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.

3.1 Long paragraph on Inventory Management in Chhattisgarh State Power Distribution Company Limited

Introduction

3.1.1 In Chhattisgarh, distribution of power upto 31 December 2008 was done by the erstwhile Chhattisgarh State Electricity Board (CSEB). Consequent upon unbundling of CSEB in January 2009, the distribution of power in Chhattisgarh is carried out by the Chhattisgarh State Power Distribution Company Limited (Company), which was incorporated on 19 May 2003 under the Companies Act 1956.

To operate and maintain distribution system the Company is maintaining six Area stores to provide conductors, transformers, meters etc. While on one hand it is essential to ensure availability of conductors, transformers, meters etc. for uninterrupted distribution system, on other hand excess inventory holding leads to additional carrying cost on account of interest, storage and handling charges and risk of deterioration in quality, which adversely affected the profitability of the organisation. Hence, management of inventory ensure timely availability of essential items with minimum blocking up of capital in the most efficient, economical and expeditious manner.

The Superintending Engineer (Stores) looks after overall inventory management in the Company. As on 31 March 2014, the Company had six Area Stores[1] located in different parts of the State, each headed by an Executive Engineer. The Executive Engineers, Area stores of the Company are responsible for storage and handling of materials. Available stock of inventory with the Company as on 31 March 2014 was ₹ 110.31 crore and the total cash outgo on purchase of inventory was ₹ 302.76 crore during 2013-14. As on March 2014, the total number of items held in inventory by the Company ranged between 77 (area store Jagdalpur) and 453 (area store Bhilai).

Audit objectives

3.1.2 The long draft para was attempted with the objective to assess whether:

- inventory levels were fixed after carrying out the proper studies and ABC[2] analysis to avoid blockage of funds in idle inventory;

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[1] Bishrampur, Raigarh , Bilaspur, Raipur, Bhilai and Jagdalpur

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

- physical verification of inventory and reconciliation of differences identified, identification of slow moving, non-moving, obsolete/scrap items and timely disposal of scrap/obsolete items were done; and
- failed transformers were got repaired timely so as its utilisation could be maximized.

Scope and methodology of audit

3.1.3 The audit was conducted during March 2014 and April 2014 during which records of Chief Engineer (Store and Purchase) at head office Raipur and three[3] out of six Area Stores were test checked. The audit methodology used was scrutiny of records and files of the selected offices/Area Stores.

Audit findings were reported to the Company and the State Government in July 2014 and discussed in an Exit Conference held on 11 September 2014. The Exit Conference was attended by Principal Secretary (Energy) and Managing Director of the Company. The Company replied to audit findings in August 2014. The views expressed by them in Exit Conference and replies have been considered while finalising Paragraph.

Audit findings

3.1.4 The cases of deficiencies noticed in inventory management have been discussed in succeeding paragraphs.

Fixation of inventory levels

3.1.5 As per established inventory management procedure, levels for minimum,maximum and re-order quantity are required to be fixed to maintain optimum inventory to avoid blockage of funds. It was noticed that the Company has neither prepared any manual for material management nor prescribed any stock limits such as minimum level, maximum level, reordering level or economic order quantity in respect of any of the items. This has resulted in overstocking of inventory items without immediate requirement and Company's funds remained blocked as discussed in the subsequent paragraphs.

The details of consumption and closing stock of inventory for the last three years ended March 2014 were given in ***Table - 3.1***.

Table - 3.1

(₹ in crore)

Year	Opening inventory	Purchases during the year	Consumption during the year	Consumption per month	Closing inventory	Closing stock in terms of requirement in no. of months
1	**2**	**3**	**4**	**5**	**6 (2+3-4)**	**7 (6/5)**
2011-12	100.73	262.29	276.83	23.07	86.19	3.74
2012-13	86.19	264.93	265.99	22.17	85.13	3.84
2013-14	85.13	302.76	277.58	23.13	110.31	4.77

(Source: Information furnished by the Company)

[3] Raipur, Bhilai and Bilaspur

From the above it could be seen that during the last three years, closing stock in terms of requirement in number of months increased from 3.74 months in 2011-12 to 4.77 months in 2013-14.

During the exit conference (September 2014), Government accepted the audit observation and stated that minimum, maximum and economic re-ordering level of inventory would be fixed.

Procurement of inventory without immediate requirement

3.1.6 On test check during audit it was noticed that in respect of following items purchases made were either without requirement or far in excess of requirement leading to blocking of funds and consequent loss of interest besides deterioration in quality of materials:

(i) Reinforced Steel Joist (R. S. Joist): R. S. Joist is required for line support i.e. for 33 kV, 11 kV and low tension lines in cities and for providing high tension connections etc. The details of requirement, procurement, consumption and closing stock of R. S. Joist for the last three years ended March 2014 were given in the ***Table - 3.2***.

Table - 3.2

(***Quantity in MT***)

Year	Opening stock	Requirement during the year	Purchased during the year	Consumption during the year	Closing stock	
					Qty	₹ in crore
2011-12	100.25	1600	800.10	595.69	304.66	1.26
2012-13	304.66	1800	1013.02	877.14	440.54	1.90
2013-14	440.54	0	697.90	817.82	320.62	2.57

(Source: Information furnished by the Company)

Audit scrutiny revealed that the Company purchased R. S**.** Joist 800.10 MT and 1013.02 MT during the years 2011-12 and 2012-13 against requirement of 1600 MT and 1800 MT respectively. Further, during the year 2013-14 the Company purchased 697.90 MT without requirement. The Company was having minimum closing stock of 304.66 MT during the last three years. This indicates that the Company purchased R. S. Joist 304.66 MT valuing ₹ 1.26 crore in excess of actual requirement in last three years.

During the exit conference (September 2014), Government stated that the materials were purchased for requirement of various schemes. However, due to non- execution of schemes, material could not be utilised.

The reply confirms that procurement of R. S. Joist was made without proper assessment of the actual requirement.

(ii) Weasel conductor: In the sub-transmission system, conductors play a vital role for power flow from power generating stations to extra high voltage sub-stations to 33/11 kV substations to distribution transformers and up to the consumer's premises. Power is actually transferred through the conductors of different sizes as per the standards laid down for high tension and low tension lines. The details of requirement, procurement, consumption and closing stock

of weasel conductor for the last three years ended March 2014 are given in ***Table - 3.3***.

Table - 3.3

(Quantity in Km)

Year	Opening stock	Requirement during the year	Purchased during the year	Consumption during the year	Closing stock	
					Qty.	₹ in crore
2011-12	1978.53	17000.00	9188.78	10982.27	185.04	0.41
2012-13	185.04	14290.00	1741.95	1193.86	733.13	1.38
2013-14	733.13	10000.00	9363.40	5025.33	5071.20	9.50

(Source: Information furnished by the Company)

It could be seen from the above table that during the year 2013-14 the Company procured 9363.40 Km of weasel conductor which was significantly much higher to previous year. This has resulted in significant increase in closing stock. The closing stock as on 31 March 2014 was more than actual consumption. Thus procurement of weasel conductor for the year was much more than actual requirement leading to excess stock of 5071.20 Km valuing ₹ 9.50 crore.

During the exit conference (September 2014), Government stated that the materials were purchased for requirement of various schemes. However, due to non- execution of schemes, material could not be utilised.

The reply confirms that procurement of weasel conductor was made without proper assessment of the requirement leading to accumulation of stock.

(iii) H Beam: For strengthening of 33/ 11 kV lines in piling and retaining structure the Company procured H Beam. The details of requirement, procurement, consumption and closing stock of H Beam for last three years ended March 2014 were given in the ***Table - 3.4.***

Table - 3.4

(Quantity in MT)

Year	Opening stock	Requirement during the year	Purchased during the year	Consumption during the year	Closing stock	
					Quantity	₹ in crore
2011-12	63.95	1000.00	226.00	279.43	10.52	0.05
2012-13	10.52	2000.00	1383.97	1351.91	42.58	0.21
2013-14	42.58	5000.00	4017.17	1725.94	2333.81	10.26

(Source: Information furnished by the Company)

It could be seen from the above table that during the year 2013-14 the Company procured 4017.17 MT of H Beam which was significantly much higher to earlier. This has resulted in significant increase in closing stock. Thus procurement of H Beam for the year 2013-14 was much more than actual requirement leading to excess stock of 2333.81 MT valuing ₹ 10.26 crore.

During the exit conference (September 2014), Government stated that the materials were purchased for requirement of various schemes. However, due to non- execution of schemes, material could not be utilised.

The reply confirms that the Company instead of procuring H Beam to meet the actual requirement for 2013-14 purchased excess inventory which would be utilised in 2014-15.

Physical verification of inventory and identification of slow moving/ non-moving inventory

Physical Verification of inventory

3.1.7 To ensure the continued usefulness of inventory and control over actual availability of items in stores as per records, physical verification of inventory is to be conducted at periodical intervals. The quantity of inventory held in stock would be assessed by counting, weighing, measuring or estimating depending upon the type of inventory. It was observed that physical verification of inventory was being conducted at the store level regularly. However, the physical verification reports were not analysed at head office level and the Company was not aware of the consolidated position of excess/ shortage noticed during physical verification.

On scrutiny of physical verification reports it was noticed that there were differences between physical verification reports and stocks shown in the records of Regional Accounts Offices (RAOs). Shortages noticed during physical verification as compared to book quantity increased from ₹ 9.69 crore (2011-12) to ₹ 9.83 crore (2013-14) in six RAOs. No excess/ shortage was found in RAO Jagdalpur. However, maximum excess of ₹ 1.55 crore and maximum shortage of ₹ 7.52 crore was found at RAO Bilaspur and RAO Ambikapur respectively. This indicates that system of monitoring/reconciliation of shortages was not adequate and discrepancies remained unreconciled (March 2014). Under such circumstances, the chances of theft and misappropriation of inventory cannot be ruled out.

During the exit conference (September 2014), Government accepted the audit observation and stated that excess/shortage is under investigation.

Slow moving and non-moving inventory

3.1.8 As per the Company's policy inventory have been categorised as under:

- **Slow moving:** slow moving items have been categorised by way of turnover ratio exceeding 12 months and upto 24 months.
- **Very slow moving:** very slow moving item have been categorised by way of turnover ratio exceeding 24 months and upto 36 months.
- **Non-moving:** non moving item have been categorised by way of turnover ratio exceeding 36 months.

Based on the policy of the Company for classification of inventory, ***Table - 3.5*** shows the value of inventory under different categories for the last three years ended 31 March 2014.

Table - 3.5

(₹ in crore)

Particulars	31.3.2012	31.3.2013	31.03.2014
Slow moving items	3.31	4.72	12.70
Very slow moving items	7.39	4.64	8.52
Non moving items	19.06	15.53	32.41
Total	29.76	24.89	53.63
Fast moving items	16.39	19.62	32.20
Failed transformers and scrap items	40.04	40.62	24.48
Inventory at the end of the year	86.19	85.13	110.31

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

Examination of the records revealed that the materials were categorised as slow moving, very slow moving and non-moving only on the basis of date of last issue irrespective of date of purchase. This resulted in categorising item purchased recently as slow moving as no issue were made against these items for considerable period. Few such cases are as under:

- Test check in audit revealed that R. S. Joist[4] purchased in 2012-13, Weasel Conductor[5] and H Beam[6] purchased in 2013-14 were categorized as non-moving items as no quantity of these items were issued for more than 36 months. Similarly, 179 numbers 5 kVA distribution transformers valuing ₹ 0.33 crore which were purchased between May 2009 and February 2011 were not classified as slow moving, very slow moving or non-moving items because 10 numbers transformers were issued in June 2013.
- The value of non- moving items at area store Raigarh at the end of the year 2011-12 was ₹ 1.83 crore which increased to ₹ 2.93 crore at the end of the year 2012-13 and further increased to ₹ 7.92 crore at the end of the year 2013-14. These included items worth ₹ 7.01 crore purchased in 2013-14 but due to non-issue for more than 36 months, these items were also included under non-moving items.

  It was also noticed that the Company does not maintain the age-wise consolidated position of slow moving, very slow moving and non moving items with a view to exercise proper control over inventory.

During the exit conference (September 2014), Government accepted the audit observation and stated that corrective measures would be taken.

Delay in survey/disposal of obsolete transformers

3.1.9 The transformers, which are not fit for repair, are to be scrapped after survey for disposal. On scrutiny of records relating to disposal of obsolete transformers, audit observed that 6848 numbers of obsolete/ unserviceable Distribution Transformers (DTs) and 39 numbers of obsolete/ unserviceable Power Transformers (PTs) of various capacities were lying at various stores for period ranging upto 31 years for disposal as detailed in ***Annexure 3.1***.

During last three years the percentage of disposal of DTs and PTs was only 39.76 and 30.36 respectively and obsolete DTs and PTs were lying at

[4] In area store Jagdalpur ₹ 0.14 crore and Bhilai ₹ 0.05 crore
[5] In area store Bishrampur ₹ 1.93 crore, Bilaspur ₹ 1.85 crore and Raigarh ₹ 2.23 crore
[6] In area store Jagdalpur ₹ 1.34 crore, Bilaspur ₹ 1.46 crore and Bhilai ₹ 1.81 crore

Company's Stores for long period. Thus, the delay in survey/disposal of obsolete/ unserviceable transformers resulted in delay in realisation of ₹ 11.67 crore[7]. This indicates that the Company did not have any policy and monitoring mechanism for identification and timely disposal of obsolete/ unserviceable transformers. Had the Company initiated the action for disposal of obsolete/ unserviceable transformers promptly, the Company could have earned revenue and freed up space for storage of other materials.

During the exit conference (September 2014), the Government accepted the audit observation and stated that a drive has been launched to auction the old unrepairable transformers.

Short receipt of oil from defective transformers

3.1.10 A transformer with no leakage and oil seal intact normally should contain oil to full tank capacity. It was observed that during the period from 2011-12 to 2013-14 the Company recovered 423.97 Kilo liters (KL) of transformer oil as against 1702.54 KL recoverable from 10464 transformers. This indicates that there was a shortage of 1278.57 KL (75.10 *per cent*) valued at ₹ 5.38 crore (***Annexure - 3.2***). No norms were prescribed for shortage of transformer oil by the Company**.** It was further observed that the shortages were not investigated by the Company which resulted in loss of ₹ 5.38 crore.

During the exit conference (September 2014), the Government accepted the audit observation and stated that norms would be fixed for shortage of transformer oil.

Delay in disposal of scrap

3.1.11 As on April 2011 the Company was having opening balance of scrap valuing ₹ 6.76 crore, during the period 2011-14, ₹ 9.96 crore were added and ₹ 5.33 crore were disposed off. During last three years the percentage of disposal of scrap was only 31.88. At the end of March 2014, the Company held scrap valuing ₹ 11.39 crore which include power transformers, distribution transformers, conductors, burnt oil, meters, vaccum circuit breakers, battery etc. lying at Company's stores for period ranging upto seven years. This resulted in blocking of funds to the tune of ₹ 11.39 crore. This was also indicative of poor inventory management.

During the exit conference (September 2014), the Government accepted the audit observation and stated that suitable action are being taken to dispose off the scrap.

Repair/replacement of failed transformers

Non- repair of failed transformers

3.1.12 The Power Transformers (PTs) and Distribution Transformers (DTs) are important part of inventory. As per the general terms and conditions of purchase order, the supplier has to guarantee the performance of transformers for five years from the date of supply. The Company was having 9107 DTs out of these 5001 DTs failed within guarantee period (WGP) and 4106 numbers DTs failed beyond guarantee (BGP) period which were in repairable condition but lying unrepaired either at area stores or with the vendors at the

[7] Value assessed by the Company

end of March 2014. The Company has not taken any action for replacement/repair/ return from vendors. The important findings noticed in this regard are as follows:

- 9107 DTs (3118 new DTs valuing ₹ 16.36 crore, 1883 under rate contract DTs valuing ₹ 3.59 crore and 4106 repairable DTs valuing ₹ 4.75 crore) valuing ₹ 24.70 crore which failed were lying unrepaired either at area stores or with the vendors at the end of March 2014. The age-wise details of 9107 DTs were not maintained by the Company. In the absence of age wise details, the period of delay could not be worked out and as the guarantee period of DTs lapses after 60 months of its purchase there is a possibility that the guarantee period had lapsed. The Company's failure in initiating timely action for getting the DTs repaired has resulted in idling of inventory worth ₹ 24.70 crore.

During the exit conference (September 2014), Government accepted the audit observation and stated that the work of serialization of DTs lying in stores is in progress after completion of serialization of all DTs, age wise details would be provided.

Purchase of Power transformers instead of repairing failed transformers

3.1.13 During the period 2011-12 to 2013-14, 74 numbers[8] Power Transformers (PTs) were failed. In this connection audit observed that:

- 26 numbers failed PTs (five PTs WGP and 21 PTs BGP) were not returned to area stores by field offices even after lapse of period ranging between seven and 34 months (February 2014)
- Only 11 PTs out of 68 PTs BGP failed were repaired under rate contract (RC). The RCs for repairing these PTs were issued after a delay ranging between seven and 12 months after receipt of PTs at Company's stores and RCs for 57 PTs were not issued (February 2014) at all.
- Five out of six PTs which failed within guarantee period were not returned to Area Stores by the Company's officials even after lapse of period ranging between seven and 34 months (February 2014). Further, non-intimation of failure of PTs by the Company to the supplier also affected the guarantee period.

Further, the Company had purchased 148 numbers 3.15 Mega Volt Ampere (MVA) and 101 numbers 5 MVA new PTs at an average cost of ₹ 0.20 crore and ₹ 0.29 crore per unit respectively during the period 2011-14. Timely action by the Company for repair of 24 numbers[9] 3.15 MVA and 12 numbers[10] 5 MVA PTs which were found in repairable condition could have saved an expenditure of ₹ 8.28 crore on purchase of such transformers. Further, the Company did not take any action for repair of these 36 numbers[11] PTs, even after lapse ranging between seven and 34 months which resulted in blockage of ₹ 2.21 crore being the assessed value of failed transformers.

During the exit conference (September 2014), the Government accepted the audit observation and stated that all failed transformers would be returned to

[8] Six PTs within guarantee period and 68 PTs beyond guarantee period
[9] 2011-12: eight numbers, 2012-13: four numbers and 2013-14: 12 numbers
[10] 2011-12: three numbers, 2012-13: six numbers and 2013-14: three numbers
[11] 24 numbers 3.15 MVA and 12 numbers 5 MVA

area stores by October 2014. Further, the Government did not explain why the failed PTs were not repaired.

Conclusion

The Company does not have a well defined inventory management policy specifying minimum, maximum and re-ordering level of various categories of inventory. It is recommended that the Company should frame an inventory management policy fixing minimum, maximum and re-ordering level of various stores;

There was no system for assessment of requirement for material before placement of orders. As a result, the Company held excess stock of R. S. Joist, Weasel Conductors and H Beam valued ₹ 21.02 crore which were procured without immediate requirements. It is recommended that the Company should introduce system to assess requirements of material before making purchases;

The Company conducts physical verification of stores regularly, however, shortages noticed during 2011-12 to 2013-14 in inventory items valuing ₹ 9.83 crore were not reconciled (March 2014). It is recommended that the Company should take immediate action for reconciliation of shortages noticed on physical verification of inventory;

There were delay in disposal of obsolete transformers and scrap valued ₹ 23.06 crore. Shortages were also noticed in transformer oil recovered from defective transformers valued ₹ 5.38 crore. It is recommended that the Company should ensure prompt disposal of obsolete/ scrap/surplus items and fix norms for transformer oil found in failed transformers; and

The Company failed to repair power transformers/ distribution transformers valuing ₹ 26.91 crore which were lying idle at area stores/ with vendors resulting in procurement of new transformers. It is recommended that the Company should formulate a policy for timely return/ repair of failed transformers.

Chhattisgarh Police Housing Corporation Limited

3.2 Avoidable payment of penal interest

Failure on the part of the Company to pay advance tax resulted in avoidable payment of penal interest of ₹ 14.84 lakh.

As per Section 208 of the Income Tax Act, 1961 (Act), advance tax 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 or more. Section 234B of the Act stipulates that where in any financial year, an assessee who is liable to pay advance tax under Section 208 failed to pay such tax or where the advance tax 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 advance tax paid fell short of the assessed tax. Further, Section 234C of the Act provides that if an assessee fails to pay advance tax or the advance tax 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 15 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.

The Chhattisgarh Police Housing Corporation Limited (Company) was incorporated on 14 December 2011 to undertake the construction work of all type of buildings such as Police Stations, Police Chowkis, residential buildings etc. required by Police Department of the State of Chhattisgarh. For this purpose, the Company receives funds from Government of India (GoI) as well as Government of Chhattisgarh (GoCG) under various schemes. As the Company starts the works only after receipt of funds and the activities relating to preparation of estimates, approval and tendering process takes time, the funds received from GoI and GoCG are lying unspent in the Company's various bank accounts, on which the Company receives interest.

Scrutiny of records (February 2014) revealed that during the financial year 2012-13, the Company had earned total income of ₹ 8.39 crore including interest income of ₹ 8.11 crore. The Company did not pay advance tax (except the tax deducted at source by the banks on interest) on the above income within the stipulated period as per the provision of the Act. Out of total tax payable of ₹ 2.12 crore for the year 2012-13, the tax deducted at source was only ₹ 77.58 lakh. Subsequently, the Company had paid the balance income tax of ₹ 1.34 crore on 28 September 2013 at the time of filing income tax return for year 2012-13. Due to non-payment of advance tax, the Company also paid (28 September 2013) ₹ 14.84 lakh[12] towards penal interest.

We observed that there was no system in the Company for periodical review of estimated income. Failure on the part of the Company to assess its income on quarterly basis for paying advance tax led to non payment of advance tax which resulted in avoidable payment of ₹ 14.84 lakh towards penal interest.

The Government stated (June 2014) that the Corporation was newly incorporated and was not having sufficient employees due to which advance tax for the period 2012-13 could not be deposited. The Government also stated that advance tax for the year 2013-14 has been deposited timely.

The reply is not acceptable as during the year 2013-14 also, the advance tax of ₹ 1.03 crore and ₹ 2.21 crore was deposited only on 17 December 2013 and 18 March 2014 on provisional basis which indicated that the Management again failed to adhere to the quarterly schedule for payment of advance tax.

The Company should devise a proper system for estimation of quarterly profits and pay advance tax accordingly.

[12] Under Section 234B - ₹ 8.06 lakh and Section 234C - ₹ 6.78 lakh of the Act

Chhattisgarh Rajya Van Vikas Nigam Limited

3.3 Avoidable payment of income tax

Wrong accounting of interest accrued on Group Leave Encashment Scheme Policy as income of the Company resulted in avoidable payment of income tax of ₹ 49.05 lakh.

The Chhattisgarh Rajya Van Vikas Nigam Limited (Company) had taken (1 March 2009) Group Leave Encashment Scheme Policy (GLES) of Life Insurance Corporation of India (LIC) for providing leave encashment benefits to its employees on superannuation which is a defined benefit plan. The fair value of plan assets is compared with present value of obligation at the end of each financial year on the basis of actuarial valuation carried out by LIC and the shortfall is made good by the Company by way of contribution to GLES. Accordingly at the end of the each financial year, LIC makes actuarial valuation and after considering accrued interest on GLES fund, works out the amount of contribution to be made by the Company. The Company, in its books of accounts since 2009-10, has been showing the interest accrued on GLES as its income as well as expenditure (contribution to the GLES fund). Since the Company was required to contribute only the shortfall in fair value of plan assets (including accrued interest) as compared to present value of obligation as intimated by LIC, the interest accrued to the GLES was not the income of the Company.

We observed that the Company is engaged in agricultural activity and thus its agricultural income is exempted from income tax. However, due to wrongly considering the interest accrued on GLES as its income which was not agricultural income, the Company had to pay income tax of ₹ 49.05 lakh as detailed in ***Annexure - 3.3.***

Had the actual shortfall amount (net of accrued interest) been considered as contribution to GLES, the Company would not have been required to pay income tax of ₹ 49.05 lakh.

The Government stated (June 2014) that from the year 2013-14 onwards the accounting of accrued interest on GLES policy would be done as recommended by the Audit.

3.4 Loss of revenue

There was loss of revenue of ₹ 11.77 lakh to the Company due to disclosure of lesser quantity of industrial bamboo for tender.

The Chhattisgarh Rajya Van Vikas Nigam Limited (Company) produces industrial bamboo in its forest which is measured in Notional Tone[13] (NT). The Company sells industrial bamboo through tenders invited by the Chief Conservator of Forest (Production), Government of Chhattisgarh (CCF). The CCF gathers information regarding availability of stock of industrial bamboo at Company's various forest depots every year and invites tenders for disposal of the same. After due tender process, the CCF finalises the purchaser

[13] Running length of 2400 meter of bamboos

(successful bidder) and the purchaser executes an agreement in this regard with the Regional General Manager (RGM) concerned of the Company. In accordance with tender terms and conditions, the agreement *inter alia* provides that the purchaser shall have to purchase industrial bamboo upto the tendered quantity at the rate finalised through tenders and the purchaser is also bound to purchase in the same manner upto 25 *per cent* additional quantity of bamboo which is offered to him in excess of the tendered quantity. In case, the production of industrial bamboo is more than the tendered quantity and 25 *per cent* additional quantity, the rates will be reduced by 10 *per cent* for this excess quantity. If the quantity of industrial bamboo offered to purchaser is understated in tender there is a risk of under realisation of revenue.

For the year 2010-11, 200 NT industrial bamboo of Panabaras Division was offered (first round tender in January 2011) to M/s Rajesh Kumar Khandelwal, Rajnandgaon (Contractor) at the rate of ₹ 3600 per NT against the actual production of 646.34 NT. The Company sold total 360 NT[14] bamboo to the Contractor and the balance quantity of 286.34 NT was sold (May 2012) by CCF through tender at the lesser rate of ₹ 501 per NT to the same Contractor. Due to understatement of quantity of industrial bamboo offered to purchaser in tender the revenue realised was lower by ₹ 9.27 lakh as detailed in ***Annexure - 3.4***.

Similarly for the year 2011-12, 580 NT industrial bamboo of Panabaras Division was offered (March 2012) for sale to M/s Sirjan Enterprises, Rajnandgaon (Contractor) at the rate of ₹ 4654 per NT against the actual production of 1041.82 NT. The Contractor lifted only the compulsory quantity[15] of 725 NT and the balance quantity of 316.82 NT was sold (January 2013) by the Company through auction at lesser rate of ₹ 3864.56 per NT. This resulted in lower realisation of revenue to the tune of ₹ 2.50 lakh[16].

The Government stated (June 2014) that the disclosure of less production to the CCF for tender during the years 2010-11 and 2011-12 was mainly due to uncertainty of transportation of industrial bamboos from forest to depots as the area was affected by Left Wing Extremism. The Government, however, stated that it had taken corrective action based on the audit observation by revising the estimated production intimated by Panabaras Division from 370 NT to 810 NT in 2012-13 and from 700 NT to 1000 NT in 2013-14 for tender.

The reply is not acceptable. Before finalisation of the purchaser agreement, the Company was aware (March 2011 and March 2012) about actual transportation of industrial bamboos from forest to depots i.e. 515.65 NT for the year 2010-11 and 809.05 NT for the year 2011-12 which was much higher than the tendered quantity. However, the Company had not taken any steps to revise the agreement quantity as suggested by its Additional Managing Director in March 2011 or to invite fresh tender which resulted in loss of revenue to the Company.

The Company should properly estimate the production of industrial bamboo and intimate the same to CCF for the purpose of tender.

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[14] 250 NT at the rate of ₹ 3600 per NT and 110 NT at the rate of ₹ 3240 per NT
[15] 580 NT plus 145 NT at the rate of ₹ 4654 per NT
[16] 316.816 NT X (₹ 4654 – ₹ 3864.56) per NT

Chhattisgarh State Beverages Corporation Limited

3.5 Loss of interest due to non-availing auto sweep facility

There was loss of interest of ₹ 54.74 lakh to the Company due to non-availing auto sweep facility in current accounts.

The Chhattisgarh State Beverages Corporation Limited, Raipur (Company) was established (November 2001) as a wholly owned State Government Company to act as sole licensed wholesale agent of Government of Chhattisgarh to procure, store and sell Indian Made Foreign Liquor (IMFL) in the State. From the registered suppliers, the Company procures different brands of IMFL, stores the same in its godowns and after adding its margin, the same is then sold to the retailers having permit of the State Excise Department.

The transactions of the Company were carried out through current accounts maintained in Punjab National Bank, Union Bank of India, State Bank of India and HDFC Bank. For smooth functioning, the Company further opened one current account each in UCO Bank, Raipur (27 September 2011) and Axis Bank, Raipur (20 September 2013). To earn interest on funds lying in current account, the Company instructed (10 October 2011) UCO Bank to keep minimum balance of ₹ 50000 in current account and transfer excess of ₹ 50000 to Auto Sweep Account[17].

Scrutiny (March 2014) of daily bank balance of current accounts maintained in UCO Bank and Axis Bank for the period from October 2011/September 2013 to February 2014 revealed that the Company was having huge balance in its current accounts. The minimum balance ranging between ₹ 0.95 lakh (3 March 2012) and ₹ 10.00 crore (1 October 2011) in UCO Bank and ₹ 23.81 lakh (20 September 2013) and ₹ 6.93 crore (27 December 2013) in Axis Bank was lying in a non-interest bearing current accounts as detailed in ***Annexure - 3.5***.

We observed that though the Company had issued specific instruction to UCO bank to transfer excess of ₹ 50000 from its current account to auto sweep account to maximise the interest income, UCO Bank had failed to transfer the excess fund to auto sweep account. We also observed that in respect of current account at Axis Bank, the Company had not availed the auto sweep facility. As a result, huge balance was lying in non-interest bearing current account of both the banks which resulted in loss of interest of ₹ 54.74 lakh worked out at the rate of interest applicable to auto sweep account as detailed in ***Annexure - 3.5***.

The Government stated (June 2014) that the auto sweep facility in UCO Bank was already availed by the Company, however, due to some technical

[17] Under the Scheme the customer has to maintain a particular minimum balance and the amount exceeding the minimum balance would be automatically converted into fixed deposits (FDs) on periodical basis for the period till the fund is utilised by the customer. At the requirement of the customer, if there is insufficient funds in the current account, the FD would be automatically closed (depending on the withdrawal amount) and interest will be calculated for the period during which the fund was under the Scheme

problems at Bank's end in some days, the amount could not be transferred to auto sweep account.

The reply is not acceptable as the Company failed to take up the issue of non-transferring of funds with UCO Bank and as a result the Company suffered loss of interest due to bank's internal problem.

The Company should immediately take up the matter with UCO bank and also make auto sweep arrangement with Axis Bank to avoid further loss of interest.

3.6 Avoidable payment of penal interest

Failure of the Company to deposit the amount of Tax Collected at Source to the Government Account within scheduled time resulted in avoidable payment of penal interest of ₹ 10.16 lakh.

As per Section 206C of Income Tax Act, 1961 (Act), every person, being a seller shall, at the time of debiting of the amount payable by the buyer to the account of the buyer or at the time of receipt of such amount from the said buyer in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, collect from the buyer of alcoholic liquor for human consumption at the rate of one *per cent* of such amount as income tax. The tax so collected is called Tax Collected at Source (TCS). Further, as per Rule 30(2) of the Income Tax Rules, seller has to deposit the amount of TCS to the Government Account on or before seven days from the end of the month in which the deduction is made. In case of failure to remit the TCS in time, interest at the rate 18 *per cent* per annum (12 *per cent* per annum upto 30 June 2010) from the date on which tax was deductible/ collectible to the date of payment to Government Account is chargeable.

The Chhattisgarh State Beverages Corporation Limited, Raipur (Company) was established (November 2001) as a wholly owned State Government Company to act as sole licensed wholesale agent of Government of Chhattisgarh to procure, store and sell Indian Made Foreign Liquor (IMFL) in the State. From the registered suppliers, the Company procures different brands of IMFL, stores the same in its godowns and after adding its margin, the same is then sold to the retailers having permit of the State Excise Department. As per Section 206C of the Income Tax Act, 1961 (Act), the Company, at the time of selling liquor to retailers, is liable to collect income tax (TCS) and remit the same to the Government Account in accordance with the provisions of Rule 30(2) of Income Tax Rules.

Scrutiny of records (March 2014) revealed that during 2009-12, on several occasions the Company had failed to deposit the amount of TCS to the Government Account within scheduled time resulting in avoidable payment of penal interest of ₹ 10.16 lakh.

The Government while accepting the audit observation stated (June 2014) that due to technical problem in the software and shifting of Raipur Godown of the Company, the amount of TCS could not be deposited on time. The Government also stated that on implementation of online payment services by the Company, the amount of TCS and other taxes are now being deposited regularly.

Chhattisgarh State Industrial Development Corporation Limited

3.7 Injudicious investment of surplus funds

Injudicious investment of surplus funds resulted in lower interest income by ₹ 40.66 lakh.

To earn interest, the Chhattisgarh State Industrial Development Corporation Limited (Company) used to invest its surplus funds in Fixed Deposits (FDs) with various scheduled banks. As on 31 March 2013, the Company had ₹ 584.45 crore in FDs with 18 banks at interest rates ranging between seven *per cent* and 10.10 *per cent*.

A test check (November 2013) of FDs made during the year 2012-13 revealed that the Company had not formulated any policy for investment of its surplus funds and the decision of investment in FDs was purely dependent on the discretion of the Management of the Company. We observed that the Company invested ₹ 144.80 crore in three banks at lower rate of interest ignoring the higher rate of interest offered by Allahabad bank. This resulted in interest income being lower by ₹ 40.66 lakh as given in the ***Table - 3.6***.

Table - 3.6

Sl. No.	Name of Bank	Principal Amount (₹ in crore)	Period of investment	Rate of interest (%)	Interest earned (₹ in lakh)	Interest could have been earned had the funds been invested at the rate of 9.25 *per cent* in Allahabad Bank (₹ in lakh)	Lower interest income (₹ in lakh)
1	2	3	4	5	6	7	8 (7-6)
1	Bank of Baroda[18]	140.00	One year (26.10.2012)	9.00	1303.17	1340.62	37.45
2	Andhra Bank	1.17	One year (25.10.2012)	8.00	10.94	11.25	0.31
3	Axis Bank	3.63	One year (13.10.2012)	8.50	31.84	34.74	2.90
						Total	**40.66**

The Government stated (August 2014) that the rate of Allahabad Bank had not been considered as the bank had offered 9.25 *per cent* rate of interest for the funds below ₹ five crore only because for FDs of ₹ five crore and above they required prior permission from their General Manager (IRM) which would have taken more time. For FDs made with Axis Bank, the Government stated that the funds invested in Axis Bank are the funds pertaining to "Assistance to States for Developing Export Infrastructure and other Allied Activities" (ASIDE) projects received from the Government of India and was practiced to be kept exclusively with Axis Bank.

[18] 14 FDs of ₹ 10.00 crore each

The reply is not acceptable. The Company could have invested ₹ 140 crore in Allahabad Bank by making 28 FDs of below ₹ five crore[19] each as was done in case of Bank of Baroda. Regarding Axis Bank, though it is a practice of the Company to keep the ASIDE fund with the Axis Bank but this practice does not prevent the Company to invest the surplus fund in more viable option.

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

3.8 Undue benefit to the allottee

Undue benefit of ₹ 23.60 lakh was extended to a private party due to adoption of lower rate for valuation of land premium.

The Chhattisgarh State Industrial Development Corporation Limited (Company), on specific request of entrepreneurs, acquires land outside industrial area and allots the same to them for establishing their projects. For allotment of private land, land premium is calculated at market value[20] of the land *plus* solatium, interest and service charge at the prevailing rate. In addition, the Company also collects annual lease rent equal to 2.5 *per cent* of the land premium. In this connection the State Government notification (April 1982) provided that the calculation of land premium in respect of Government land allotted to entrepreneurs should also be done in line with the valuation of private land.

M/s. Jindal Steel & Power Limited (JSPL) applied (28 July 2010) for allotment of 62.140 hectare land including 0.959 hectare Government land at district Raigarh for setting up of cement plant. The Government land measuring 0.959 hectare was recorded as constructed road situated in village Barmuda of Raigarh district in the records of the Raigarh district administration. After considering the application, the Company allotted (23 March 2013) 0.959 hectare Government land at a total land premium of ₹ 21.38 lakh and annual lease rent of ₹ 53450 to JSPL with a condition to make alternative arrangement for village road and also executed (3 June 2013) the lease deed for 99 years.

We observed (November 2013) that the subject Government land measuring 0.959 hectare was actually a road as per Government record. Accordingly, while calculating land premium, the market rate of the land should have been taken as ₹ 23.95 lakh per hectare being the rate of road side plots as per Central Valuation Board (CVB) guidelines. However, the Company had taken market value of the land on lower side at ₹ 13.92 lakh per hectare being *Padti*[21] land. Due to adoption of lower rate of land for calculation of land premium, the Company has suffered loss of ₹ 15.41 lakh towards land premium and ₹ 8.19 lakh[22] towards lease rent over the period of lease of 99 years. Further, JSPL has also not made alternate arrangement for village road.

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[19] Say ₹ 499.99 Lakh

[20] Fixed annually as per the guidelines of Central Valuation Board (CVB) of Government of Chhattisgarh

[21] Land which has not been in use for cultivation in recent 4-5 years

[22] Being the Net Present Value of ₹ 50.82 lakh at five *per cent* discounting factor

The short recovery of land premium and lease rent also resulted in extension of undue benefit of ₹ 23.60 lakh to JSPL.

The Management stated (February 2014) that as per the order of the Collector, Raigarh, the subject land was a village road which is used by villagers to go to their fields and after acquisition of this entire land, this road was of no use. Accordingly, land premium was calculated considering the land as *Padti* land.

The reply confirmed that the subject land was a road and accordingly while calculating land premium, the market rate of the land should have been taken as ₹ 23.95 lakh per hectare being rate of road side plots as per CVB guidelines. Further, Management's reply that after acquisition of entire land, this road was of no use and accordingly rate for road side plot was not considered for calculation of land premium is not acceptable because for calculating land premium, land use recorded at the time of acquisition is considered. Thus, change in land use after acquisition has no significance/ relevance so far as calculation of land premium is considered. Here it is also pertinent to mention that as per condition of allotment, possession of the plot was to be given only after alternate arrangement for village road is made by JSPL. However, JSPL had not made any alternate arrangement for village road so far (September 2014) and the Company has not insisted upon for the same.

The Company should recover the differential amount of land premium and lease rent from JSPL.

We reported (March 2014) the matter to the Government, their reply is awaited (October 2014).

Chhattisgarh State Power Generation Company Limited

3.9 Avoidable expenditure

Failure of the Company to carry out capital overhauling of unit 6 of Korba Thermal Power Station in time resulted in avoidable expenditure of ₹ 68.87 lakh.

To ensure long term sustainable levels of performance of thermal power plants, it is important to adhere to periodic maintenance schedules. The efficiency and availability of equipment is dependent on the strict adherence to Capital Overhauling (COH) schedules/ annual maintenance and equipment overhauling schedules. Non adherence to schedules carry a risk of the equipment consuming more coal, fuel oil and a higher risk of forced outages which necessitate undertaking repair and maintenance works. These factors lead to increase in the cost of power generation due to reduced availability of equipments which affect the total power generation.

After refurbishment, the unit-6 of the Korba Thermal Power Station, East (KTPS) of Chhattisgarh State Power Generation Company Limited (Company) having installed capacity of 120 MW was taken on load on 8 October 2003. As per the standard practice, COH of power plant is done in every fifth year for smooth operation and accordingly, the unit-6 was due for COH in October 2008. We observed (February 2014) that the Company, despite aware about high vibrations of Turbo Generator (TG) bearings, more

axial shift of TG, abnormal behavior of Intermediate Pressure (IP) differential expansion etc. in unit-6 since 2004 and also aware that these problems could be rectified during COH only, did not carry out COH of unit-6 in time and as a result major breakdown occurred in November 2012. Consequently, unit-6 remained shut down for 186 days from 4 November 2012 to 8 May 2013 for carrying out repair of generator rotor and COH. Had the Company carried out the COH of unit-6 as per schedule, the problem of high vibration of generator rotor could have been rectified during COH itself which would have avoided damage of generator rotor as well as outage of unit-6. Thus, failure of the Company has resulted in avoidable expenditure of ₹ 68.87 lakh incurred on repairing of damaged generator rotor besides generation loss of 221.18 Million Units[23] due to outage of unit-6.

The Management stated (April 2014) that Annual Overhaul (AOH) of the machines are scheduled every year and COH is decided on the condition of machine whether any major defect is persisting for long period which cannot be attended on regular AOH. The original equipment manufacturer of the machine i.e. BHEL has also not prescribed any specific time period for carrying out COH and the Company had previously done the COH of unit-6 in approximately 10 years interval. The Management further stated that as there was no critical abnormality in the unit-6 (bearing vibrations of Turbine and Generator, axial shift and differential expansion of turbine were normal) which requires COH, AOH of unit-6 was done in October-November 2012. The COH was decided later on after failure of the front generator bearing which was occurred after completion of AOH.

The reply is not acceptable because though BHEL did not prescribe any specific time period for carrying out COH but the site authorities[24] of KTPS and Chief Engineer (Stores & Purchase: Generation) of the Company themselves had suggested 24 November 2012 and 4 December 2012 respectively that COH of a power plant is done in every fifth year for smooth operation. Accordingly, the site authorities of KTPS also noted (24 November 2012) that the COH of unit-6 was due since long. Further, the Management's reply that there was no critical abnormality in the unit-6 prior to AOH is factually incorrect because problems of high vibrations of TG bearings, more axial shift of TG, abnormal behaviour of IP differential expansion etc. were persisting in unit-6 since July 2004 which was also reported (January 2013) by the Committee constituted for ascertaining causes of outage of unit-6.

The Company should formulate policy/prepare guidelines for carrying out Capital Overhauling after considering best practices in power sector to avoid recurrence of such incidence in future.

We reported (April 2014) the matter to the Government, their reply is awaited (October 2014).

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[23] The net outage was for 96 days i.e. total outage of 186 days - 90 days maximum time allowed for COH. Thus the generation loss for 96 days was (120 MW X 1000 kwh X 24 Hrs X 80 *per cent* PLF X 96 days)/1000000 kwh = 221.18 Million Units

[24] SE (ET&I)-III and SE (MM-III)

Chhattisgarh State Power Trading Company Limited and Chhattisgarh State Power Distribution Company Limited

3.10 Undue benefit to private power producers

Non-incorporation of suitable clause on deduction of line loss in Power Purchase Agreements with private power producers and allowing line loss on lower side resulted in extension of undue financial benefit of ₹ 20.54 crore to private power producers.

In the State of Chhattisgarh, procurement of power from Captive Power Plants (CPPs)/ Independent Power Producers (IPPs) on short term basis to meet the demand of the State was carried out by the erstwhile Chhattisgarh State Electricity Board (CSEB) upto December 2008. Consequent upon unbundling of CSEB, the power was procured by Chhattisgarh State Power Distribution Company Limited (CSPDCL) from 1 January 2009 to 31 March 2010 and thereafter by Chhattisgarh State Power Trading Company Limited (CSPTrCL).

Accordingly, CSPDCL/ CSPTrCL procures power from CPPs/ IPPs on short term basis to meet the demand of State. The generators offer to sell the power to CSPDCL/ CSPTrCL depending upon their generating capacity and in response to the offers, CSPDCL/ CSPTrCL accepts the power as per the demand. Subsequently, generators and CSPDCL/ CSPTrCL enters into Power Purchase Agreement (PPA) for purchase of power in accordance with the rate, terms and conditions of the Chhattisgarh State Electricity Regulatory Commission (CSERC).

As per clause 4.1.1 of the Chhattisgarh State Electricity Grid Code, 2007 (came into force from 30 December 2006), the metering point for energy purchased should be the incoming feeder gantry of Extra High Voltage (EHV) substations of licensee[25]. Transmission losses from the power plant to the injecting point of the substations are to be borne by the generators. Accordingly, CSPTrCL recovers transmission loss at the rate of five[26]/ six[27] *per cent* from April 2010 from such generators who were injecting power directly from their end to the grid.

(a) On scrutiny of the records for the period from 2008-09 to 2011-12, it was observed that 15 generators[28] were injecting the power from generators end directly to the grid and metering and billing was also done from the generators end.

We observed that CSPDCL did not incorporate suitable clause regarding metering point and line loss while entering into PPAs and thus could not

[25] Chhattisgarh State Power Transmission Company Limited and CSPDCL

[26] For 220/132 kV line

[27] For 33 kV line

[28] Bajrang Power and Ispat Limited, Singhal Enterprises Power Limited, Jaiswal Neco Industries Limited, Raipur, Salasar Steel & Power Limited, G.R. Sponge & Power Limited, Bharat Aluminum Company Limited, ACB India, Ind Synergy, Crest Steel & Power Limited, Topworth Steels Limited, Prakash Industries Limited, Nav Durga Fuels Private Limited, Anjani Steel P. Limited, Bajrang Metalics, API Ispat & Power Limited

recover ₹ 19.92 crore[29] from six generators[30] during 2008-10. Subsequently, CSPTrCL started trading of power from 2010-11 onwards and also started recovery of transmission losses from generators and recovered (May 2011) ₹ 5.05 crore pertaining to the year 2009-10 from the above six generators. Five[31] out of six generators from whom CSPTrCL recovered transmission losses, filed petition before CSERC for refund of the same. CSERC decided (14 December 2011) the case in favour of generators and CSPTrCL refunded (January 2012) ₹ 4.13 crore to these generators in compliance with the order.

Thus, non-incorporation of suitable clause on deduction of transmission loss while entering into PPAs has resulted in a loss of ₹ 19.00 crore[32].

CSPDCL stated (7 August 2013/ 12 August 2014) that as per clause 4.1.4 of the first amendment of Chhattisgarh State Electricity Grid Code 2007, all existing generators have to ensure connectivity with the grid latest by 31 March 2009, which was extended by the CSERC from time to time. The CSERC in its order in petition no. 29 of 2011 (D) filed by the M/s Salasar Steel & Power Limited has also disallowed the recovery of line loss.

The reply is not acceptable because relaxation of time limit for getting independent connectivity for the generating stations upto 31 March 2009 given by CSERC was to prevent disconnection of the connectivity of generating station to grid which has no link with deduction of line/ transmission losses. Further, CSERC has disallowed the recovery of line loss from M/s Salasar Steel & Power Limited due to non-inclusion of suitable clause regarding deduction of line loss in the PPAs.

(b) It was also observed that CSPTrCL deducted line loss from Bajrang Power & Ispat Limited at the rate of 0.04 *per cent* against the applicable rate of five *per cent.* Deduction of line loss at the rate of 0.04 *per cent* instead of five *per cent* lacks justification and resulted in extension of undue financial benefit of ₹ 1.54 crore[33] to Bajrang Power & Ispat Limited.

CSPTrCL stated (12 August 2014) that the average loss of the independent feeder is worked out at 0.04 *per cent* by the Meter Relay Testing Division of Chhattisgarh State Power Transmission Company Limited and the same has been adopted for calculation of the line loss.

The reply is not acceptable because in case of other generators CSPTrCL is deducting line loss at the rate of five *per cent* from April 2010 onwards.

Thus, non-incorporation of suitable clause for deduction of line loss while entering into PPAs with CPPs/ IPPs and allowing line loss on lower side to one CPP has resulted in undue financial benefit of ₹ 20.54 crore to CPPs/ IPPs.

We reported (July 2014) the matter to the Government, their reply is awaited (October 2014).

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[29] 2008-09: ₹ 9.70 crore and 2009-10: ₹ 10.22 crore

[30] Singhal Enterprises Power Limited, Jaiswal Neco Industries Limited, Raipur, Salasar Steel & Power Limited, G.R. Sponge & Power Limited, Bharat Aluminum Company Limited, ACB India

[31] Singhal Enterprises Power Limited, Jaiswal Neco Industries Limited, Raipur, Salasar Steel & Power Limited, G.R. Sponge & Power Limited, Bharat Aluminum Power Limited

[32] ₹ 19.92 crore - (₹ 5.05 crore - ₹ 4.13 crore)

[33] During 2009-10: ₹ 0.15 crore and 2010-11: ₹ 1.39 crore

Chhattisgarh State Power Trading Company Limited

3.11 Undue benefit to Captive Power Producers

Acceptance of revision of scheduling of power in contravention of the provisions of Power Purchase Agreements resulted in extension of undue benefit of ₹ 1.37 crore to captive power producers.

Chhattisgarh State Power Trading Company Limited (CSPTrCL) purchased power from M/s Corporate Ispat and Alloy Limited (CIAL) and M/s Bharat Aluminum Company Limited (BALCO) on the basis of the offer made by CIAL (8 April 2010 & 19 August 2010) and BALCO (26 August 2010) for the year 2010-11 on short term basis at the ceiling rate, terms and conditions outlined by the Chhattisgarh State Electricity Regulatory Commission (CSERC) in the model Power Purchase Agreement (PPA).

As per clause 3 of the PPA, the generators shall give a monthly schedule of quantum of power intended to be supplied to CSPTrCL for the ensuing month by 23rd of the current month. In case the monthly schedule for the ensuing month is not submitted by the generators upto prescribed date to State Load Desptach Centre (SLDC) under intimation to the CSPTrCL then the running schedule shall be considered as schedule of ensuing month also. Load factor and effective rate (power purchase) is calculated on monthly/weekly basis as per the schedule quantum of power purchased in accordance with the prescribed formulas[34].

It could be seen from the formula that if scheduled quantum is considered less, load factor will increase and consequently the effective rate also increases. This means that power purchase rate varies with scheduled quantum of power.

On scrutiny of the records, it was observed that CIAL and BALCO failed to declare the scheduled quantum within the stipulated time and intimated the same after 23rd of the current month, however the same was accepted by the CSPTrCL in violation of the provision of the PPAs. Allowing CIAL and BALCO for revision of schedule quantum on power purchase bills has resulted in excess payment of ₹ 1.37 crore, as given in the ***Table - 3.7***.

Table - 3.7

Name of generators	Running quantum (MW)	Supply hour (Peak/ Off-peak/ Round The Clock)	Scheduled quantum intimated (MW)	Date of scheduling/ intimation	Period	Excess payment (₹ in lakh)
CIAL	20	Peak hours	16	29-May-10	1 June 2010 to 30 June 2010	33.85
	23	Peak hours	16	27-Aug-10	25 September 2010 to 30 September 2010	31.46
BALCO	265	Round The Clock	93	4-Oct-10	29 October to 31 October 2010	71.95
Total						**137.26**

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

[34] Load factor = $\frac{\text{No. of units injected during week or month}}{\text{Monthly scheduled quantum x 19 hours (for off peaks hours) or 5 hours (for peak hours) x No. of days in a week or month}}$

Effective rate = $\frac{\text{Power purchase rate x Load Factor \%}}{80\%}$

The Management stated (August 2014) that the load factor and effective power purchase rate was calculated based on the actual injected quantity for which "No Objection Certificate" for open access was received from the SLDC.

The reply is not acceptable, because generators failed to declare the schedule quantum for the ensuing month by 23rd of the current month, as per the provisions of the PPA and hence it should have been calculated at the running quantum only.

Thus, due to acceptance of revision of scheduling of power in contravention of PPA's provisions resulted in extension of undue benefit of ₹ 1.37 crore to CIAL and BALCO

We reported (July 2014) the matter to the Government, their reply is awaited (October 2014).

GENERAL

3.12 Follow up action on Audit Reports

3.12.1 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 2008-09 to 2012-13 were placed in the State Legislature in March 2010, March 2011, April 2012, March 2013 and February 2014 respectively. Out of 27 paras/ Reviews involving 11 PSUs under eight departments featured in the Audit Reports (Civil & Commercial) for the year 2008-09, Audit Report (PSUs) for the year 2011-12 and Audit Report (PSUs) for the year 2012-13, no replies in respect of 14 paras/review have been received from the Government by 30 September 2014 as indicated in the ***Table - 3.8***.

Table - 3.8

Year of Audit Report	Total Paragraphs/ Reviews in Audit Report	No. of Departments involved	No. of Paragraphs/ Review for which replies were not received
2008-09	6	6	2
2011-12	11	5	7
2012-13	10	6	5
Total	**27**		**14**

Department wise analysis is given in ***Annexure - 3.6***.

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

3.12.2 In the Audit Reports (Civil & Commercial) and Audit Report (PSUs) for the years 2001-02 to 2012-13, 75 paragraphs and eight Reviews were included. Out of these, 46 paragraphs and five Reviews had been discussed by COPU upto 30 September 2014. 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 Reviews 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 2014, only one ATN for the years 2001-02 to 2009-10 was received.

Response to Inspection Reports, Draft Paragraphs and Reviews

3.12.3 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 2014 pertaining to 15 PSUs disclosed that 474 paragraphs related to 182 IRs remained outstanding at the end of September 2014. Department-wise break-up of IRs and audit observations outstanding as on 30 September 2014 are given in ***Annexure - 3.7***.

Similarly, draft paragraphs and Reviews 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 11 draft paragraphs (including one long draft paragraph) and one Review forwarded to the various departments during January 2014 to August 2014, the Government had replied to seven draft paragraphs so far (October 2014). Replies to four draft paragraphs and one Review have not been received as detailed in ***Annexure - 3.8.***

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/ Reviews 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 **(BIJAY KUMAR MOHANTY)**
The **Accountant General (Audit), Chhattisgarh**

Countersigned

New Delhi **(SHASHI KANT SHARMA)**
The **Comptroller and Auditor General of India**