				10.22	2.84	0.22	7.16	66.86	(-)2.09	5.80	(-) 36.47	35.17	10.00	28.43
MANUFACTURING														
6.	Chhattisgarh Mineral Development Corporation Limited	2007-08	2012-13	0.45	-	0.09	0.36	3.99	(-)0.41	1.00	(-) 2.46	35.68	0.36	1.01
7.	CMDC ICPL Coal Limited	2011-12	2012-13	(-) 1.32	-	-	(-)1.32	-	-	37.00	(-) 1.32	25.19	(-) 1.32	-
8.	Chhattisgarh Sondiha Coal Company Limited	2011-12	2012-13	(-) 0.04	-	-	(-) 0.04	- -	Non-review	1.00	(-) 0.07	(-) 3.16	(-) 0.04	-

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comment#	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
9.	CSPGCL AEL Parsa Collieries Limited	2011-12	2012-13	-	-	-	(-) 0.00[4]	-	Non-review	0.05	-	0.05	-	-
Sector wise total				**(-)0.91**	**-**	**0.09**	**(-)1.00**	**3.99**	**(-)0.41**	**39.05**	**(-)3.85**	**57.76**	**(-)1.00**	**-**
POWER														
10.	Chhattisgarh State Power Distribution Company Limited	2010-11	2012-13	(-) 400.77	69.14	111.43	(-) 581.34	4367.51	Under finalisation	1913.31	(-) 876.37	1832.01	(-) 512.20	-
11.	Chhattisgarh State Power Generation Company Limited	2009-10	2012-13	400.25	174.89	122.85	102.51	1809.55	(-) 732.62	1193.73	(-) 60.38	4565.30	277.40	6.08
12.	Chhattisgarh State Power Holding Company Limited	2008-10[5]	2012-13	-	-	-	-	-	-	5131.81	-	533.42	-	-
13.	Chhattisgarh State Power Trading Company Limited	2008-10[6]	2011-12	1.86	-	-	1.86	4.39	(-) 0.70	0.05	1.86	1.90	1.86	97.89
14.	Chhattisgarh State Power Transmission Company Limited	2009-10	2012-13	80.70	34.25	40.95	5.50	274.54	(-) 281.50	655.15	(-) 12.04	1235.75	39.75	3.22
Sector wise total				**82.04**	**278.28**	**275.23**	**(-) 471.47**	**6455.99**	**(-) 1014.82**	**8894.05**	**(-) 946.93**	**8168.38**	**(-) 193.19**	**-**
SERVICES														
15.	Chhattisgarh State Beverages Corporation Limited	2009-10	2012-13	4.29	0.11	0.09	4.09	447.71	(-) 0.06	0.15	10.82	10.92	4.20	38.46
16.	Chhattisgarh State Civil Supplies Corporation Limited	2009-10	2012-13	44.49	73.82	0.55	(-) 29.88	2900.04	6469.24	0.90	(-) 111.12	1031.18	43.94	4.26
17.	Chhattisgarh Medical Services Corporation Limited	$$	-	-	-	-	-	-	-	-	-	-	-	-
18.	Chhattisgarh Police Housing Corporation Limited	$$	-	-	-	-	-	-	-	-	-	-	-	-
Sector wise total				**48.78**	**73.93**	**0.64**	**(-)25.79**	**3347.75**	**6469.18**	**1.05**	**(-)100.30**	**1042.10**	**48.14**	**4.62**

[4] Actual amount is ₹ 15016

[5] 30 December 2008 to 31 March 2010

[6] 30 December 2008 to 31 March 2010

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comment#	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11	12
	Total A (All sector wise working Govt. companies)			165.36	355.09	276.86	(-)466.59	9987.32	5444.80	8972.10	(-) 1001.45	9435.74	(-)111.50	-
B. Working Statutory Corporations														
POWER														
1.	Chhattisgarh State Electricity Board	2008-09[7]	2012-13	1257.94	263.20	240.61	754.13	4158.89	(-)1056.11	23.12	2914.97	7043.97	1017.33	14.44
	Sector wise total			1257.94	263.20	240.61	754.13	4158.89	(-)1056.11	23.12	2914.97	7043.97	1017.33	14.44
MISCELLANEOUS														
2.	Chhattisgarh State Warehousing Corporation	2010-11	2012-13	24.29	0.09	2.30	21.90	54.00	(-) 0.09	1.00	89.26	131.91	21.99	16.67
	Sector wise total			24.29	0.09	2.30	21.90	54.00	(-) 0.09	1.00	89.26	131.91	21.99	16.67
	Total B (All sector wise working Statutory Corporations)			1282.23	263.29	242.91	776.03	4212.89	(-)1056.20	24.12	3004.23	7175.88	1039.32	14.48
	Grand Total (A + B)			1447.59	618.38	519.77	309.44	14200.21	4388.60	8996.22	2002.78	16611.62	927.82	5.59

Note: There is no non-working Government Company/Statutory Corporation in the State of Chhattisgarh and CSPHCL is functioning on 'no profit no loss' basis.

Impact of accounts comment includes the net impact of qualifications of statutory auditors and comments of CAG and is denoted by (+) increase in profit/decrease in loss (-) decrease in profit/increase in loss

@ Capital employed represents net fixed assets (including capital work- in-progress) plus working capital except in case of finance companies/corporation 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, deposit and borrowing (including refinance)

$ Return on capital employed has been worked out by adding profit and interest charged to profit and loss account

$$ The company has not submitted accounts so far.

[7] 1 April 2008 to 31 December 2008

Annexure - 1.3

Statement showing equity/loans received, grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2012

(Referred to in paragraph 1.10)

(Figures in column 3 (a) to 6 (d) are ₹in crore)

Sl. No	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year*				Guarantees received during the year and commitment at the end of the year**		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
A.	**Working Government Companies**												
AGRICULTURE & ALLIED													
1.	Chhattisgarh Rajya Beej Evam Krishi Vikas Nigam Limited	-	-	17.52	-	-	17.52	-	-	-	-	-	-
2.	Chhattisgarh Rajya Van Vikas Nigam Limited	-	-	-	(1.00)	-	-	-	-	-	-	-	-
Sector wise total				**17.52**	**(1.00)**	**-**	**17.52**	**-**	**-**	**-**	**-**	**-**	**-**
FINANCE													
3.	Chhattisgarh Nishakt Jan Vitt Avam Vikas Nigam	-	-	-	0.15 (0.47)	-	0.15 (0.47)	2.50	8.31	-	-	-	-
Sector wise total		**-**	**-**	**-**	**0.15 (0.47)**	**-**	**0.15 (0.47)**	**2.50**	**8.31**	**-**	**-**	**-**	**-**
INFRASTRUCTURE													
4.	Chhattisgarh Infrastructure Development Corporation Limited	-	-	-	(0.30)	-	(0.30)	-	-	-	-	-	-
5.	Chhattisgarh State Industrial Development Corporation Limited	-	-	6.66	40.29	-	46.95	-	-	-	-	-	-
Sector wise total		**-**	**-**	**6.66**	**40.29 (0..30)**	**-**	**46.95 (0.30)**	**-**	**-**	**-**	**-**	**-**	**-**
MANUFACTURING													
6.	Chhattisgarh Mineral Development Corporation Limited	-	-	-	(55.00)	-	(55.00)	-	-	-	-	-	-
Sector wise total		**-**	**-**	**-**	**(55.00)**	**-**	**(55.00)**	**-**	**-**	**-**	**-**	**-**	**-**
POWER													
7.	Chhattisgarh State Power Distribution Company Limited	-	-	-	311.10 (110.00)	-	311.10 (110.00)	-	-	-	-	-	-

Sl. No	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year*				Guarantees received during the year and commitment at the end of the year**		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
8.	Chhattisgarh State Power Generation Company Limited	-	-	1.93	-	-	1.93	-	294.53	-	-	-	-
Sector wise total		-	-	1.93	311.10 (110.00)	-	313.03 (110.00)	-	294.53	-	-	-	-
SERVICES													
9.	Chhattisgarh State Civil Supplies Corporation Limited	-	500.00	1773.04	996.92	-	2769.96	-	-	-	-	-	-
Sector wise total		-	500.00	1773.04	996.92	-	2769.96	-	-	-	-	-	-
Total (All sector wise working Government companies)		-	500.00	1799.15	1348.46 (166.77)	-	3147.61 (166.77)	2.50	302.84	-	-	-	-
Grand Total		-	500.00	1799.15	1348.46 (166.77)	-	3147.61 (166.77)	2.50	302.84	-	-	-	-

(Source: Data furnished by Government companies/Statutory corporations.)

*Figures in bracket under column 4 (a) to 4 (d) indicate grants

** Figures indicate total guarantees outstanding at the end of the year

Annexure - 1.4

Statement showing investments made by State Government in PSUs whose accounts are in arrears

(Referred to in paragraph 1.24)

(Figures in Column 4 and 6 to 9 are ₹in crore)

Sl. No.	Name of the PSUs	Year upto which Accounts finalised	Paid up capital as per latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears				
				Year	Equity	Loans	Grants	Subsidy
1	2	3	4	5	6	7	8	9
Working Companies/ Corporation								
A. Government companies								
1.	Chhattisgarh Rajya Beej Evam Krishi Vikas Nigam Limited	2006-07	0.50	2007-08	-	-	1.00	0.20
				2008-09	-	-	-	0.35
				2009-10	-	-	-	-
				2010-11	-	-	-	-
				2011-12	-	-	-	-
2.	Chhattisgarh Rajya Van Vikas Nigam Limited	2010-11	26.65	2011-12	-	-	1.00	-
3.	Chhattisgarh Nishakt Jan Vitt Avam Vikas Nigam	2007-08	5.00	2008-09	-	-	0.47	0.08
				2009-10	-	-	0.47	0.15
				2010-11	-	-	0.10	0.15
				2011-12	-	-	0.47	0.15
4.	Chhattisgarh Infrastructure Development Corporation Limited	2006-07	4.20	2007-08	-	-	0.25	-
				2008-09	-	-	0.25	-
				2009-10	-	-	0.30	-
				2010-11	-	-	0.30	-
				2011-12	-	-	0.30	-
5.	Chhattisgarh State Industrial Development Corporation Limited	2005-06	1.60	2006-07	-	5.00	-	75.87
				2007-08	-	5.00	-	105.48
				2008-09	-	1.95	-	17.47
				2009-10	-	-	-	35.21
				2010-11	-	0.01	-	37.95
				2011-12	-	-	-	40.29

(Figures in Column 4 and 6 to 9 are ₹ in crore)

Sl. No.	Name of the PSUs	Year upto which Accounts finalized	Paid up capital as per latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears				
				Year	Equity	Loans	Grants	Subsidy
1	2	3	4	5	6	7	8	9
6.	Chhattisgarh Mineral Development Corporation Limited	2007-08	1.00	2008-09	-	-	-	-
				2009-10	-	-	58.52	-
				2010-11	-	-	24.00	-
				2011-12	-	-	55.00	-
7.	Chhattisgarh State Power Distribution Company Limited	2010-11	1913.31	2011-12	-	-	110.00	311.10
8.	Chhattisgarh State Civil Supplies Corporation Limited	2009-10	0.90	2010-11	-	-	-	867.24
				2011-12	-	500.00	-	996.92
	Total				**-**	**511.96**	**252.43**	**2488.61**

(Source: Data furnished by Government companies/Statutory corporations)

Annexure - 1.5

Statement showing financial position of Statutory corporations

(Referred to in paragraph 1.15)

(₹ in crore)

Working Statutory Corporations			
1. Chhattisgarh State Electricity Board			
	2006-07	**2007-08**	**2008-09***
A. Liabilities			
Equity capital	23.12	23.12	23.12
Reserves and surplus	1855.48	2335.92	3093.44
Capital liabilities	1701.57	2222.87	2122.43
Loans	809.06	764.95	740.79
Subsidy	1110.33	1232.50	1345.75
Current liabilities and provisions	2708.91	2776.20	2669.71
Total A	**8208.47**	**9355.56**	**9995.24**
B. Assets			
Gross Block	2867.30	5443.75	6252.97
Less Depreciation	1432.22	1557.84	1798.46
Net Block	1435.08	3885.91	4454.51
Capital expenditure	3231.76	1586.97	2020.05
Investments	514.03	590.97	272.69
Deferred cost assets	1.07	0.11	0.00
Current Assets, loans and Advances	3017.04	3282.88	3239.12
Intangible Assets	9.49	8.72	8.87
Total B	**8208.47**	**9355.56**	**9995.24**
Capital employed*	**4974.97**	**5979.56**	**7043.97**
2. Chhattisgarh State Warehousing Corporation			
A. Liabilities	**2008-09**	**2009-10**	**2010-11**
Paid up capital	1.00	1.00	1.00
Advances against Capital	-	-	-
Reserves and Surplus♥	79.04	100.48	122.27
Borrowings :			
Government	-	-	-
Others	0.41	1.94	8.64
Trade dues and current liabilities	43.20	74.11	96.37
Total A	**123.65**	**177.53**	**228.28**
B. Assets			
Gross Block	52.42	56.91	73.56
Less Depreciation	24.13	25.79	28.10
Net fixed assets	28.29	31.12	45.46
Capital work in progress	-	2.37	10.58
Current assets, loans and advances	95.36	144.04	172.24
Total B	**123.65**	**177.53**	**228.28**
Capital employed*	**80.45**	**103.42**	**131.91**

*** Capital employed represents net fixed assets (including Capital expenditure/ Capital Work-in-progress) plus working capital.**

♣ Upto 31 December 2008.

♥ Including General reserve, Capital reserve and Self Indemnity fund.

Annexure - 1.6

Statement showing working results of Statutory corporations

(Referred to in paragraph 1.15)

(₹ in crore)

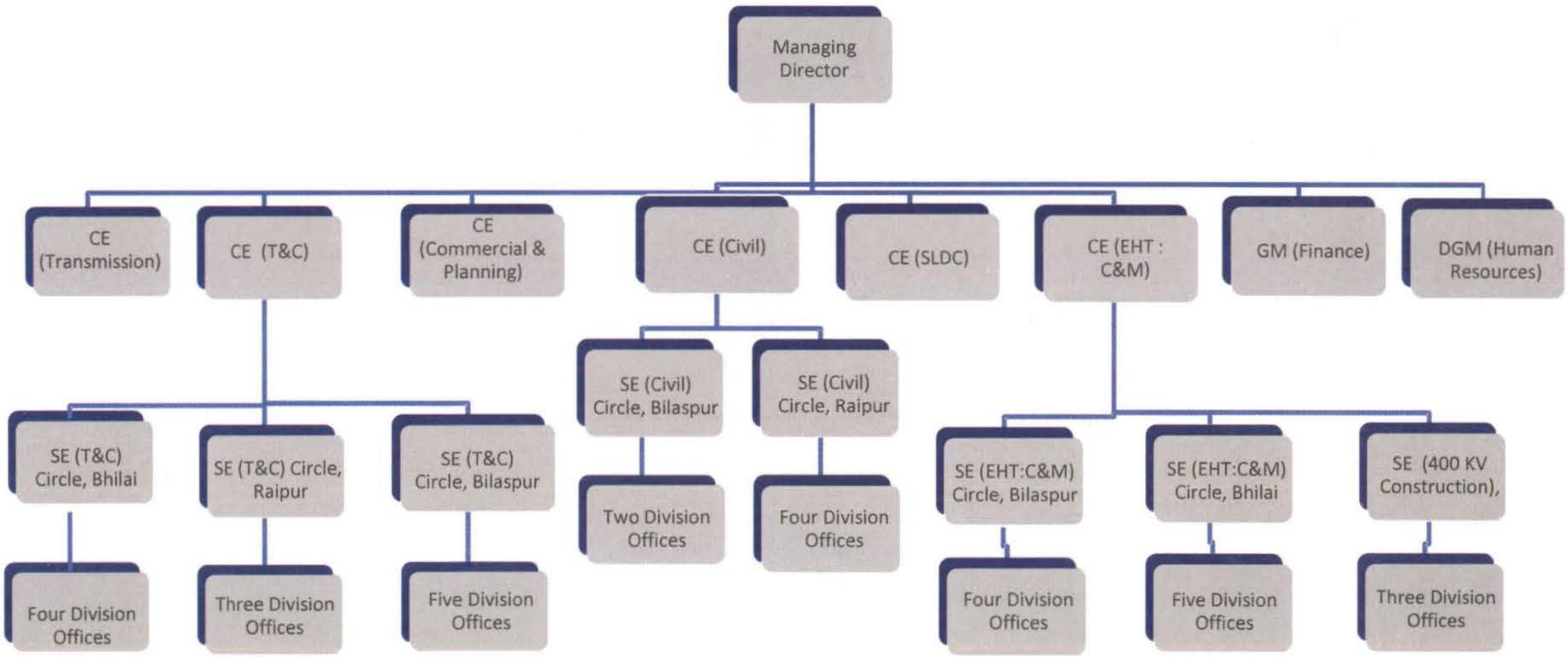
A. Working Statutory corporations				
I.	**Chhattisgarh State Electricity Board**			
	Particulars	**2006-07**	**2007-08**	**2008-09**
1	(a) Revenue receipts	3134.64	3972.44	4158.89
	(b) Subsidy/Subvention from Government	0.00	0.00	0.00
	Total (a+b)	**3,134.64**	**3972.44**	**4158.89**
2	Revenue expenditure (net of expenses capitalised) including write-off of intangible assets but excluding depreciation and interest	2441.73	3181.65	2890.20
3	Gross Surplus (+)/Deficit(-) for the year (1-2)	692.91	790.79	1268.69
4	Adjustments relating to previous years	(-)18.36	7.35	(-) 2.11
5	Final Gross Surplus(+)/Deficit(-) for the year (3+4)	674.55	798.14	1266.58
6	Appropriations:			
	(a) Depreciation (less capitalised)	106.80	125.63	240.61
	(b) Interest on Government loans	63.01	75.44	50.73
	(c) Interest on others, bonds, advance, etc. and finance charges	103.55	200.90	212.47
	(d)Total interest on loans & finance charges (b+c)	166.56	276.34	263.20
	(e) Less: Interest capitalized	34.10	88.55	0.00
	(f) Net interest charged to revenue (d-e)	132.46	187.79	263.20
	(g) Total appropriations (a+f)	239.26	313.42	503.81
7	Surplus(+)/deficit(-) before accounting for subsidy from State Government {5-6(g)-1(b)}	435.29	484.72	762.77
8	Net Surplus(+)/Deficit(-) {5-6(g)}	435.29	484.72	762.77
9	Total return on capital employed	567.75	644.80	1017.33
10	Percentage of return on capital employed	11.41	10.78	14.44
II.	**Chhattisgarh State Warehousing Corporation**			
1	**Income**	**2008-09**	**2009-10**	**2010-11**
	(a) Warehousing charges	36.76	46.58	46.53
	(b) Other Income	2.99	5.81	7.47
	Total (a+b)	**39.75**	**52.39**	**54.00**
2	Expenses			
	(a) Establishment charges	7.73	8.97	16.04
	(b) Other expenses	6.92	10.25	10.68
	Total (a+b)	**14.65**	**19.22**	**26.72**
3	Profit(+)/Loss(-) before tax (1-2)	25.10	33.17	27.28
4	Other appropriations	24.90	32.97	27.08
5	Amount available for dividend (3-4)	0.20	0.20	0.20
6	Dividend for the year	0.20	0.20	0.20
7	Total return on capital employed[ϒ]	25.18	21.85	21.99
8	Percentage of return on capital employed	31.30	21.06	16.67

[ϒ] This does not include prior period adjustment

Annexure - 2.1

Organisation Chart of Chhattisgarh State Power Transmission Company Limited, Raipur

(Referred to in paragraph 2.2)



Annexure - 2.2

Statement showing voltage-wise capacity additions planned, actual additions and shortfall during five years up to 2011-12

(Referred to in paragraph 2.11)

Sl. No.	Description	2007-08	2008-09	2009-10	2010-11	2011-12
1	2	3	4	5	6	7
400 KV EHT SSs (Numbers)						
1	At the beginning of the Year	1	1	1	1	1
2	Additions Planned for the Year	0	0	0	0	1
3	Actual Additions during the Year	0	0	0	0	0
4	At the end of the Year (1+3)	1	1	1	1	1
5	Shortfall in Additions (2-3)	0	0	0	0	1
400 KV Transformers Capacity (MVA)						
1	At the beginning of the Year	945	945	945	945	945
2	Additions/ Augmentation planned for the year	0	0	0	0	630
3	Actual Additions during the Year	0	0	0	0	0
4	Capacity at the end of the Year (1+3)	945	945	945	945	945
5	Shortfall in Additions (2-3)	0	0	0	0	630
400 KV Line (Ckm)						
1	At the beginning of the Year	277	277	277	277	337.91
2	Additions Planned for the Year	0	0	0	380	550
3	Actual Additions during the Year	0	0	0	60.91	370.09
4	Lines at the end of the Year (1+3)	277	277	277	337.91	708
5	Shortfall in Additions (2-3)	0	0	0	319.09	179.91
220 KV EHT SSs (Numbers)						
1	At the beginning of the Year	11	12	13	14	15
2	Additions Planned for the Year	2	2	2	1	2
3	Actual Additions during the Year	1	1	1	1	0
4	At the end of the Year (1+3)	12	13	14	15	15
5	Shortfall in Additions (2-3)	1	1	1	0	2
220 KV Transformers Capacity (MVA)						
1	At the beginning of the Year	2890	3050	3370	3690	4170
2	Additions/ Augmentation planned for the year	160	320	320	480	420
3	Actual Additions during the Year	160	320	320	480	420
4	Capacity at the end of the Year (1+3)	3050	3370	3690	4170	4590
5	Shortfall in Additions (2-3)	0	0	0	0	0

Sl. No.	Description	2007-08	2008-09	2009-10	2010-11	2011-12
1	2	3	4	5	6	7
220 KV Line (Ckm)						
1	At the beginning of the Year	2152.93	2375.77	2507.17	2604	2629.01
2	Additions Planned for the Year	250	300	200	150	457
3	Actual Additions during the Year	222.84	131.4	96.83	25.01	156.42
4	Lines at the end of the Year (1+3)	2375.77	2507.17	2604	2629.01	2785.43
5	Shortfall in Additions (2-3)	27.16	168.6	103.17	124.99	300.58
132 KV EHT SSs (Numbers)						
1	At the beginning of the Year	43	46	47	50	52
2	Additions Planned for the Year	5	3	5	2	10
3	Actual Additions during the Year	3	1	3	2	3
4	At the end of the Year (1+3)	46	47	50	52	55
5	Shortfall in Additions (2-3)	2	2	2	0	7
132 KV Transformers Capacity (MVA)						
1	At the beginning of the Year	3100.5	3400.5	3560.5	4016.5	4190.5
2	Additions Planned for the Year	340	280	680	294	495
3	Actual Additions during the Year	300	160	456	174	509
4	Capacity at the end of the Year (1+3)	3400.5	3560.5	4016.5	4190.5	4699.5
5	Shortfall in Additions (2-3)	40	120	224	120	-14
132 KV Line (Ckm)						
1	At the beginning of the Year	3925.76	4136.34	4272.83	4544.48	4789.48
2	Additions Planned for the Year	250	200	300	370	250
3	Actual Additions during the Year	210.58	136.49	271.65	245	92.86
4	Lines at the end of the Year (1+3)	4136.34	4272.83	4544.48	4789.48	4882.34
5	Shortfall in Additions (2-3)	39.42	63.51	28.35	125	157.14

Annexure - 2.3

Statement showing details of unserviceable transformers lying at Substations and consequent loss of interest on blocking of funds

(Referred to in paragraph 2.48)

Sl. No.	Name of substation	Capacity of transformer (MVA)	Make and Serial Number	Date of commissioning	Out of service since	No. of months (since failure/out of service)	Remarks
1	132 KV, Bhilai	63	Mitsibushi 545433	15.04.1968	04.05.2010	23	in auction held on 13 March 2012, these items have been kept under subject to approval
2	132 KV, Bhilai	63	Mitsibushi 545434	05.11.1967	05.06.2004	95	
3	220 KV Bhatapara	20	BHEL, 6002781	07.11.1985	06.05.1996	193	in auction held on 13 March 2012, these items have been sold
4	220 KV Raigarh	160	EMCO, HT 1530/12128	10.07.2003	06.08.2008	44	
5	400 KV Bhilai	16.67	CGL, 24347	18.02.1985	15.03.2010	24	
6	132 KV Bilaspur	20	NGEF, 28000-22213	10.11.1976	20.08.2011	7	
7	132 KV, Dallirajhara	16	BB, 1992/3	09.12.1980	07.02.1992	245	lying at SS
8	Bilaspur	20	NGEF, 2800042797	05.12.1986	02.07.2010	21	lying at SS
9	132 KV Darri	20	NGEF, 2800042794	14.07.2006	17.04.2007	60	lying at SS
10	132 KV Raigarh	20	GEC, B-27485	18.12.1991	26.06.2006	70	lying at SS
11	132 KV Baikunthpur	20	GEC, B-26080	18.10.2006	05.09.2008	43	lying at SS
12	220 KV Bhatapara	16	NEI, RY 2551/5	19.10.1996	09.11.2004	89	lying at SS
13	132 KV Jagdalpur	12.5	EMCO, 1023/10791	09.05.1978	25.03.2003	109	lying at SS
14	132 KV Bilaspur	10	AEG, 81/15129	11.05.1958	01.04.1993	231	lying at SS
15	132 KV Bilaspur	10	AEG, 81/15128	11.05.1958	01.04.1986	316	lying at SS
16	132 KV Bishrampur	16	NGEF, 2800034712	15.09.1981	23.06.2009	33	lying at SS
17	132 KV Bishrampur	12.5	NGEF, 2830001-2224	11.10.1977	01.08.1997	178	lying at SS
18	132 KV Mahasamund	10	Tesla, 117/02	08.02.2006	22.10.2010	17	lying at SS
19	132 KV Jagdalpur	5	Electra, ET-544/6	29.01.1991	08.09.2010	18	lying at SS
20	132 KV Champa	5	Hindustan Vidyut, 302/01	NA	23.07.2009	32	lying at SS

Annexure - 3.1

Statement showing details of FDs made by Chhattisgarh Rajya Beej Evam Krishi Vikas Nigam Limited

(Referred to in paragraph 3.2)

Sl. No.	Bank	Term	Period		Amount (₹ in crore)	Rate of Interest (%)	Remarks
			From	To			
1.	Punjab National Bank	5 years	07.10.2006	07.10.2011	5.00	9.00	On maturity, renewed for a period of 3 years & 15 days @ 9.50%
2.	Punjab National Bank	5 years	07.10.2006	07.10.2011	5.11	9.00	On maturity, renewed for a period of 3 years & 15 days @ 9.50%
3.	State Bank of India	550 days	01.10.2007	03.04.2009	5.00	9.25	Renewed twice for like period up to 07.04.2012 @7% and 6% respectively. FD was prematurely encahsed on 6.01.2012
4.	Union Bank of India	60 days	07.08.2008	07.10.2008	5.00	5.50	Renewed on 10.10.2008 for sixty days @ 9%. Thereafter, renewed for every 91 days period upto 6.12.2011 and 4 months period upto 7.04.2012 at the rates ranging between 3% and 8%. FD was prematurely encahsed on 11.01.2012

Annexure - 3.2
Statement showing loss of interest
(Referred to in paragraph 3.2)

Bank	Principal amount (₹)	Period	Actual interest for the period (₹)	Interest would have been earned for the period had it been invested for longer period @ 9.25% and 9.10% respectively (₹)	Loss of interest (₹)
State Bank of India	50000000	01.10.2007 to 06.01.2012	14862363	23749291	8886928
Union Bank of India	50000000	07.08.2008 to 11.01.2012	10435758	17996466	7560708
Total			**25298121**	**41745757**	**16447636**

Annexure - 3.3

Statement showing avoidable loss due to obtaining Cash Credit Limit from Allahabad Bank

(Referred to in Paragraph 3.4)

Interest paid on CC limit/Revolving fund of ₹ 150 crore which was utilised for making FD					
Period		Source of fund used for making FD	Days	Rate of interest (%)	Amount of interest paid (₹)
From	to				
19.02.2007	01.04.2007	CC / Allahabad Bank	42	8.75	15102740
02.04.2007	21.05.2007	CC / Allahabad Bank	50	11.25	23116438
22.05.2007	22.08.2007	Revolving fund	93	8.00	30575342
Total interest paid on ₹ 150 crore (19.02.2007 to 22.08.2007)					**68794520**
Less: Total Interest earned on FD/Current Plus Account up to 22.08.2007					32331467
Avoidable Loss					**36463053**

Annexure - 3.4

Statement showing details of bids received in Korba against tender for Dwar Praday Work and calculation of extra expenditure incurred due to receipt of higher rates

(Referred to in paragraph 3.5)

Year	Base Depot	Block	No. of Bids received	Name of the Bidders	No. of bids opened (qualified bidder)	Name of the successful bidders	Actual rate finalised (₹ Per MT)	Per MT DP Rates as per average increase in whole State (₹)	Quantity transported (MT)	Total value of work executed (₹) (Col 8 X 10)	Difference in per MT rate (₹) (Col 8-9)	Extra expenditure (₹) (Col 10x12)	Remarks
1	2	3	4	5	6	7	8	9	10	11	12	13	14
2010-11	Korba	Korba Urban	3	1. Rahul Modi	3	Jay Kumar Kaiwart	359	340	6859.06	2462403	19	130322	
		Korba Rural		2. Gopal Modi		Jay Kumar Kaiwart	359	340	15987.83	5739631	19	303769	
		Kartala		3. Jay Kumar Kaiwart		Jay Kumar Kaiwart	359	340	13491.22	4843348	19	256333	
	Katghora	Pali	3	1. Rahul Modi	3	Rahul Modi	359	340	11701.08	4200688	19	222321	
		Podi Uproda		2. Gopal Modi		Rahul Modi	359	340	10726.88	3850950	19	203811	
		Katghora Urban		3. Jay Kumar Kaiwart		Rahul Modi	359	340	5987.51	2149516	19	113763	
		Katghora Rural				Rahul Modi	359	340	13145.97	4719403	19	249773	
2011-12	Korba	Korba Urban	3	1.Maa Parvati Transport	1	Maa Parvati Transport (Owner Gopal Modi)	430	371	4761.72	2047540	59	280941	Address as well as phone numbers (Landline and mobile) were same in respect of all the three bidders.
		Korba Rural		2. Jay Kumar Kaiwart		Maa Parvati Transport (Owner Gopal Modi)	430	371	7260.62	3122067	59	428377	
		Kartala		3. Rahul Modi		Maa Parvati Transport (Owner Gopal Modi)	430	371	6444.77	2771251	59	380241	
	Katghora	Pali	3	1.Rahul Modi	3	Jay Kumar Kaiwart	410	371	8793.92	3605507	39	342963	
		Podi Uproda		2. Maa Parvati Transport		Rahul Modi	410	371	10419.00	4271790	39	406341	
		Katghora Urban		3. Jay Kumar Kaiwart		Rahul Modi	410	371	4156.29	1704079	39	162095	
		Katghora Rural				Rahul Modi	410	371	7124.72	2921135	39	277864	
Total										**48409318**		**3758914**	

Annexure - 3.5

Statement showing calculation of loss as per seam wise reserves indicated in the GR prepared by AMPL

(Referred to in paragraph 3.6)

SN	Particulars	Rate of F grade coal considered in Tender (₹/Tonne)[8]	Total Coal Mining Fee payable as per price of F grade coal prevailing on 23/02/2011 i.e. date of CMSA (₹/Tonne)[9]	Total Coal Mining Fee payable as per price applicable for different grade of coal prevailing on 23/02/2011 i.e. date of CMSA (₹/Tonne)[9]			
				D	E	F	G
1	Basic price	520	570	880	730	570	430
2	Crushing charges (top Size 100 mm)	55	61	61	61	61	61
3	Loading charges	18	20	20	20	20	20
4	Coal transportation from mine head to loading point (3 to 10 Kms)	40	44	44	44	44	44
5	**Total (1 to 4)**	**633**	**695**	**1005**	**855**	**695**	**555**
6	Less: Discount offered by AEL 3 *per cent*	19	20.85	30.15	25.65	20.85	16.65
7	**Coal Mining Fee[10] (5-6) (₹ /per tonne)**	**614**	**674.15**	**974.85**	**829.35**	**674.15**	**538.35**
8	Seam wise total graded reserves (in million tonnes)	-	172.30	0.48	123.45	20.29	28.08
9	**Total Coal Mining Fee payable (₹ in crore) (7 X 8)**	**-**	**11615.60**	**13164.66**			
10	**Total extra payment to JV Company/loss to the Company**	**₹ 1549.06 Crore (₹ 13164.66 – ₹ 11615.60)**					

8 Price of F grade coal of SECL effective from 12/12/2007 as notified by CIL.

9 Price of coal of SECL effective from 16/10/2009 as notified by CIL.

10 Railway freight for transportation of coal from ex-mine railway siding to delivery point and all taxes, duties, levies and fees (both present and future) including royalty, stowing excise duty, environment cess etc is not included in the 'Coal Mining Fee' and shall be reimbursed at actual based on production of documentary evidence.

Annexure - 3.6

Statement showing details of actual performance incentive paid/ compensation received by HTPS and KTPS during the period 2009-11

(Referred to in paragraph 3.7)

HTPS (ACQ 47 lakh MT)					KTPS (ACQ 27 lakh MT)				
Incentive slab for level of delivery (%)	Incentive Qty (MT)	Incentive multiplier	Average Price of coal (₹ per MT)	Incentive amount (₹)	Incentive slab for level of delivery (%)	Incentive Qty (MT)	Incentive multiplier	Average Price of coal (₹ per MT)	Incentive amount (₹)
2009-10 (Actual Quantity 5366496 MT, Delivery level 114.17 %)					2009-10 (Actual Quantity 2556926 MT, Delivery level 94.70 %)				
90-95	235000	0.1	546.98	12854030	90-95	126926	0.1	538.82	6839027
95-100	235000	0.2	546.98	25708060	95-100	0	0.2	538.82	0
above 100	666496	0.4	546.98	145823993	above 100	0	0.4	538.82	0
Total (A)				**184386083**	**Total (A)**				**6839027**
2010-11 (Actual quantity 5482149 MT, Delivery level 116.63 %)					2010-11 (Actual quantity 2275613 MT, Delivery level 84.30 %)				
90-95	235000	0.1	560.6	13174100	90-85	135000	0.1	563.35	7605225
95-100	235000	0.2	560.6	26348200	85-80	19387	0.2	563.35	2184333
above 100	782149	0.4	560.6	175389092	below 80	0	0.4	563.35	0
Total (B)				**214911392**	**Total (B)**				**(-) 9789558**
Total (A+B)				**399297475**	**Total (A+B)**				**(-) 2950531**
Grand Total(Net performance incentive paid by the Company) ₹ 396346994									

Annexure - 3.7

Statement showing details of performance incentive payable to SECL after adjustment of shortage quantity of KTPS from HTPS

(Referred to in paragraph 3.7)

HTPS (ACQ 47 lakh MT)					KTPS (ACQ 27 lakh MT)				
Incentive slab for level of delivery (%)	Incentive Qty (MT)	Incentive multiplier	Average Price of coal (₹ / MT)	Incentive amount (₹)	Incentive slab for level of delivery (%)	Incentive Qty (MT)	Incentive multiplier	Average Price of coal (₹ / MT)	Incentive amount (₹)
2009-10 Actual Quantity 5366496 MT					2009-10 Actual Quantity 2556926 MT				
Adjusted quantity 4947306 MT (5366496 - 419190)					Adjusted quantity 2976116 MT (2556926 + 419190)				
90-95	235000	0.1	546.98	12854030	90-95	135000	0.1	538.82	7274070
95-100	235000	0.2	546.98	25708060	95-100	135000	0.2	538.82	14548140
above 100	247306	0.4	546.98	54108574	above 100	276116	0.4	538.82	59510729
Total (A)				**92670664**	**Total (C)**				**81332939**
2010-11 Actual quantity 5482149 MT					2010-11 Actual quantity 2275613 MT				
Adjusted quantity 4987257 MT (5482149 - 494892)					Adjusted quantity 2770505 MT (2275613 + 494892)				
90-95	235000	0.1	560.6	13174100	90-95	135000	0.1	563.35	7605225
95-100	235000	0.2	560.6	26348200	95-100	135000	0.2	563.35	15210450
above 100	287257	0.4	560.6	64414510	above 100	70505	0.4	563.35	15887597
Total (B)				**103936810**	**Total (D)**				**38703272**
Total (A+B)				**196607474**	**Total (C+D)**				**120036211**
Grand Total (total performance incentive payable to SECL) (A+B+C+D)									**316643685**
Performance incentive actually paid as per Annexure 3.6									**396346994**
Excess performance incentive paid to SECL									**79703309**

Annexure - 3.8

Statement showing orders placed for transportation of coal by road from Kusmunda to KTPS

(Referred to in paragraph 3.8)

SN	Order No.	Date	Name of the Contractor	Qty transported (MT)	Rate per MT (₹)	Amount (₹)
1	1636	26 May 2009	Anant Carriers, Korba	89108.23	137.36	12239906
2	Extn. 3296	07 August 2009	Anant Carriers, Korba	110886.70	137.00	15191478
3	3087	13 October2009	Anant Carriers, Korba	24999.99	137.00	3424999
4	3213	28 October 2009	RK Transport	75000.01	120.21	9015751
Total				**299994.93**		**39872134**
Add: Service Tax @ 10.3 *per cent* (On 25 *per cent* of contract value)						**1026707**
Total cost of transportation						**40898841**

Annexure - 3.9

Statement showing avoidable extra expenditure on transportation of coal by uneconomical route

(Referred to in paragraph 3.8)

Particulars		Amount (₹)
Total cost of transportation of 3 lakh MT coal by road from Kusmunda to KTPS		40898841
Less: Total cost of transportation of coal through economical route i.e. Kusmunda mines to HTPS (by LDCC) and then HTPS to KTPS by road		
Average cost of transportation of coal from Kusmunda to HTPS via LDCC	₹ 50.86/MT	
Prevailing rate of transportation of coal from HTPS to KTPS by road (order No. 3241 dated 31.10.2009 placed on Anant Carriers)	₹ 45.33/MT (₹ 44.19/MT + Service Tax ₹ 1.14/MT)	
Total	₹ 96.19/MT X 299994.93 MT	28856512
Avoidable extra expenditure		12042329

Annexure - 3.10

Statement showing paragraphs/Performance Audit for which replies were not received

(Referred to in paragraph 3.11.1)

Sl. No.	Name of Department	2007-08		2008-09		2009-10		2010-11	
		No. of para in Audit Report	No. of para for which reply not received	No. of para in Audit Report	No. of para for which reply not received	No. of para in Audit Report	No. of para for which reply not received	No. of para in Audit Report	No. of para for which reply not received
1.	Energy	3	-	4*	2	1	-	2	-
2.	Commerce & Industries	1	-	3*	2	-	-	3	-
3.	Agriculture	2	-	-	-	1	-	-	-
4.	Forest	-	-	1	-	-	-	-	-
5.	Food & Civil Supplies	-	-	2*	2	4	-	-	-
6.	Geology & Mining	-	-	2*	2	-	-	2	-
7.	Commercial Tax	-	-	1*	1	3	-	1	-
8.	Finance	-	-	-	-	-	-	1	-
	Total	6	-	13	-	9	-	9	-

*Two paragraphs viz paragraph number 4.3.4 involving four Departments (Energy, Food Civil Supplies and Consumer Protection, Commerce & Industries and Geology & Mining) and paragraph number 4.3.5 involving five Departments (Energy, Food Civil Supplies & Consumer Protection, Commerce & Industries, Geology & Mining and Commercial Tax) on old IRs/Paras issued upto 2003-04 were developed and printed in Audit Report 2008-09, reply to which is awaited. Actual number of draft paragraphs/performance audit printed in Audit Report 2008-09 was six.

Annexure - 3.11
Statement of department wise outstanding Inspection Reports (IRs)
(Referred to in paragraph 3.11.3)

Sl. No.	Name of Department	No. of PSUs	No. of outstanding IRs	No. of outstanding paragraphs	Year from which paragraphs outstanding
1.	Energy	2	169	518	2006-07
2.	Forest	1	1	10	2010-11
3.	Geology & Mining	1	4	12	2008-09
4.	Commerce and Industries	1	4	18	2007-08
5.	Commercial Tax	1	3	8	2007-08
6.	Finance	1	2	2	2007-08
7.	Food & Civil Supplies	1	5	24	2007-08
8.	Food	1	5	12	2006-07
9.	Social Welfare	1	2	9	2009-10
10.	Agriculture	1	3	6	2009-10
Total		11	198	619	

Annexure - 3.12

Statement showing department wise draft paragraphs replies to which were awaited

(Referred to in paragraph 3.11.3)

Sl. No.	Name of Department	No. of draft paragraphs	Period of issue
1.	Food & Civil Supplies	2	May 2012
2.	Agriculture	1	May 2012
	Total	3	-