# Report of the
# Comptroller and Auditor General of India

**on**

## Public Sector Undertakings

**for the year ended 31 March 2013**

## Government of Jharkhand

***Report No. 1 of the year 2014***

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# Preface

1. This Report deals with the results of audit of Government companies and Statutory corporations which has been conducted under Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time. The results of audit relating to departmentally managed commercial undertakings are presented separately.

2. Audit of the accounts of Government companies is conducted by CAG under the provisions of Section 619 of the Companies Act, 1956. Audit of Statutory corporation of the State is governed by respective legislation.

3. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2012-2013 as well as those which came to notice in earlier years, but were not included in the previous Reports. Matters relating to the period subsequent to 2012-2013 have also been included, wherever necessary.

4. The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

# Overview

# Overview

## 1. Overview of Government companies and Statutory corporation

*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 CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of the Jharkhand State Electricity Board (JSEB) is governed by the Electricity Act, 2003. As on 31 March 2013, the State of Jharkhand had 14 working Public Sector Undertakings (PSUs) (13 Government companies and one Statutory corporation), which employed 7,773 employees. The working PSUs registered a turnover of ₹2,563.86 crore as per their latest audited accounts.*

### *Investments in PSUs*

*As on 31 March 2013, the investment in 14 PSUs was ₹6,606.39 crore. It grew by 79.85 per cent from ₹3,673.29 crore in 2007-08. Power Sector accounted for nearly 98.14 per cent of the total investment in 2012-13. The Government contributed ₹1,764.37 crore towards equity, loans and grants/subsidies during 2012-13.*

### *Performance of PSUs*

*Out of 14 PSUs, seven PSUs earned aggregate profit of ₹26.35 crore and four PSUs incurred aggregate loss of ₹ 3,352.95 crore as per their latest audited accounts. The remaining three PSUs did not submit their accounts. Heavy losses were incurred by the JSEB and Tenughat Vidyut Nigam Limited to the extent of ₹3,211.03 crore and ₹140.51 crore as per their latest audited accounts for the years 2011-12 and 1999-2000 respectively. A review of the latest Audit Reports of CAG shows that the State PSUs incurred controllable losses to the tune of ₹ 3,257.35 crore and infructuous investment of ₹ 67.81 crore which were controllable with better management.*

### *Arrears in accounts*

*All the 14 PSUs had arrears of a total of 45 accounts as of September 2013. 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 20 accounts finalised by working PSUs during October 2012 to September 2013 Statutory Auditors had given qualified certificates on fourteen accounts. Reports of Statutory Auditors on internal control of the companies indicated certain weak areas.*

### *Status of placement of Separate Audit Reports (SARs)*

*SARs of JSEB for the year 2001-02 to 2011-12 were issued between August 2010 to May 2013 to the Government of Jharkhand (GoJ) but no SAR was placed in the State Legislature so far (November 2013). The reasons for non-placement of SARs were not furnished by GoJ.*

*(Chapter - I)*

## 2. Review relating to Government company

Review relating to working of Jharkhand Silk Textile & Handicraft Development Corporation Limited including Industry Department was conducted. Executive summary of our audit findings is given below.

***Introduction***

***Development activities of sericulture, handloom and handicraft were carried out by the Directorate of handloom, sericulture and handicraft under Department of Industries (Department), Government of Jharkhand, (GoJ). To give special thrust to the sector, GoJ established Jharkhand Silk Textile & Handicraft Development Corporation Limited (Company) as a wholly owned Government Company on 23 August 2006 with the objective to carry on business of manufacturing, processing, design, development, marketing and management support of handloom and handicraft.***

***Planning***

***The Department had prepared Five Year Plan (2007-12), however, no specific target was fixed for the development of handloom and handicrafts. GoJ released ₹ 303.07 crore to the Department of which ₹177.51 crore was allotted to the Company against which ₹120.77 crore was spent by the Company and ₹ 59.38 crore remained unspent as on 31 March 2013. Poor utilisation of Grants received from Government led to delay in execution of the schemes.***

***Implementation of schemes***

***Sericulture***

***There was short production of 83.36 crore cocoons during 2008-09 to 2011-12 against the minimum norms of 40 cocoons per Disease Free Layings resulting in potential loss of revenue of ₹ 84.36 crore. Cash assistance was not fully provided to the Reshamdoots (RDs) for construction and maintenance of grainage house and adjusted against the amount receivable from RDs.***

***The Company spent ₹7.32 crore only as on March 2013 against the sanction of ₹12.45 crore during 2008-09 to 2011-12 for Common Facility Centres (CFC). The Company had constructed only 18 worksheds against the target of 82 at a cost of ₹1.06 crore as the land was not made available by the Department.***

***Handloom***

***Cluster Development Scheme***

***Government of India (GoI) had sanctioned development of 35 clusters at cost of ₹19.70 crore of which the Company received ₹16.64 crore during 2008-09 to 2012-13. However, the Company could spent only ₹ 12.61 crore. The Company imparted training to 520 persons in dyeing, 560 on weaving and 280 on designing against the target of 700 persons on each due to non availability of worksheds. The Company could not construct 35 CFC worksheds and 21 dye houses as sanctioned in scheme due to non availability of land.***

***Group Approach Scheme***

***The GoI sanctioned the Group Approach scheme for ₹5.35 crore against which ₹4.18 crore was spent during 2008-09 to 2012-13. The Company constructed only 70 worksheds against target of 81 worksheds due to non availability of land. Training was imparted to 140 persons on weaving and 220 persons on dyeing against the target of 180 and 260 respectively due to non availability of workshed.***

***Primary Weavers Co-operative Society Scheme***

*The GoJ sanctioned ₹31.12 crore against which the Company could spend ₹19.89 crore during 2008-09 to 2012-13. The Company could construct only 30 worksheds against the target of 236 worksheds due to non availability of land. The Company imparted training to 3,624 weavers against the target of 4,240 due to non availability of worksheds. Test check of records of 17 clusters revealed that the Company imparted training to 2,495 weavers out of which 1,215 weavers could not be engaged by the Company owing to lack of infrastructure support like worksheds, irregular supply of raw materials and delay in payment of wages which also resulted in under utilisation of looms.*

***Handicraft***

*The GoJ sanctioned ₹15.08 crore during 2009-10 to 2011-12 for training of 21,750 artisans, however, the Company imparted training to 23,602 artisans at a cost of ₹13.67 crore. During test check it was observed that only 1,734 artisans were engaged by the Company against 11,729 artisans trained due to irregular supply of raw materials.*

***Sales and Publicity***

*The Company fixed the maximum selling price lower than 50 per cent as mark up resulted in lower sales realisation by ₹2.72 crore during 2008-09 to 2012-13. The Company incurred losses of ₹8.33 crore by selling through emporia and franchisee.*

*The management of urban haat was assigned to Craftedge Consultants without approval of Board of Directors (BoDs) and following prescribed procedures. Similarly the work of stitching was allotted to Craftedge Apparels, a sister concern of the Craftedge Consultants without approval of BoDs. The Company paid advance of ₹9.35 crore and ₹10 lakh respectively to them without any security/bank guarantee.*

***Financial Management***

*The Company was not able to meet its operational expenses and was dependent on GoJ. The sundry debtors had increased from ₹37.22 lakh in 2008-09 to ₹8.30 crore as on March 2013. The Company had not made age wise analysis of the sundry debtors.*

***Material Management***

*The Company had neither done any ABC analysis nor fixed any standard maximum/minimum level or reorder level. The closing stock in terms of number of month's sales was consistently high ranging between 23 and 27 months during 2008-09 to 2011-12.*

***Monitoring and Internal Control***

*The Department did not devise a mechanism to closely monitor the execution of schemes. The Company had not evolved any control mechanism to monitor the production of yarn by reelers and spinners from cocoons. The reports of purchase and production were not compiled resulting in deficiency in monitoring and follow up of Management Information System. The Department had not devised any mechanism to verify the Utilisation Certificates (UCs) submitted by the Company.*

*Internal audit was conducted by outsourced agency, however, the Company had not prepared Internal Audit Manual.*

***Conclusion & Recommendations***

*The Department had not fixed targets in physical terms in Five Year Plan. There was short production of cocoons and cash assistance was not fully provided to RDs. The Department/Company could not achieve the target of construction of worksheds and training of weavers. The Department had not evolved mechanism to verify the UCs. All the Emporia and Franchisee outlets were suffering losses. Appointment of Franchisees, management of urban haat, and other works was assigned without following prescribed procedures. The Company was not able to meet its operational expenses. The Company had not formulated any procurement policy and inventory control mechanism. Deficiencies were noticed in the internal control and monitoring mechanism and there was absence of comprehensive MIS system. The audit*

***recommendations include that Department should monitor the schemes and evolve mechanism to verify the UCs, take steps to increase the production of cocoons and provide full cash assistance to RDs. The Company needs to prepare plans in consonance with the schemes sanctioned by GoI/GoJ, monitor the silk yarn production with the cocoons supplied to reelers and spinners, promote sales and marketing, adhere to financial rules for safeguarding its financial interest. It also need to adopt scientific inventory control method and establish and strengthen various internal control mechanisms and MIS system.***

***(Chapter – II)***

## 3. Transaction Audit Observation

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 a loss of ₹ 8.35 crore in two cases due to non-compliance with rules, directives, procedures, terms and conditions of contracts.

***(Paragraphs 3.1 and 3.4)***

Loss of ₹ 0.54 crore in one case and unfruitful expenditure of ₹ 1.56 crore in two cases due to defective/deficient planning.

***(Paragraphs 3.2 and 3.3)***

Loss of ₹ 1.16 crore in one case due to inadequate/deficient monitoring.

***(Paragraph 3.5)***

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

Deficiencies were noticed in sale of kendu leaves by **Jharkhand State Forest Development Corporation Limited** due to not taking effective measures to explore possible avenues for selling unsold lots of kendu leaves, deficient clause in agreement allowing 50 *per cent* incentive on excess collection of kendu leaves thereby extending undue benefit to the purchasers to the extent of ₹ 7.55 crore, delayed action in compliance of the provisions of clause of the agreement for seizure of kendu leaves and its resale, inaction of the Company to obtain collection cost from the purchaser resulted in payment of wages to collectors and inadequacies in insurance of kendu leaves stock.

***(Paragraph 3.1)***

**Jharkhand State Electricity Board** procured ACSR Panther conductor without proper assessment of requirement resulting in blocking of fund of ₹ 85.23 lakh and consequential loss of interest of ₹ 53.55 lakh**.**

***(Paragraph 3.2)***

**Jharkhand State Electricity Board** incurred unfruitful expenditure of ₹ 71 lakh due to repairing of Generator (Stator & Rotor) for shut down Unit No.3 of Patratu Thermal Power Station without ensuring fund availability for the proposed restoration of the shut down Unit and consequently Generator Stator remained unutilised.

***(Paragraph 3.3)***

**Jharkhand State Electricity Board** had not realised ₹ 1.57 crore from the beneficiary States towards the share of expenditure for the proposed Thermal Power Project and borne additional interest burden of ₹ 1.16 crore.

***(Paragraph 3.5)***

# Chapter - I

# CHAPTER – I

## 1. Overview of Government companies and Statutory corporation

### Introduction

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

**1.2** In Jharkhand, as on 31 March 2013, there were 13[1] Government companies and one Statutory corporation[2] (all working). None of these companies was listed in any of the stock exchanges. These PSUs registered a turnover of ₹ 2,563.86 crore as per their latest audited accounts as of September 2013. The State PSUs incurred an aggregate loss of ₹ 3,326.60 crore as per their latest audited accounts. They had employed 7,773 employees as of 31 March 2013.

**1.3** State PSUs do not include nine Departmental Undertakings (DUs) which carry out commercial operations but are part of Government departments and the Jharkhand State Electricity Regulatory Commission (JSERC) an autonomous body of which the Comptroller and Auditor General of India (CAG) is the sole auditor.

**1.4** During the year 2012-13, one PSU[3] was established and no PSU closed down.

### Audit Mandate

**1.5** 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.

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[1] Jharkhand State Forest Development Corporation Limited (JSFDC), Jharkhand Hill Area Lift Irrigation Corporation Limited (JHALCO), Jharkhand Industrial Infrastructure Development Corporation Limited (JIIDCO), Jharkhand Police Housing Corporation Limited (JPHCL), Greater Ranchi Development Agency Limited (GRDA), Jharkhand Silk Textile & Handicraft Development Corporation Limited (JHARCRAFT), Jharkhand State Mineral Development Corporation Limited (JSMDC), Tenughat Vidyut Nigam Limited (TVNL), Karanpura Energy Limited (KEL), Jharkhand Tourism Development Corporation Limited (JTDC), Jharkhand State Beverages Corporation Limited (JSBCL), Jharkhand State Food & Civil Supplies Corporation Limited (JSFCSCL) and Jharkhand State Minorities Finance Development Corporation (JSMFDC)

[2] Jharkhand State Electricity Board (JSEB)

[3] Jharkhand State Minorities Finance Development Corporation (JSMFDC)

**1.6** 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 CAG as per the provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 (4) of the Companies Act, 1956.

**1.7** The audit of the Statutory corporation (JSEB) is governed by the Electricity Act, 2003 and CAG is the sole auditor.

## Investment in State PSUs

**1.8** As on 31 March 2013, the investment in 14 PSUs was ₹ 6,606.39 crore as detailed in ***Table – 1.1.***

**Table - 1.1**

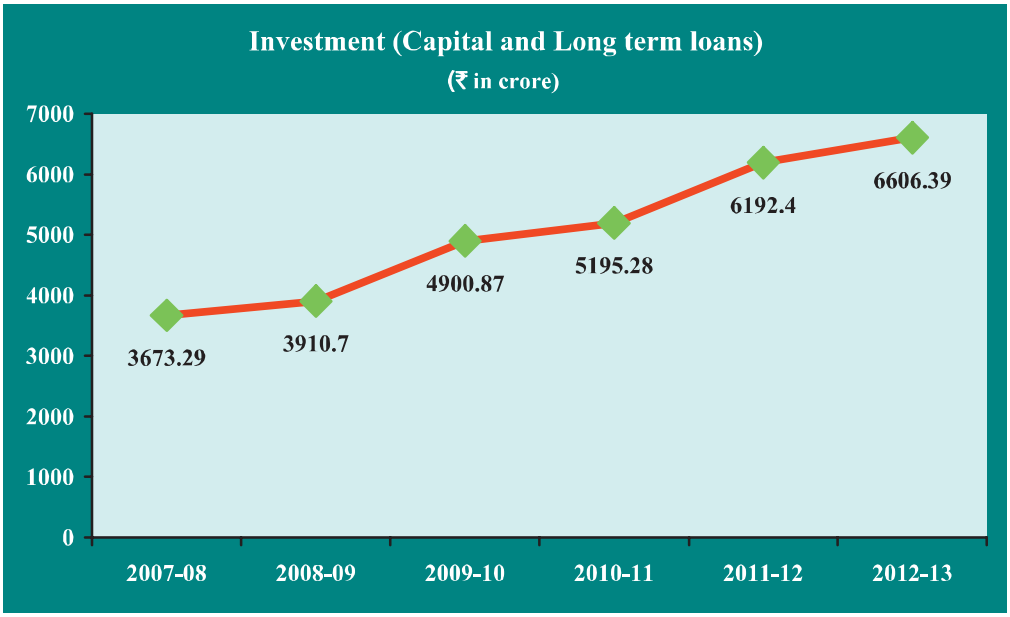
**(₹ in crore)**

| Government companies | | | Statutory corporation | | | Grand Total |
|---|---|---|---|---|---|---|
| Capital | Long term Loans | Total | Capital | Long term Loans | Total | |
| 171.10 | 734.57 | 905.67 | - | 5700.72 | 5700.72 | 6606.39 |

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

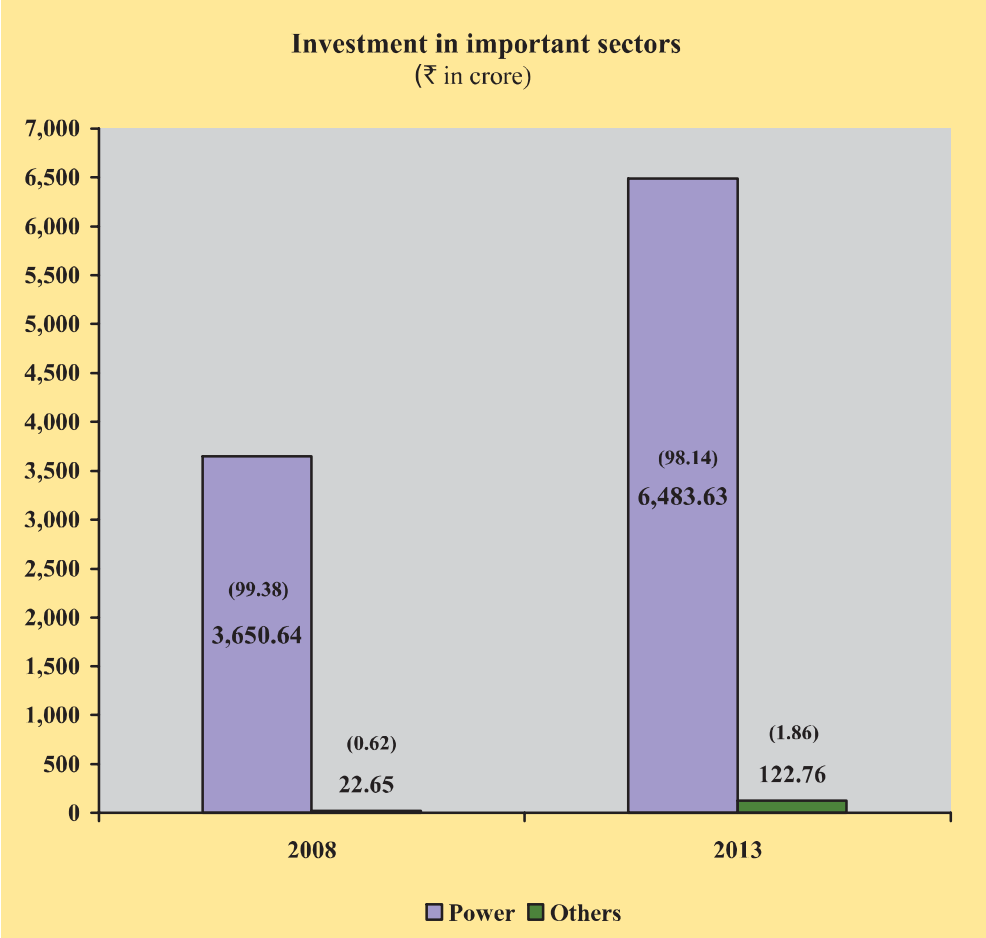
**1.9** As on 31 March 2013, of the total investment in PSUs, 2.59 *per cent* was towards Capital and 97.41 *per cent* towards Long-term loans. The investment in the PSUs has grown by 79.85 *per cent* from ₹ 3,673.29 crore in 2007-08 to ₹ 6,606.39 crore in 2012-13 as shown in ***Chart – 1.1.***

**Chart – 1.1**



**1.10** The investment in various important sectors and the percentage thereof at the end of 31 March 2008 and 31 March 2013 are indicated in the ***Chart- 1.2.***

**Chart - 1.2**




**(Figures in brackets show percentage of total investment)**

The thrust of investment in the PSUs was mainly in the power sector. During the past six years the investment in this sector is showing an increasing trend. It grew by 77.60 *per cent* from ₹ 3,650.64 crore in 2007-08 to ₹ 6,483.63 crore in 2012-13 mainly due to the loans given by the Government and other bodies to JSEB and TVNL.

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

**1.11** The details regarding budgetary outgo towards equity, loans and grants / subsidies in respect of State PSUs at the end of March 2013 are given in ***Annexure-1.2***

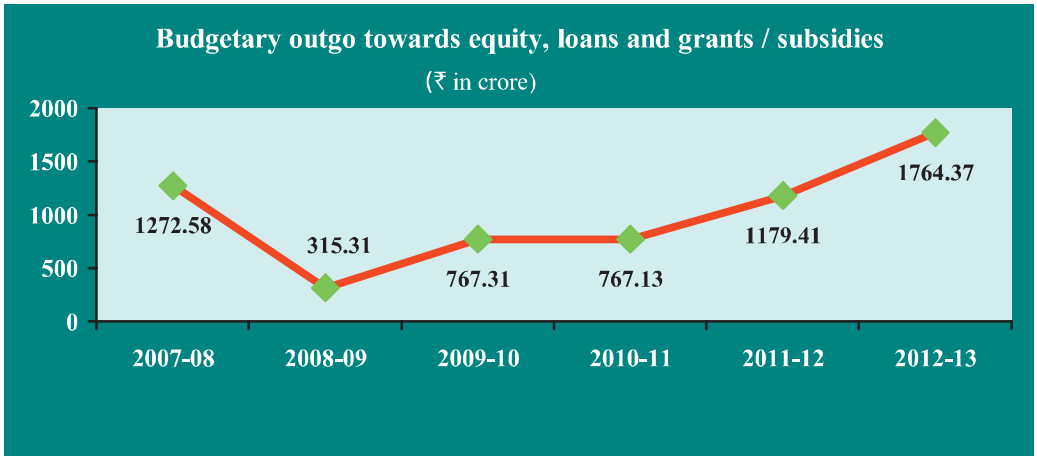
The summarised details of budgetary outgo towards equity, loans and grants/subsidies for the three years ended 2012-13 are given in the ***Table – 1.2***.

**Table – 1.2**

| Sl. No. | Particulars | 2010-11 | | 2011-12 | | 2012-13 | |
|---|---|---|---|---|---|---|---|
| | | No. of PSUs | Amount (₹ in crore) | No. of PSUs | Amount (₹ in crore) | No. of PSUs[4] | Amount (₹ in crore) |
| 1. | Equity capital outgo from budget | 3 | 3.00 | 4 | 20.50 | 3 | 15.00 |
| 2. | Loans given from budget | 1 | 313.55 | 2 | 408.91 | 2 | 561.70 |
| 3. | Grants/Subsidy received | 3 | 450.58 | 1 | 750.00 | 3 | 1187.67 |
| **4.** | **Total outgo** | | **767.13** | | **1179.41** | | **1764.37** |

**1.12** The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the past six years are given in the ***Chart – 1.3.***

**Chart - 1.3**




The budgetary outgo increased from ₹ 1,179.41 crore in 2011-12 to ₹ 1,764.37 crore in 2012-13 mainly because of budgetary support in respect of loans (₹ 541.70 crore) and grants (₹ 1,107.25 crore) given to Jharkhand State Electricity Board and grants (₹ 75.00 crore) made to Jharkhand State Food & Civil Supplies Corporation Limited.

## Reconciliation with Finance Accounts

**1.13** The figures in respect of equity, loans and guarantees outstanding as per records of the 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 are required to conduct reconciliation of the

[4] Total outgo for seven PSUs (GRDA, JHARCRAFT, JTDC, JSBCL, JSFCSCL, JHALCO and JSEB).

differences. The position in this regard as at 31 March 2013 is stated in the ***Table – 1.3.***

**Table – 1.3**

**(₹ in crore)**

| Outstanding in respect of | Amount as per Finance Accounts | Amount as per records of PSUs | Difference |
|---|---|---|---|
| Equity | 23.30 | 171.05 | 147.75 |
| Loans | 7121.41 | 6198.17 | 923.24 |

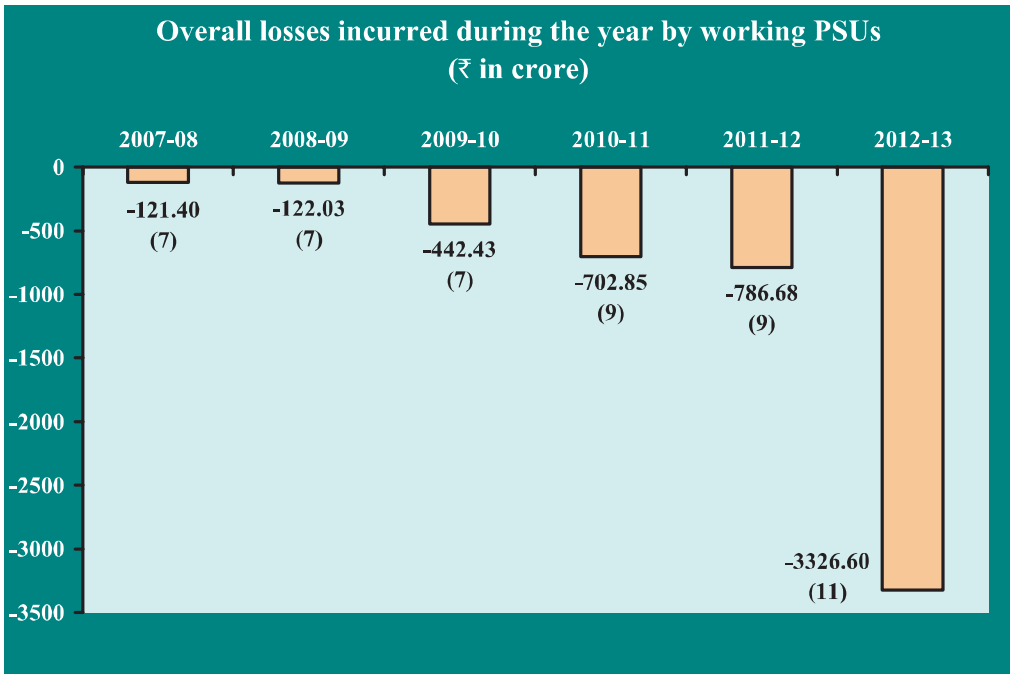
**1.14** We observed that the differences occurred in respect of ten[5] PSUs and these differences were pending reconciliation since 2001-02. Though the difference between the amounts reflected in the Finance Accounts and as per the records of the PSUs were reported in the Audit Reports of earlier years, no corrective action was taken by the State Government.

## Performance of PSUs

**1.15** The financial results of PSUs and financial position and working results of the Statutory corporation are detailed in ***Annexures -1.3, 1.4 and 1.5*** respectively.

**1.16** The aggregate losses (net) incurred by State PSUs increased from ₹ 121.40 crore to ₹ 3,326.60 crore during 2007-08 to 2012-13 as per latest audited accounts in the respective year are as given in the ***Chart – 1.4.***

**Chart – 1.4**




**(Figures in brackets shows the number of working PSUs in the respective year based on latest audited accounts)**

[5] TVNL, JIIDCO, JTDC, JHARCRAFT, GRDA, JSFCSCL, JHALCO, JSBCL, JSMFDC and JSEB.

As per the latest audited accounts, out of 14 PSUs, seven[6] PSUs earned aggregate profit of ₹ 26.35 crore while four[7] PSUs incurred aggregate loss of ₹ 3,352.95 crore. The remaining three[8] PSUs did not submit any accounts till September 2013. Heavy losses were incurred by JSEB (₹ 3,211.03 crore) and TVNL (₹ 140.51 crore) as per their latest audited accounts for the years 2011-12 and 1999-2000 respectively.

The net losses increased from ₹ 786.68 crore in 2011-12 to ₹ 3,326.60 crore in 2012-13 mainly due to increase in loss of JSEB from ₹ 722.82 crore in 2010-11 to ₹ 3,211.03 crore in 2011-12.

**1.17** A review of the latest three years Audit Reports of CAG shows that the state PSUs incurred controllable losses to the tune of ₹ 3,257.35 crore and infructuous investment of ₹ 67.81 crore which were controllable with the better management as given in the ***Table – 1.4.***

**Table – 1.4**

**(₹ in crore)**

| Particulars | 2010-11 | 2011-12 | 2012-13 | Total |
|---|---|---|---|---|
| Net losses | 702.85 | 786.68 | 3326.60 | 4816.13 |
| Controllable losses as per CAG's Audit Report | 2650.89 | 487.27 | 119.19 | 3257.35 |
| Infructuous Investment | 46.17 | 10.61 | 11.03 | 67.81 |

**1.18** The State Government had not formulated any dividend policy under which the PSUs are required to pay a minimum return on the paid up share capital contributed by the State Government. As per their latest audited accounts, seven[9] PSUs earned an aggregate profit of ₹ 26.35 crore but did not declare any dividend.

## Arrears in finalisation of accounts

**1.19** The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of the Statutory corporation, the accounts are to be finalised, audited and presented to the Legislature as per the provisions of the Electricity Act, 2003. The ***Table - 1.5*** provides the details of working PSUs and the status of finalisation of their accounts (September 2013).

[6] JSFDC, JPHCL, JHARCRAFT, JSMDC, JIIDCO, GRDA and JTDC.
[7] JHALCO, JSBCL, TVNL and JSEB.
[8] JSMFDC, KEL and JSFCSCL.
[9] JSFDC, JPHCL, JHARCRAFT, JSMDC, JIIDCO, GRDA and JTDC.

**Table – 1.5**

| Sl. No. | Particulars | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|---|---|---|---|---|---|---|
| 1. | Number of working PSUs | 10 | 11 | 12 | 13 | 14 |
| 2. | Number of accounts finalised during the year | 7 | 14 | 12 | 8 | 20 |
| 3. | Number of accounts in arrears | 48 | 46 | 46 | 52 | 45* |
| 4. | Average arrears per PSU (3/1) | 4.80 | 4.18 | 3.83 | 4.00 | 3.21 |
| 5. | Number of working PSUs with arrears in accounts | 10 | 11 | 12 | 13 | 14 |
| 6. | Extent of arrears (years) | 1 to 15 | 1 to 16 | 1 to 17 | 1 to 16 | 1 to 13 |

**1.20** The number of accounts in arrears of the PSUs had decreased over the years from 48 accounts in respect of ten PSUs in 2008-09 to 45 in 2012-13 in respect of 14 PSUs.

**1.21** The State Government had invested ₹ 2,171.33 crore (equity: ₹ 27.00 crore, loans: ₹ 662.66 crore, grants: ₹ 1,481.67 crore) in eight PSUs including one Statutory corporation during the years for which the accounts have not been finalised as detailed in ***Annexure-1.6***. 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.

**1.22** The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the attention of the concerned administrative departments and officials of the Government on the issue of arrears in finalisation of accounts was drawn, no significant remedial measures were taken. As a result the Net Worth of these PSUs could not be assessed in audit. Attention of the Chief Secretary / Principal Secretary, Finance Department was also invited by the PAG in September 2013 to arrears in finalisation of annual accounts and the need to expedite the clearance of the backlog in accounts in a time bound manner was highlighted.

**1.23** 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.

* JSBCL prepared one accounts for the period 26.11.2010 to 31.03.2012 on which non-review certificate was issued, hence accounts for 2010-11 gets reduced from total arrears.

## Comments on Accounts

**1.24** As of 30 September 2013, nine Government companies forwarded nineteen accounts (including arrears accounts) to the PAG during the year 2012-13. Of these, sixteen accounts of six companies[10] were selected for supplementary audit. The Statutory Auditors had given unqualified certificates for five accounts and qualified certificates for fourteen accounts. The audit reports of Statutory Auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts is required to be improved substantially. The details of aggregate money value of comments of the CAG are given in the ***Table – 1.6.***

**Table – 1.6**

| Sl. No. | Particulars | 2010-11 | | 2011-12 | | 2012-13 | |
|---|---|---|---|---|---|---|---|
| | | No. of accounts | Amount (₹ in crore) | No. of accounts | Amount (₹ in crore) | No. of accounts | Amount (₹ in crore) |
| 1. | Increase in profit | - | - | 1 | 0.23 | 1 | 0.01 |
| 2. | Decrease in profit | 2 | 7.70 | 3 | 3.52 | 3 | 5.29 |
| 3. | Increase in loss | - | - | - | - | 1 | 0.08 |
| 4. | Decrease in loss | - | - | - | - | 1 | 0.36 |
| 5. | Non-disclosure of material facts | - | - | - | - | 3 | - |

**1.25** Some of the important comments of CAG in respect of accounts of companies are stated below:

**Jharkhand Silk, Textile & Handicraft Development Corporation Limited**

***Accounts for the year 2011-12***

Profit for the year was overstated by ₹ 15.17 lakh due to -

- non-accountal of supervision charges of ₹ 13.10 lakh in proportion to the expenditure incurred on implementation of scheme;
- non-provision for electricity bills of ₹ 1.13 lakh for the month of March 2012; and
- non-provision for arrear salary of ₹ 0.94 lakh.

**Jharkhand State Mineral Development Corporation Limited**

***Accounts for the year 2006-07***

Profit for the year was overstated by ₹ 2.48 crore due to non-provision of cost of mines closure of Sikni Coal Mine.

[10] JHARCRAFT, JSMDC-2, JIIDCO-2, TVNL-4, GRDA-6 and JHALCO.

*Accounts for the year 2007-08*

Profit for the year was overstated by ₹ 2.65 crore due to -

- non-provision for ₹ 2.61 crore towards the cost of mines closure of Sikni Coal Mine;
- non-provision for ₹ 14.68 lakh towards explosives consumed in Sikni Coal Mine; and
- non-provision for ₹ 10.27 lakh recoverable from the contractor of the Sikni Coal Mine against cost of explosives for March 2008.

**Jharkhand Hill Area Lift Irrigation Corporation Limited**

*Accounts for the year 2009-10*

Loss for the year was overstated by ₹ 36.28 lakh due to -

- non-accountal of accrued interest of ₹ 38.68 lakh as on 31.03.2010 on fixed deposits; and
- non-provision for interest of ₹ 2.40 lakh on the amount of contribution made by the employees and the Company in the Contributory Provident Fund during 2009-10.

*Annual accounts of Jharkhand State Electricity Board (JSEB)*

**1.26** Annual Accounts for the year 2011-12 had been received during the year from JSEB for which the CAG is the sole auditor on which Separate Audit Report (SAR) was issued. The Audit Reports of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. Some of the important comments in respect of accounts of JSEB are stated below.

Deficit for the year was understated by ₹ 26.22 crore due to: -

- Short provision of interest of ₹ 18.55 crore on General Provident Fund (GPF) balance;
- Accountal of supervision charges of ₹ 1.76 crore received in advance for Deposit Works during 2011-12 as income for the year although works against this were not completed as on 31.03.2012;
- Non-accountal of accrued interest of ₹ 5.23 crore against investment on fixed/flexi deposits in banks up to 31.03.2012;
- Short accountal of cost of coal consumed by ₹ 3.89 crore and understatement of closing stock by ₹ 0.28 crore;
- Accountal of tariff petition fee of ₹ 35.00 lakh related to the year 2012-13 in 2011-12;

- Charging of lower rate of depreciation on Lines and cable network by ₹ 1.70 crore; and

- Understatement of Interest and Finance Charges on bank overdrafts by ₹ 6.18 crore.

**1.27** The details of aggregate money value of comments of CAG on the accounts of JSEB are given in the ***Table – 1.7.***

**Table – 1.7**

| Sl. No. | Particulars | 2012-13 | |
|---|---|---|---|
| | | No. of accounts | Amount (₹ in crore) |
| **1.** | Decrease in Deficit | 1 | 5.58 |
| **2.** | Increase in Deficit | 1 | 31.80 |
| Total | | 1 | |

***Comments on Internal Control***

**1.28** The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control / internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619 (3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of eight[11] companies on the accounts finalised during the year 2012-13 are given in the ***Table – 1.8.***

**Table – 1.8**

| Sl. No. | Nature of comments made by Statutory Auditors | Number of companies where recommendations were made | Reference to serial number of the Companies as per Annexure 1.3 |
|---|---|---|---|
| 1. | Non-fixing of minimum/maximum limits of store and spares. | 3 | A-08, A-06, A-07 |
| 2. | Absence of internal audit system commensurate with the nature and size of business of the Company. | 3 | A-03, A-05, A-11 |
| 3. | Non-maintenance of fixed assets register showing full particulars including quantitative details and location of fixed assets. | 3 | A-02, A-04, A-08 |

[11] JHALCO, JIIDCO, JPHCL, GRDA, JHARCRAFT, JSMDC, TVNL and JSBCL.

## Recoveries at the instance of audit

**1.29** During the course of audit in 2012-13, recoverable amounts of ₹ 71.06 lakh were pointed out to the Management of JSEB of which ₹ 4.05 lakh was admitted by JSEB. Recovery of the same was however not effected by JSEB so far (October 2013).

## Status of placement of Separate Audit Reports (SARs)

**1.30** The ***Table – 1.9*** shows the status of placement of SARs issued by CAG on the accounts of the JSEB in the Legislature by the Government.

**Table – 1.9**

| Sl. No. | Statutory Corporation | Year up to which SARs placed in Legislature | Year upto which SARs not placed in Legislature | | |
|---|---|---|---|---|---|
| | | | Year of SAR | Date of issue to Government | Reason for Delay |
| 1. | Jharkhand State Electricity Board | -- | 2001-02 | 20.08.2010 | Reason for non placement of the SARs was not furnished by the Government. |
| | | | 2002-03 | 07.02.2011 | |
| | | | 2003-04 | 07.03.2011 | |
| | | | 2004-05 | 07.06.2011 | |
| | | | 2005-06 | 09.11.2011 | |
| | | | 2006-07 | 15.12.2011 | |
| | | | 2007-08 | 31.01.2012 | |
| | | | 2008-09 | 30.03.2012 | |
| | | | 2009-10 | 30.03.2012 | |
| | | | 2010-11 | 26.04.2012 | |
| | | | 2011-12 | 22.05.2013 | |

Delay in placement of SARs weakens the legislative control over the Statutory corporation and dilutes the latter's financial accountability. The Government should ensure prompt placement of the SARs in the Legislature. The issue was brought to the attention of the Chief Secretary and Departmental Secretaries of Energy and Finance, Government of Jharkhand (September/November 2013). No response was however received.

## Reforms in Power Sector

**1.31** The State has formed Jharkhand State Electricity Regulatory Commission (JSERC) in April 2003 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 licenses. During 2012-13, JSERC issued seven orders on annual revenue requirements and 16 other orders.

**1.32** A Memorandum of Understanding (MoU) was signed in April 2001 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in the power sector with identified milestones. The progress achieved so far in respect of important milestones is stated in the ***Table – 1.10.***

**Table – 1.10**

| Sl. No. | Milestone | | Achievement |
|---|---|---|---|
| 1. | To reduce system losses at the level of 18 *per cent* of the energy available for sale | | Transmission & Distribution Loss was 33.46 *per cent* in 2012-13 which was much above the target of 18 *per cent* |
| 2. | 100 *per cent* metering of all consumers | Single Phase (Urban) | 100.00 *per cent* |
| | | Single Phase (Rural) | 79.02 *per cent* |
| | | Low Tension (LT) | 99.86 *per cent* |
| | | High Tension (HT) | 100.00 *per cent* |

# Chapter - II

# CHAPTER – II

## 2. Review relating to Government Company

## Review on the working of Jharkhand Silk Textile & Handicraft Development Corporation Limited including Industry Department

### *Executive Summary*

*Introduction*

***Development activities of sericulture, handloom and handicraft were carried out by the Directorate of handloom, sericulture and handicraft under Department of Industries (Department), Government of Jharkhand, (GoJ). To give special thrust to the sector, GoJ established Jharkhand Silk Textile & Handicraft Development Corporation Limited (Company) as a wholly owned Government Company on 23 August 2006 with the objective to carry on business of manufacturing, processing, design, development, marketing and management support of handloom and handicraft.***

*Planning*

***The Department had prepared Five Year Plan (2007-12), however, no specific target was fixed for the development of handloom and handicrafts. GoJ released ₹303.07 crore to the Department of which ₹177.51 crore was allotted to the Company against which ₹120.77 crore was spent by the Company and ₹59.38 crore remained unspent as on 31 March 2013. Poor utilisation of Grants received from Government led to delay in execution of the schemes.***

*Implementation of schemes*

*Sericulture*

***There was short production of 83.36 crore cocoons during 2008-09 to 2011-12 against the minimum norms of 40 cocoons per Disease Free Layings resulting in potential loss of revenue of ₹84.36 crore. Cash assistance was not fully provided to the Reshamdoots (RDs) for construction and maintenance of grainage house and adjusted against the amount receivable from RDs.***

***The Company spent ₹7.32 crore only as on March 2013 against the sanction of ₹12.45 crore during 2008-09 to 2011-12 for Common Facility Centres (CFC). The Company had constructed only 18 worksheds against the target of 82 at a cost of ₹1.06 crore as the land was not made available by the Department.***

*Handloom*

*Cluster Development Scheme*

***Government of India (GoI) had sanctioned development of 35 clusters at cost of ₹19.70 crore of which the Company received ₹16.64 crore during 2008-09 to 2012-13. However, the Company could spent only ₹ 12.61 crore. The Company imparted training to 520 persons in dyeing, 560 on weaving and 280 on designing against the target of 700 persons on each due to non availability of worksheds. The Company could not construct 35 CFC worksheds and 21 dye houses as sanctioned in scheme due to non availability of land.***

*Group Approach Scheme*

***The GoI sanctioned the Group Approach scheme for ₹5.35 crore against which ₹4.18 crore was spent during 2008-09 to 2012-13. The Company constructed only 70 worksheds against target of 81 worksheds due to non availability of land. Training was imparted to 140 persons on weaving and 220 persons on dyeing against the target of 180 and 260 respectively due to non availability of workshed.***

***Primary Weavers Co-operative Society Scheme***

***The GoJ sanctioned ₹31.12 crore against which the Company could spend ₹19.89 crore during 2008-09 to 2012-13. The Company could construct only 30 worksheds against the target of 236 worksheds due to non availability of land. The Company imparted training to 3,624 weavers against the target of 4,240 due to non availability of worksheds. Test check of records of 17 clusters revealed that the Company imparted training to 2,495 weavers out of which 1,215 weavers could not be engaged by the Company owing to lack of infrastructure support like worksheds, irregular supply of raw materials and delay in payment of wages which also resulted in under utilisation of looms.***

***Handicraft***

***The GoJ sanctioned ₹ 15.08 crore during 2009-10 to 2011-12 for training of 21,750 artisans, however, the Company imparted training to 23,602 artisans at a cost of ₹ 13.67 crore. During test check it was observed that only 1,734 artisans were engaged by the Company against 11,729 artisans trained due to irregular supply of raw materials.***

***Sales and Publicity***

***The Company fixed the maximum selling price lower than 50 per cent as mark up resulted in lower sales realisation by ₹2.72 crore during 2008-09 to 2012-13. The Company incurred losses of ₹8.33 crore by selling through emporia and franchisee.***

***The management of urban haat was assigned to Craftedge Consultants without approval of Board of Directors (BoDs) and following prescribed procedures. Similarly the work of stitching was allotted to Craftedge Apparels, a sister concern of the Craftedge Consultants without approval of BoDs. The Company paid advance of ₹ 9.35 crore and ₹ 10 lakh respectively to them without any security/bank guarantee.***

***Financial Management***

***The Company was not able to meet its operational expenses and was dependent on GoJ. The sundry debtors had increased from ₹37.22 lakh in 2008-09 to ₹8.30 crore as on March 2013. The Company had not made age wise analysis of the sundry debtors.***

***Material Management***

***The Company had neither done any ABC analysis nor fixed any standard maximum/minimum level or reorder level. The closing stock in terms of number of month's sales was consistently high ranging between 23 and 27 months during 2008-09 to 2011-12.***

***Monitoring and Internal Control***

***The Department did not devise a mechanism to closely monitor the execution of schemes. The Company had not evolved any control mechanism to monitor the production of yarn by reelers and spinners from cocoons. The reports of purchase and production were not compiled resulting in deficiency in monitoring and follow up of Management Information System. The Department had not devised any mechanism to verify the Utilisation Certificates (UCs) submitted by the Company.***

***Internal audit was conducted by outsourced agency, however, the Company had not prepared Internal Audit Manual.***

***Conclusion & Recommendations***

***The Department had not fixed targets in physical terms in Five Year Plan. There was short production of cocoons and cash assistance was not fully provided to RDs. The Department/Company could not achieve the target of construction of worksheds and training of weavers. The Department had not evolved mechanism to verify the UCs. All the Emporia and Franchisee outlets were suffering losses. Appointment of Franchisees, management of urban haat and other works was assigned without following prescribed procedures. The Company was not able to meet its operational expenses. The Company had not formulated any procurement policy and inventory control mechanism. Deficiencies were noticed in the internal control and monitoring mechanism and there was absence of comprehensive MIS system. The audit recommendations include that Department should***

***monitor the schemes and evolve mechanism to verify the UCs, take steps to increase the production of cocoons and provide full cash assistance to RDs . The Company needs to prepare plans in consonance with the schemes sanctioned by GoI/GoJ, monitor the silk yarn production with the cocoons supplied to reelers and spinners, promote sales and marketing, adhere to financial rules for safeguarding its financial interest. It also need to adopt scientific inventory control method and establish and strengthen various internal control mechanisms and MIS system.***

## Introduction

**2.1** Development activities of sericulture, handloom and handicraft were carried out by the Directorate of handloom, sericulture and handicraft under Department of Industries (Department), Government of Jharkhand, (GoJ). The aim of the GoJ was to develop skills in the area of sericulture, handloom, handicraft and expansion of this sector by setting up of reeling, spinning and weaving centres. To give special thrust to the sector, GoJ established Jharkhand Silk Textile & Handicraft Development Corporation Limited (Company) as a wholly owned Government Company on 23 August 2006. The main objective of the Company was to carry on business of manufacturing, processing, design, development, *etc*. of handloom and handicraft products and to establish, promote, aid, assist by way of providing finance, financial subsidy, technical support, marketing and management support in setting up of handloom, silk, handicrafts and textile industries in the State. It also envisaged production through co-operatives & artisans and to organise or sponsor the urban or rural *haat* for exhibition and marketing of handicrafts and handloom products. The schemes implemented by the Company are proposed, planned for and sanctioned by the Department. The Company procures and sells all kind of handloom and handicraft products of the State thereby protecting and promoting the interest of artisans and weavers of the State.

## Organisational setup

**2.2** The Company is under the administrative control of Department of Industries (GoJ). As per the Articles of Association, the Management of the Company is vested in the Board of Directors (BoDs) comprising of six official Directors[1] and six non-official Directors[2] nominated by the GoJ. The BoDs was, however, reconstituted (August 2010) by the GoJ inducting Development Commissioner, Jharkhand as Chairman of the Company, making the number of official Directors as seven. The GoJ has not inducted any non-officials in the BoDs of the Company so far (November 2013) as required under the provision of the Articles of Association of the Company. The Managing Director (MD) is the only full time Director. The MD[3] is the Chief Executive Officer of the Company. The MD is assisted by the General Manager

[1] (i) Secretary, Industry, Ex-officio Chairman, (ii) Finance Secretary or his representative, (iii) Labour Secretary or his representative, (iv) Director (Handloom, Sericulture & Handicraft) (v) Registrar of Co-operative society and (vi) Managing Director (Member Secretary).

[2] One representative each from (i) Handloom sector (ii) Handicraft Sector (iii) Sericulture Sector (iv) Chamber of Commerce & Industry (v) Confederation of Indian Industry, Eastern Zone and (vi) NIFT, Kolkata.

[3] Special secretary and Director of Handlooms, Sericulture & Handicrafts under department of Industries, GoJ.

(Administration), Head of Accounts and Finance, General Manager (Operations) and General Manager (Marketing) in the day to day working of the Company. The Company also has a full time Company Secretary. Organisational Chart of the Company is given in ***Annexure-2.1.***

## Scope and Methodology of Audit

**2.3** The Review conducted during June to August 2013 covers the performance of the Company and the Department for the period 2008-09 to 2012-13 in respect of development of sericulture, handlooms and handicrafts and marketing of handloom and handicraft products in the State. We explained the audit objectives, audit criteria, methodology and sample size to the Secretary, Department of Industry, GoJ and Managing Director of the Company in the Entry Conference held on 3 June 2013.

Audit examination involved scrutiny of records of the Department, Corporate Office of the Company, nine clusters[4] out of 35 clusters, one training institute[5] out of two and the urban *haat* of the Company. Out of a total amount of ₹ 120.77 crore spent by the Company during the review period, expenditure of ₹ 97.84 crore (81 *per cent)* was test checked in audit.

The draft review was issued to the Management and the Government on 26 September 2013. Reply of the Management has been received (November 2013). The Government has endorsed (December 2013) the reply of the Management. The exit conference was held on 11 December 2013 with Secretary, Department of Industries, GoJ and MD of the Company. The reply of the Government and views expressed by the Management and the Government in exit conference has been suitably incorporated in the review.

## Audit Objectives

**2.4** Review of the activities of the Company and the Department was carried out to assess whether:

- the Department had prepared long term and short term plans to achieve the objective of development of sericulture, handlooms and handicrafts in the State;
- the schemes for development of sericulture, handlooms and handicrafts were executed by the Company/Department economically, efficiently and effectively and interests of weavers and artisans were protected;
- effective and efficient marketing policy existed for promoting activities for development of handlooms and handicrafts in the State;
- the Company had efficient and effective financial management system and utilised its resources economically;

[4] Maniyardih, Rajidumma, Godda, Poraiyahaat, Bhagaiya, Jiyajori, Pokharikala, Sikni and Sithio.
[5] Saheed Nirmal Mahto Training Institute Bhagaiya.

- ❖ efficient and effective inventory management system was prevalent;
- ❖ management of Human Resources was efficient to achieve the objectives of the Company; and
- ❖ effective and efficient Internal Control and monitoring mechanism was prevalent in the Company and the activities of the Company was being efficiently overseen by the Department.

## Audit Criteria

**2.5** The sources of criteria for assessing the achievement of audit objectives were:

- ❖ Industrial policy of the State Government and its directions;
- ❖ Guidelines/Directives of Centrally sponsored scheme/State sponsored schemes;
- ❖ Targets as envisaged under the various schemes;
- ❖ Norms and standards fixed by the Company for implementation of various schemes;
- ❖ Sales and Publicity policy of the Company; and
- ❖ Articles of Association of the Company.

## Audit Constraints

**2.6** The Department/Company had not furnished tender/purchase files and stock register of looms and accessories, reeling machinery and equipments. The Company had also not submitted progress report of the implementation of schemes. The Company had not compiled data regarding production of yarn and fabric. The Company had not produced the details regarding recommendation and allotment of land to Craftedge Apparels for setting up of stitching unit of fabric.

## Audit Findings

**2.7** The Department prepares Plans for development of sericulture, handloom and handicrafts. It also carries out all pre-cocoon activities i.e. rearing of silk worm up to cocoon formation and providing assistance to cocoon rearers. The Company carries out post cocoon activities i.e. purchase of cocoons, production of yarn from cocoons, fabric from yarn and handicraft products. It also provides marketing support to weavers and artisans. The Company is the implementing agency of the schemes sanctioned by the Department for development of sericulture, handloom and handicrafts.

## Planning

**In five year plan no specific physical target was fixed in respect of Handloom and Handicrafts.**

**2.8** The Department prepared Plans for development of sericulture, handloom and handicrafts in the state under the Eleventh Five Year Plan (2007-12). The target for establishment of 12 more Pilot Project Centres (PPCs) under sericulture was achieved by the Department and the number of PPCs increased from 28 to 40 during the period 2008-09 to 2012-13. However, no specific physical target was fixed for the development of handloom and handicrafts and only focussed areas were indicated in the Five Year Plan documents.

Based on the Eleventh Five Year Plan the GoJ provided funds for implementation of the schemes in the Annual Budget which were implemented by the Department directly and through the Company. During the period 2008-09 to 2012-13 against budget provision of ₹ 343.43 crore, ₹ 303.07 crore was released to the Department of which ₹ 277.37 crore was spent in the State.

Out of the Plan allocation/Budget provision, the Department provided ₹ 177.51 crore for implementation of the schemes relating to sericulture[6], handlooms[7] and handicrafts[8] to the Company though it could utilise only ₹ 120.77 crore (68.04 *per cent*) and ₹ 59.38 crore remained unspent as on 31 March 2013. Poor utilisation of Grants received from Government led to delay in execution of the schemes as discussed in succeeding paragraphs.

## Implementation of sericulture, handloom and handicraft schemes

**2.9** Eight[9] schemes were sanctioned by GoI/GoJ which was to be implemented by the Department/Company for development of Sericulture, Handloom and Handicrafts during 2008-09 to 2012-13. The audit scrutinised six[10] schemes which are discussed below:

## Sericulture

**2.10** Sericulture is an agro based, export oriented industry. It has direct relevance to the welfare and well being of weaker sections of society with engagement of rural farmers in large scale plantation of tasar food plants and silkworm rearing. Production of cocoon is carried out by the Department.

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[6] training of reelers and spinners, purchase of equipments, construction of Common Facility Centre (CFC) Workshed.

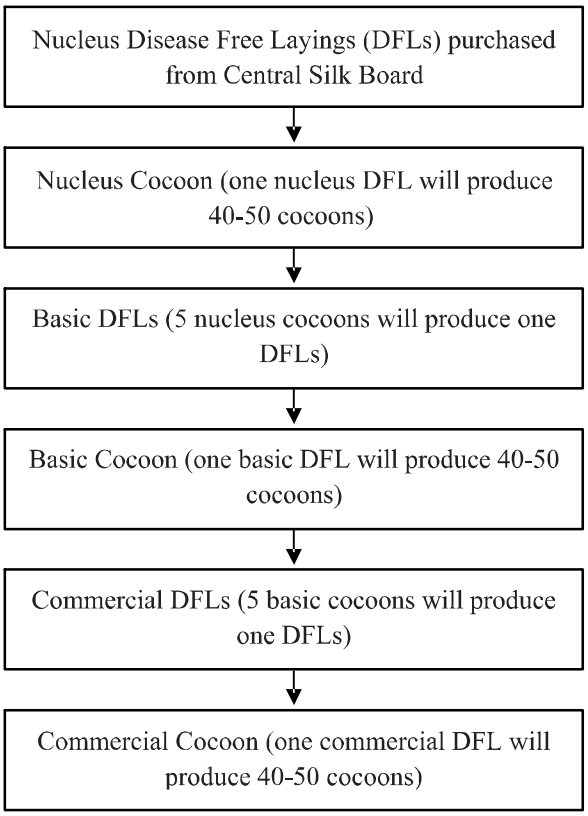
[7] purchase of looms and accessories, raw materials, training, construction of CFC worksheds and Dye-houses.

[8] design development and training.

[9] CFC, *Kitpalkon ke Sahayta Anudan*, Cluster Development, Group Approach, PWCS, Design, Development & Training, Establishment of *Sahari Haat* and *Mela* & Exhibition.

[10] CFC, Cluster Development, Group Approach, Primary Weavers Cooperative Society (PWCS), Design, Development & Training and *Mela* & Exhibition.

The various stages of DFLs/Cocoon production is given below:




As per norms of Central Silk Board (CSB), production of cocoons per unit DFLs at each stage should be in the range of 40-50 cocoons and cocoons will produce DFLs in the ratio 5:1.

**Loss of revenue of ₹ 84.36 crore due to short production of cocoons.**

The cocoons produced and shortfall in production of cocoons during 2008-09 to 2011-12 are shown in ***Annexure-2.2***. It can be seen from the annexure that there was short production of 83.36 crore cocoons as per the norms prescribed by CSB which resulted in potential loss of revenue of ₹ 84.36 crore. However, the shortfall[11] in production of cocoons was 32.37 *per cent* in 2008-09 which peaked to 58.16 *per cent* in 2010-11 and came down to 25.87 *per cent* in 2011-12**.** The production of cocoons depends on control of disease during egg laying period and weather conditions. The Department had not compiled data of assessment of disease in egg layings. In absence of compiled data the Department could not take corrective measures in time. The Department should have issued guidelines for control of disease during egg laying period and taken initiatives to increase the production of cocoons as this activity was being carried out since prior to 2007-08. The Department issued guidelines for control of disease during egg laying only in July 2012. However, the guideline only stressed on control over disease but no benchmark for production of cocoons was laid down. Had the guidelines been issued well in time the production of cocoons could have been maximised. The production of more cocoons will enable the State to achieve higher production

[11] Considered on conservative basis, minimum norm of 40 cocoons for working out the production of cocoons instead of maximum of 50 cocoons.

of silk and will be beneficial to commercial seed rearers to improve their earning capacity.

The Government stated (December 2013) that in coming years production will improve.

***Short recovery against sale of Basic DFLs***

**2.11** The basic DFLs produced at the grainage[12] house of the PPCs were sold to Reshamdoots[13] (RD) for production of commercial DFLs. On test check of five PPCs[14], we observed that during 2008-09 to 2012-13 the PPCs had sold basic DFLs to different Reshamdoots at credit valuing ₹ 52.82 lakh against which only ₹ 24.64 lakh could be realised and ₹ 28.18 lakh remained unrealised. Out of realisation of ₹ 24.64 lakh, ₹ 18.07 lakh was adjusted against the Grants-in-aid (*Sahayata Anudan*)[15] sanctioned by GoI/GoJ for Reshamdoots. Possibility of realisation of the amount is remote as the PPCs had not evolved mechanism for recovery of dues.

The Government accepted (December 2013) the audit observation and stated that respective Pilot Project Officers (PPOs) were directed to deposit the amount immediately otherwise departmental action will be initiated against them to recover the dues.

***Non payment of cash subsidy for grainage house***

**2.12** The GoI had sanctioned Catalytic Development Programme for assistance to RDs during 2008-09 to 2010-11. One of the component of the scheme was to provide initial cash assistance of ₹ 6,000 to each RD for construction of temporary grainage house for layings. GoJ had also sanctioned scheme for the assistance to RDs during 2008-09 to 2012-13. One of the component of the scheme was to provide cash assistance of ₹ 2,000 every year to each RD for repair and maintenance of existing grainage house. However, during test check it was observed that the assistance of Grants-in-aid through both the above mentioned schemes was not fully disbursed to the RDs but adjusted against the cost of basic DFLs receivable from RDs as discussed in paragraph no. 2.11. This defeated the purpose of giving assistance in the form of grants-in-aid for providing and maintenance of grainage house necessary for layings which may have affected the production of cocoons as discussed in paragraph no. 2.10.

***Inadequate storage facility of cocoons***

**2.13** The Company purchases cocoons from seed rearers for production of silk yarn. The cocoons are required to be stored in cocoon bank. The Department sanctioned construction of 22 cocoon banks which were to be

[12] A place where cocoons are stored for production of disease free layings.
[13] Rearers are organised in a group of 23 persons one of them is named as RD, two are selected as seed rearers and rest 20 are commercial rearers
[14] Boreo, Godda, Kathijoria, Bengabad, Jagdishpur.
[15] For construction of temporary grainage house.

constructed by Government Agencies[16] during 2008-09 to 2012-13. However, only six cocoon banks were constructed[17] during the period. Due to inadequate storage facility, the cocoons could not be stored properly which resulted in deterioration in quality of cocoons and short production of yarn as discussed in succeeding paragraph. Improper storage of cocoons as seen during joint field visit of audit with cluster development executive of the Company is given in photographs below.

***(Photograph of PPC Bengabad)***

It is apparent that delay in construction of cocoon banks led to inadequate storage facility of cocoons.

***Short production of yarn from cocoons***

**2.14** Reeling and spinning of silk filament (yarn) from cocoons after drying and cooking[18] *etc.,* was done by reelers and spinners engaged by the Company at Common Facility Centres (CFCs) of the Company. The Company estimated that from 1,000 cocoons the production of silk yarn would be one kg while the Department estimated that production of silk yarn per 1,000 cocoons would be 1.0 to 1.2 kg. During 2008-09 to 2012-13, the Company supplied 7.24 crore cocoons to reelers and spinners[19] for production of silk yarn. The silk yarn produced by them was 34,542 kg against the estimated production of 72,366 kg. Thus, production of silk yarn was less than the estimated production of silk yarn by 37,824 kg. Further, the production of yarn per thousand cocoons had decreased from 0.77 kg in 2008-09 to 0.42 kg in 2012-13 registering decreasing trend in production of silk yarn. The basic reason for short production of silk yarn was also due to improper storage facility of cocoons as mentioned in paragraph no. 2.13.

**Short production of 37,824 kg of silk yar from cocoons.**

The Government stated (December 2013) that if cocoons was of grade-A quality and produced by experienced reelers/spinners then they get one kg yarn from 1,000 cocoons. They further stated that the cocoons purchased were of categories A, B and C.

The reply is not acceptable as the Company had not evolved any control mechanism to monitor the production of yarn by reelers and spinners as production of yarn was not matched with cocoon issued for reeling and

[16] Jharkhand Industrial Infrastructure Development Corporation, NREP and Gramin Vikas department

[17] Three in 2011-12 and three in 2012-13.

[18] Boiling of cocoons in pressure cooker before reeling and spinning.

[19] of Kharshawan, Bero, Ratu PPCs, Bhagaiya and Jiyajori Clusters.

spinning. There was no system of recording of issue of cocoons to individual and matching of yarn produced by the individual against the quantity of cocoons issued. In the absence of control mechanism pilferage of yarn/cocoon cannot be ruled out.

Further, the estimation made by Company/ Department did not contain any categorisation of cocoons and they estimated that yield would be one to 1.2 kg of yarn from 1,000 cocoons.

Moreover, during 2008-09 to 2012-13 the PPC at Bero and Ratu issued 21,582 thousand of Grade-A cocoons to CFCs/Self Help Groups (SHGs) and the yarn produced by them was only 8,708 kg as against 21,582 kg which ought to have been produced. In fact, the yield of yarn per thousand cocoons was 0.63 kg in 2009-10 which decreased to 0.36 kg in 2012-13. Further, the reelers and spinners trained during the current years only would be considered as inexperienced and those trained in earlier years and have already been engaged in production can be considered to be experienced. The Company engaged both experienced and inexperienced reelers and spinners in production during the review period. Hence, Government contention is not correct that experienced reelers and spinners can get one kg of yarn from 1,000 cocoons. Further, as mentioned in paragraph no. 2.13 improper storage facility also led to short production of yarn.

***Establishment of Common Facility Centres (CFCs)***

**2.15** The GoJ sanctioned schemes for establishment of CFCs to promote the post-cocoon activity i.e., conversion of cocoons to silk yarn and to provide employment to rural folk. The Company spent ₹ 7.32 crore[20] only as on March 2013 against the sanction of ₹ 12.45 crore[21] during 2008-09 to 2011-12[22] under the scheme.

We observed that:

- The Company had constructed only 18 worksheds (28 *per cent*) out of the target of 82 at a cost of ₹ 1.06 crore and construction of rest 64 worksheds were not yet started as land had not been made available by the Department. Year after year the Department had sanctioned schemes and released the fund without ensuring the availability of land. However, the Company was running 144 CFCs during 2006-07 to 2011-12 by arranging worksheds from district administration.

**Irregular submission of UCs of ₹ 97.53 lakh.**

- Further, it was observed that the Company had submitted (August 2010) utilisation certificate (UC) to GoJ for ₹ 47.53 lakh sanctioned in January 2009 for construction of worksheds although the actual amount spent was ₹ 40.88 lakh till September 2013. Similarly, against the released amount of ₹ 50 lakh, sanctioned in August 2009 for

[20] Worksheds ₹ 1.06 crore, Machinery & Equipments ₹ 1.40 crore, Working Capital ₹ 3.42. crore, Training ₹ 0.55 crore and Supervision charge ₹ 0.89 crore.
[21] Worksheds ₹ 4.69 crore, Machinery & Equipments ₹ 1.76 crore, Working Capital ₹ 3.54 crore, Training ₹ 1.57 crore and Supervision charge ₹ 0.89 crore.
[22] Fund of ₹ 14.66 crore for 2012-13 received in March 2013 was not included.

purchase of machinery and equipments, the Company submitted (November 2010) UC for the entire amount although the actual amount spent was ₹ 41.47 lakh as on September 2013. Submission of UCs, before utilisation of fund, was in violation of the condition of sanction that the UC was to be submitted after spending the amount. GoJ did not have any mechanism for ascertaining the genuineness and correctness of the UCs.

It is further mentioned that Department/Company could not produce the purchase files and stock register of reeling and spinning machines and equipments. In absence of proper records of purchase and issue of machinery and equipments, the reasonability of rate and safeguarding of these equipments and their utilisation could not be ascertained.

The Government stated (December 2013) that they had now arranged the land and awarded (March to June 2013) the work of construction of worksheds to Bharat Sanchar Nigam Limited (BSNL).

The Government accepted the audit observation regarding construction of worksheds, however, the reply was silent about submission of irregular UCs and about non production of records.

## Handloom

**2.16** Silk and cotton yarn are converted into fabric by weaving on handlooms. GoI sanctioned Cluster Development Scheme (CDS)[23] and Group Approach Scheme[24] and GoJ sanctioned Primary Weavers Cooperative Societies (PWCS)[25] scheme for development of handloom. The objectives of the schemes were to provide new worksheds to the PWCS/SHGs or renovate their existing worksheds, provide looms and accessories, assistance for design and development and marketing, training for skill upgradation and working capital to the weavers for their sustained livelihood and social upliftment. The implementations of the above mentioned schemes are discussed in the succeeding paragraphs.

### *Cluster Development Scheme*

**2.17** GoI had sanctioned development of 35 clusters[26] with 20 weavers organised under each cluster at a total cost of ₹ 19.70 crore[27] as detailed in

[23] CDS is a component of the Integrated Handlooms Development Scheme (IHDS) of GoI undertaken in Eleventh Five Year Plan period and no new cluster was sanctioned after February 2011

[24] The weavers who were not covered under CDS were covered under this scheme.

[25] For revival of the PWCS which were sick and on the verge of closure.

[26] Irba Chuttu, Jiyajori, Bhargora, Sithio, Pokharikala, Uruguttu, Khunti, Saraiyahaat, Bhagaiya, Mandro (February 2008); Godda, Sudna, Poraiyahaat Islampur, Baldhar, Jamunia, Rajidumma, Maniyardih, Mahuadabar, Hariharganj, Lohardaga (October 2008); Pachrukhi, Boreo, Murujuli, Sikni, Fasia (November 2009); Nayasarai, Barhet, Pakur, Murumdega, Boarijore(December 2010) and Garhwa, Banapiri, Rajhar, Kundri (February 2011).

[27] Central share ₹ 18.85 crore and State share ₹ 84.98 lakh.

***Annexure 2.3***. The Company received ₹ 16.64 crore being the sanctioned amount in respect of 26 clusters though the third instalment in respect of remaining nine clusters was yet to be received. Of this, ₹ 12.61 crore was spent by the Company.

We observed that:

- GoJ released the fund to the Company after nine to 12 months after its receipt from the GoI as against the mandated period of one month due to procedural delay.

- The Company imparted training to 520 persons in dyeing, 560 on weaving and 280 on designing against the target of 700 persons each on dyeing, weaving and designing. The Company had not imparted any training on dyeing and designing against the sanction of December 2010 and February 2011. The reason for short fall in training was non-availability of worksheds. Thus, objective of sustained livelihood and social upliftment of weavers could not be fully achieved.

- Rupees 6.24 crore was sanctioned for construction of 35 CFC worksheds and 21 dye houses. However, the Company did not construct CFC worksheds and dye house so far (March 2013) as the land required for construction was not made available by the Department. During field visit of the clusters it was observed that the weavers were forced to work in their own houses and had to face problems during rainy season as the worksheds were not available.

- One of the objectives of the scheme was to assist the handloom weavers groups in becoming self sustained by constitution of a consortium. The consortium to be organized by the Company had to include stakeholders from SHGs, Co-operative Societies, master weavers, private entrepreneurs, Non-Government Organizations (NGOs) *etc.,* to facilitate interaction of the weavers with the connected organisations like banks/financial institutions, market institutions/ marketing experts, legal experts, Government machineries, weavers *etc.* The consortium was to take over the activities of the cluster in/after third year to run it on a sustainable basis. However, even nine months to 32 months after expiry of the mandated three years of formation of 26 clusters, consortium was not established in any of the clusters by the Company.

The Government accepted (December 2013) that dye houses and CFC worksheds were not constructed as the land was not available and stated that the purpose of dye house and dyeing training were different as the dye houses were to be established to meet the large scale requirement whereas dyeing training had been imparted to weavers so that they could meet their own requirements of dyed yarn. They further stated that as the entire process was being carried out through PWCS and SHGs the establishment of consortium for each cluster was not implemented by the Company.

The reply is not acceptable as the objective of setting up of consortium for each cluster was to facilitate self sustainability of each cluster which had not been achieved so far and dyeing requirement of clusters was met by existing dye house of the Company and also by reviving a private dye house.

***Group Approach Scheme***

**2.18** The scheme was conceived for development of weavers who were not covered under Cluster Development Scheme. A group should have preferably 10 weavers or more in the form of SHG/PWCS/other independent/Individual weavers. The GoI sanctioned the Group Approach scheme for ₹ 5.35 crore[28] during 2008-09 to 2011-12 as shown in ***Annexure 2.4***. GoI released ₹ 4.08 crore against sanctioned amount of ₹ 5.13 crore and the remaining ₹ 1.05 crore was not released due to non submission of Utilisation Certificate by the Company. However, GoJ released the full amount of its share of ₹ 21.80 lakh. Against a released fund of ₹ 4.30 crore, the actual expenditure incurred by the Company was ₹ 4.18 crore (March 2013).

We observed that:

- The Company had formed 81 SHGs (November 2013) against the target of 90 SHGs.

- The Company constructed only 62 worksheds (August 2013) on land donated by PWCS and SHGs against 81 worksheds. The construction of 14 worksheds was in progress and in the case of remaining five worksheds, the Department could not arrange the land. Due to delay in construction/ non-construction of worksheds, the desired benefit could not be extended to the weavers.

- Training was imparted to 140 persons on weaving and 220 persons on dyeing so far (August 2013) against the target of 180 and 260 respectively and training to 40 persons each on weaving and dyeing was not imparted even after four to five years of sanction of the scheme due to non availability of worksheds as the looms required for training were to be installed in the worksheds. Thus, objective of sustained livelihood and social upliftment of weavers could not be fully achieved.

The Government while accepting the fact stated (December 2013) that nine worksheds were under construction and for two worksheds work order would be issued soon. There was delay in constructions due to non availability of land and stated that land was now available with them.

The fact remains that still 11 worksheds could not be constructed which resulted in non achievement of objective of extending benefits to the weavers.

[28] Central share ₹ 5.13 crore and State share ₹ 21.80 lakh.

***Primary Weavers Cooperative Societies Scheme***

**2.19** The GoJ had taken initiative to revive the Primary Weavers Cooperative Societies (PWCS)[29] which were sick and were on the verge of closure. The PWCS is headed by a chairman and minimum of 20 weavers. The GoJ sanctioned ₹ 31.12 crore as shown in ***Annexure 2.5*** for strengthening of PWCS which was received during 2008-09 to 2012-13. Of this, the Company could spend ₹ 19.89 crore only (March 2013).

We observed that against the target of 236 worksheds, construction of only 30 worksheds was completed on land donated by the PWCS and three worksheds were under construction. Construction of 203 worksheds could not be started (March 2013) as neither land was arranged by Department nor donated by PWCS. The Company imparted training to 3,624 weavers against the target of 4,240. It was observed that the Department had not prescribed any time frame for completion of the scheme. Thus, a sense of urgency was lacking to complete the scheme in a given timeframe.

We further observed that:

**Irregular submission of UC of ₹ 2.88 crore.**

- Rupees 5.74[30] crore was sanctioned in August 2012 (received in March 2013) which included inter alia construction of 48 worksheds, purchase of looms and accessories, training for 48 weaver groups and acquisition of land. As the Company had not constructed any workshed under the scheme so far (March 2013), the UC submitted in August 2013 for ₹ 2.88 crore towards construction of worksheds was irregular.

- GoJ sanctioned (December 2008) ₹ 3 crore which, inter alia included ₹ 16 lakh for dyeing & finishing workshed at Bhagaiya and ₹ 20 lakh for dyeing & finishing equipments. It was observed that the Company had submitted UCs for the entire sanctioned amount of ₹ 3 crore to GoJ in February 2010 although the dyeing & finishing workshed was constructed in February 2011. Also, UC for ₹ 20 lakh sanctioned for dyeing & finishing equipments was submitted to GoJ in February 2010 without purchasing the equipments. Subsequently (March 2013), the dyeing & finishing equipments were purchased at a cost of ₹ 10.42 lakh from another scheme. Thus, the Company had submitted wrong UCs to GoJ. The Department did not have any mechanism for ascertaining genuineness and correctness of the UCs submitted by the Company.

- The worksheds were to be constructed at a cost of ₹ 3 lakh and ₹ 6 lakh depending upon the size of the workshed. However, during the joint field visit[31] of 17 worksheds[32] constructed under the Group

[29] Registered under the Societies Act

[30] ₹ 2.88 crore for construction of workshed, ₹ 0.91 crore for looms and accessories, ₹ 0.53 crore for training, ₹ 0.42 crore for supervision charge and ₹ 1 crore for acquisition of land.

[31] With cluster development executive of the Company

[32] Sithio (two), Barhu (two), Upperkonki (two), Uruguttu (one), Mohanpur (one), Katamkulli (two), Barodiwla (one), Sikni (two), Saker (one), Potamdaga (one), Wasim (one), Kundrukala (one)

Approach Scheme and PWCS, it was noticed that in three villages[33] the second workshed was constructed on first floor above the existing workshed and one of the wall of the worksheds in four villages[34] was common with the existing workshed. In absence of the measurement books and details of the actual quantity of works executed, the deduction to be made from the amount payable could not be quantified.

- In two villages[35] worksheds were constructed (May 2011) although no looms were available in these worksheds.

It is further mentioned that Department/Company could not produce the tender/purchase files and stock register of looms and accessories. In absence of proper records relating to purchase and issue of looms and accessories, safeguarding of these equipments and its utilisation could not be ascertained. The Company had also not maintained the schemewise data of purchase of looms and accessories. In absence of schemewise data monitoring of scheme could not have been done.

The Government accepted (December 2013) that worksheds could not be constructed as land was not available and stated that now land was available and work order was issued to BSNL (March to June 2013).

However, the reply is silent about irregularities in submission of UCs and irregularities pointed in construction of worksheds.

***Utilisation of trained weavers***

**2.20** Training is a critical input for handloom weavers to adapt themselves to produce diversified products with improved quality to meet changing market trends. As per the schemes, training was imparted to weavers and the Company was also provided a Revolving fund as working capital for purchase of silk and cotton yarn and dyes & chemicals.

Test check of records of 17 clusters[36] revealed that the Company imparted training to 2,495 weavers during 2008-09 to 2012-13 against which only 1,280 weavers *i.e.,* 51 *per cent* were engaged by the Company as on March 2013. The number of trained weavers engaged by the Company was abnormally low as the trained persons could not be engaged by the Company owing to lack of infrastructure support like worksheds, irregular supply of raw materials and delay in payment of wages *etc* as stated by Cluster Development Executive during the field visit. This had also resulted in underutilisation of looms as commented in paragraph no. 2.21. The Company should take action to maximise the utilisation of trained weavers.

[33] Sithio, Barhu & Katamkulli
[34] Katamkulli, Mohanpur, Upperkonki & Sikni
[35] Potamdaga and Kundrukala
[36] Sithio, Maniyardih, Mahuadabar, Mahuadanr, Jamunia, Balthar, Boreo, Barhet, Jiyajori, Godda, Saraiyahaat, Poraiyahaat, Fasiya, Sikni, Pachrukhi, Hazaribag and Kharsawan.

Thus, the objective of imparting training to the weavers so that they could become members of self sustaining weavers' groups was not achieved in respect of 1,215 weavers even after incurring an expenditure of ₹ 1.82 crore[37].

***Underutilisation of looms***

**2.21** The Company had provided handlooms to Weavers for production of fabric with the estimation that the silk weavers would produce five meters of fabric and the cotton weavers would produce seven meters of fabric per day. As per the policy of the Company it has to engage weavers for 260 days in a year. It was noticed that, in 22 clusters[38] in respect of which production data was made available to audit, the actual production of silk and cotton fabric was much less than the minimum prescribed production of five meter[39] per loom per day as shown in the ***Table – 2.1.***

**Table – 2.1**

| Year | No. of looms available for production as on 1 April | Fabric produced (meter) | No. of looms required for production | Percentage of Underutilisation of looms |
|---|---|---|---|---|
| (1) | (2) | (3) | (4) =(3)/(5*260) | (5)={(2)-(4)}/(2)*100 |
| **2009-10** | 121 | 66653 | 51 | 58 |
| **2010-11** | 385 | 133446 | 103 | 73 |
| **2011-12** | 842 | 162650 | 125 | 85 |
| **2012-13** | 1062 | 220126 | 169 | 84 |

***(Source: data furnished by clusters)***

It can be seen from the above that despite imparting training to weavers, looms remained underutilised and underutilisation increased from 58 *per cent* in 2009-10 to 84 *per cent i*n 2012-13. We observed that the Company could not engage the weavers for 260 days in a year. The reasons as given by cluster development executive for under utilisation of looms were delay in payment of wages to weavers, irregular supply of yarn and non-availability of worksheds. Further, due to inadequate monitoring optimal utilisation of looms could not be achieved.

The Government stated (December 2013) that out of total looms per year available many were used on training and production during training cannot be at the same pace, many looms were established at the mid or even at the end of the year and weavers were not Company's employees and the Government could not force them to work daily for standard hours.

The reply is not acceptable as we worked out the quantum of underutilisation of looms after taking into consideration looms available for production of fabric in the beginning of the year. Further, the looms were provided to the weavers free of cost by the Company for their full time engagement.

[37] Weavers @ ₹15000 per weaver *1215 = ₹ 1.82 crore.

[38] Jiyajori, Boarijore, Godda, Fasiya, Poraiyahaat, Saraiyahaat, Maniyardih, Pachrukhi, Mahuadabar, Rajidumma, Balthar, Jamunia, Hazaribag, Sikni, Kharsawan, Boreo, Barhet, Pokharikala, Saher Basila, Deori Nagri, Sithio, Mahuadanr.

[39] Quantity of fabric produced for silk and cotton fabric separately was not available hence minimum production of five meter was considered.

## Handicraft

**2.22** The GoJ had sanctioned scheme for the development of handicrafts to be implemented by the Company with the objective of upliftment of the socio-economic condition of the rural artisans. Under the scheme training in traditional Arts[40] was to be provided and trained artisans were to be engaged in production. The GoJ sanctioned ₹ 15.08 crore during the years 2009-10 to 2011-12 for training of 21,750 artisans. The Company imparted training to 23,602 artisans at a cost of ₹ 13.67 crore during 2009-10 to 2012-13 as per the information furnished by the Company.

We observed in test check that the Company imparted training to 11,729 artisans[41] of which only 1,734 artisans *i.e.,* 15 *per cent* were engaged in the production by the Company during 2012-13. The reasons for dropout of trained artisans were irregular supply of raw materials as stated by Project Manager and PPO, Kharsawan although the Company was provided with working capital for purchase of raw materials.

**Marketing support could not be provided to trained artisans in absence of database of trained artisans even after incurring an expenditure of ₹ 6.93 crore.**

All artisans trained by the Company were not engaged by them in their production activity. Utilisation of knowledge and skill gained through training by trainees who were not engaged and the benefits derived by them were not assessed by the Company/Government. The Company did not maintain a database of number of trained artisans gainfully self employed. This was necessary as the Company was required to provide marketing support to the artisans. Thus, the objective of imparting training to 9,995 artisans after incurring an expenditure of ₹ 6.93 crore[42] was not achieved.

The Government stated (December 2013) that the number of artisans shown as engaged by the Company was not correct as in Hazaribag alone around 10,000 artisans were engaged but they do not have information readily available for the same. Government further stated that issue raised by audit would be suitably addressed.

The reply is not acceptable as out of 10,275 artisans trained at urban *haat* Hazaribag during 2010-12 only 1,511 artisans were engaged in the production during 2012-13.

## Sales and Publicity

**2.23** The Company had not formulated any policy for advertisement and publicity. Advertisement and publicity was done by the Company during festive seasons and opening of new emporium only.

[40] Tribal paintings, dhokra craft, grassmat, bamboo craft, papermache, lac bangles, woodcraft *etc.*
[41] Akarshani, Kharsawan, urban *haat*, Hazaribag and Deori Nagri PWCS under Sithio Cluster
[42] Artisans @ ₹6935 per artisan * 9995= ₹ 6.93 crore.

### *Pricing Policy*

**2.24** The Company decided (February 2008) to add 50 *per cent* of cost as mark up to the cost price to arrive at the maximum selling price (MSP) of handloom products without any rational analysis.

**Lower sales realisation by ₹ 2.72 crore due to non adherence to pricing policy.**

Test check of records relating to handloom products revealed that during 2008-09 to 2012-13 against a cost of production of ₹ 34.11 crore the MSP was fixed at ₹ 48.45 crore, whereas MSP as per policy of the Company worked out to ₹ 51.17 crore. Thus, the Company fixed the MSP without adding 50 *per cent* of cost and thus, deviated from its pricing policy resulting in lower sales realisation by ₹ 2.72 crore.

The Government while accepting (December 2013) the audit observation stated that in some products lesser margin was added to sell the product. It stated that in 2013-14 costing of its products would be done by adding all overheads as well as proper profit margin considering all possible parameters and assured that the issue would be re-examined to make the Company more competitive and profitable.

### *Performance of emporia*

**2.25** The Company sells handloom and handicraft products through its emporia since 2008-09. The number of emporia was three[43] in 2008-09 which increased to 12[44] in 2012-13. The Company had not carried out any market survey to assess the viability of emporia before their opening. It also did not fix sales target for these emporia. The ***Table – 2.2*** indicates operational profit/loss of these emporia for the last five years ended 31 March 2013:

**Table – 2.2**

**(₹ in lakh)**

| Year | Number of Emporia | Gross sales | Discount allowed | Net Sales | Cost of Goods Sold | Expenses of emporia | Operational profit/ (-)loss | Percentage of operational loss to gross sales |
|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5=(3-4) | 6 | 7 | 8=5-(6+7) | 9=8/3* 100 |
| **2008-09** | 3 | 82.57 | 14.04 | 68.53 | 55.32 | 53.06 (64) | (-) 39.85 | 48 |
| **2009-10** | 7 | 150.96 | 25.99 | 124.97 | 101.14 | 112.63 (75) | (-) 88.80 | 59 |
| **2010-11** | 9 | 288.25 | 43.80 | 244.45 | 193.13 | 223.76 (78) | (-) 172.44 | 60 |
| **2011-12** | 12 | 335.77 | 49.17 | 286.60 | 224.97 | 226.39(67) | (-) 164.76 | 49 |
| **2012-13** | 12 | 573.95 | 105.07 | 468.88 | 384.55 | 409.76 (71) | (-) 325.43 | 57 |
| **Total operational loss** | | | | | | | **(-) 791.28** | |

***(Source: Information furnished by the Company)***
***Figures in bracket indicates percentage of expenses of Emporia to gross sale***

**During the period 2008-09 to 2012-13 operational loss of ₹ 7.91 crore from sale through emporia.**

It can be seen from the above table that the Company incurred losses of ₹ 7.91 crore by operating these emporia during 2008-09 to 2012-13. The percentage of operational losses to gross sales increased from 48 to 57 *per cent* from 2008-09 to 2012-13. The main reason of loss was high expenses of emporia than the margin[45]. It is also pertinent to mention that except Hazaribag

[43] Rospa Tower, Ranchi, Bangluru and Delhi Emporium
[44] Delhi, Bangluru, Mumbai, Pune, Ahmedabad, Mysore, Daltonganj, Hazaribag, Rospa Tower, Church Complex, Harmu and Mega Store Ranchi
[45] Net sales *minus* cost of goods sold.

Emporium all other emporia were in losses during 2012-13. The Emporium at Hazaribag was running in profit as the emporium was situated at urban *haat* and the Company was not liable to pay rent and miscellaneous expenditure was booked under the expenditure of urban *haat.* The operational expenses of the emporia increased significantly during 2012-13 mainly due to establishment expenses of ₹ 1.28[46] crore of new Mega Store at Ranchi.

It was further observed that the operational expenses of Emporia at Pune and Mumbai established in 2009-10 and Daltonganj in 2010-11, were more than the gross sales in all the years upto the year 2012-13 since inception. The Company should have analysed the operational expenses of each emporium to assess the commercial viability of the emporia. The Company had also not fixed any overhead norms.

The Government stated (December 2013) that sales had tremendously increased from 2008-09 to 2012-13 and operational expenses of Mega Store were misleading as it included expenses of rent and employee salary of ₹ 1.28 crore of mega store and *mela* expenses of ₹ 38 lakh. If these expenses were excluded operational loss would be less.

The reply is correct that gross sales had significantly increased by 5.95 times but at the same time operational expenditure had also increased by 6.72 times during 2008-09 to 2012-13 which offsets the increase in gross sales. As regards rent and employee salary of Mega Store same are recurring expenditure. Hence, it cannot be excluded from the operational expenses of emporia. Further, the expenses of Mega Store did not include *mela* expenses.

***Performance of Franchisee***

**2.26** The Company also sells its products through franchisee outlets. The Company did not lay down any policy for appointment of franchisees and the franchisees were appointed on direct approach by the intending agencies. The Company had five[47] franchisees as on March 2013. The performance of the retail outlets of all five franchisees during the period 2010-11 to 2012-13[48] is given in the ***Table – 2.3.***

**Table – 2.3**

**(₹ in lakh)**

| Year | Net Sale | Cost of Goods sold | Gross profit | Sales Expenses | | | Operational loss |
|---|---|---|---|---|---|---|---|
| | | | | Paid to franchisee | Other expenses | Total expenses on Sales | |
| 1 | 2 | 3 | 4=(2-3) | 5 | 6 | 7=(5+6) | 8=(4-7) |
| **2010-11** | 7.70 | 6.41 | 1.29 | 2.14 | ----- | 2.14(28) | (-) 0.85 |
| **2011-12** | 61.58 | 50.38 | 11.20 | 15.43 | 11.91 | 27.34(44) | (-) 16.14 |
| **2012-13** | 104.13 | 86.82 | 17.31 | 22.07 | 20.07 | 42.14(40) | (-) 24.83 |
| **Total** | **173.41** | **143.61** | **29.80** | **39.64** | **31.98** | **71.62(41)** | **(-) 41.82** |

***(Source: Information furnished by the Company)***
***Figure in bracket indicates percentage of sales expenses to net sales***

[46] Included ₹ six lakh per month as rent of emporium.

[47] Santosh Textiles, Dumka; Anamika, Patna; Kalakriti, Varanasi and two franchisees at Kolkata.

[48] The Company started sales through franchisee w.e.f 30 April 2010.

It can be seen from the above table that the Company suffered loss of ₹ 41.82 lakh by selling its products through the franchisee outlets during 2010-11 to 2012-13.

We observed that the Company executed a franchisee agreement with Kalakriti, Varanasi (March 2011) for a period of five years. As per the agreement the Company was to pay 28 *per cent* of its sale proceeds to the franchisee and the franchisee had to submit a bank guarantee of ₹ five lakh. However, the Company revised (October 2011) the agreement retrospectively from June 2011 without any reference from franchisee and without recording any reasons with provision for payment of 20 *per cent* of the sale proceeds to the franchisee, monthly rent of ₹ 80,000, maintenance charges of ₹ 4,000 per month and salary of one store manager deputed by the Company. The condition for submission of bank guarantee was also withdrawn. Thus, transparency in the revision of the agreement could not be ensured in absence of recorded reasons. In spite of facilitating franchisee the Company could not derive any benefit and suffered loss.

**Additional expenditure of ₹ 16.74 lakh due to retrospective revision in agreement.**

The Company had to pay ₹ 9.25 lakh to the franchisee in 2011-12 and 2012-13 as per the original agreement whereas as per revised agreement the Company incurred expenditure of ₹ 25.99 lakh. Thus, undue benefit was extended to the franchisee by changing the terms and conditions of the agreement ignoring financial interest of the Company thereby incurring additional expenditure of ₹ 16.74 lakh.

The Government stated (December 2013) that it was following both types of franchisee formats, however, the reply was silent on retrospective revision of agreement with Kalakriti, Varanasi without any reference and without recording of any justification.

The fact remains that the Company had neither done any cost benefit analysis before appointment of franchisee nor fixed any monthly sales target to achieve the breakeven point. The Company failed to watch its financial interest while retrospectively revising the agreement which resulted in additional financial outgo without any consequent effect on sales income.

***Urban Haat***

**2.27** The GoJ, with assistance of GoI, established (2005-06) an urban *haat* at Hazaribag to provide permanent marketing outlet to artisans and weavers for selling their products directly to the consumers without involving middlemen.

The Company took possession (March 2010) of the urban *haat* from the district administration, Hazaribag and entrusted (March 2010) the management of the urban *haat* to Craftedge Consultants (Agency), a private agency. Audit observed that the Company had earlier also entered (October 2008) into an agreement with this Agency, as an authorised marketing partner, for sale and marketing of Tasar Silk and Handicrafts in India and abroad. However, no sale had been made by the Agency till March 2010.

As per the office order the Agency had to establish the necessary infrastructure like electricity, water and other facilities in the urban *haat* to make it operational and to enrol working groups of artisans for production of handicrafts. The Agency was responsible for overall management of urban *haat* under the supervision and control of the Company for which a consolidated sum of ₹ 35,000 per month was to be paid to the Agency.

Further, irregularities noticed in this regard are as below:

- The management of urban *haat* was assigned (March 2010) on nomination basis by issuing office order without the approval of BoDs, calling of tenders, entering into an agreement and evaluation of past performance.

**Management of urban *haat* was entrusted to the agency without following the prescribed procedures.**

- Tender for engagement of the managing agency of urban *haat* was yet to be done (July 2013) though the BoDs had given administrative approval (June 2012) for inviting tenders.
- The Company paid advance of ₹ 9.35[49] crore to the Agency against their applications during 2010-11 to 2012-13 without any security/bank guarantee which was beyond the scope of the entrustment of work. Out of which ₹ 5.34 crore remained unadjusted (March 2013). The Agency purchased raw materials without following the procedures prescribed by the Company. In absence of comparable rates for raw materials, we could not ascertain the reasonability of rates.
- Urban *haat* produced 5,155 and 4,256 metres of fabric and the average cost of production was ₹ 151 and ₹ 378 per meter in 2011-12 and 2012-13 respectively. The average cost of production of fabric of same quality in the 15 clusters[50] was ₹ 85 per meter and ₹ 138 per meter during 2011-12 and 2012-13. This has resulted in excess production cost of ₹ 13.57 lakh for fabric woven in the urban *haat*. Reasons for higher cost of production was payment of fixed remuneration to the weavers in the urban *haat* as against production linked wages paid in the clusters.

It is worthwhile to mention here that the Company failed to provide permanent marketing outlet to artisans and weavers for selling their products directly to the consumers without involving middlemen and more emphasis was given on production of handicrafts. It is pertinent to mention that the Company also incurred ₹ 1.24 crore on purchase of raw materials for production which was beyond the objective of operation of urban *haat*. Gross sale at urban *haat* was ₹ 15.85 lakh in 2011-12 which decreased to ₹ 8.25 lakh in 2012-13. Thus, the purpose of establishment of the urban *haat* was defeated.

The Government stated (December 2013) that the Agency was selected (October 2008) as marketing partner after proper tendering and BoDs approval and that management of urban *haat* was assigned (March 2010) to the Agency as it was their marketing partner. The Government stated that the Company

[49] Rupees 5.51 crore for purchase of raw materials, payment of salary of weavers and artisans and 3.84 crore for implementation of Design Development & Training, PWCS and Establishment of CFC schemes.

[50] Kharsawan, Akarshani, Sikni, Jiyajori, Boarijore, Godda, Poriayahaat, Fasia, Saraiyahaat, Pachrukhi, Maniyardih, Mahuadabar, Balthar, Jamunia and Hazaribag.

could not follow all purchase procedures and maintain records due to lack of sufficient man power.

The reply of the Government is not acceptable, as according to the minutes of the BoDs the Agency had approached the Company to act as an authorised agent for marketing and BoDs approval (September 2008) was for appointment of marketing partner and not for management of urban *haat* and production of handicrafts. Further, sales had also decreased as mentioned above.

**2.28** We, further, observed that the Company entered into an agreement (August 2009) with Craftedge Apparels, a sister concern of Craftedge Consultants having the same ownership and was entrusted the work of stitching of readymade garments without the approval of BoDs and calling for any quotation/tenders. The Company paid ₹ 46.06 lakh during the period March 2012 to March 2013 including interest free advance of ₹ 10 lakh in March/April 2012 without any security to Craftedge Apparels for purchase of articles for stitching of shirts for the Company. The advance of ₹ 10 lakh remained unadjusted (March 2013). It was further observed that land was also allotted to the Craftedge Apparels for setting up of stitching unit by the Ranchi Industrial Area Development Authority under the Department, GoJ on recommendation of the Company by extending undue favour to Craftedge Apparels. The Company had tied up with the Agency for marketing, however, no marketing was done by the agency.

**Undue favour extended to the Craftedge Apparels by not following the prescribed procedures.**

The Government stated (December 2013) that Craftedge Apparels was given the order of stitching of fabric as the firm was well experienced in making stitched garments and advance was also given to the firm as it was newly established.

The reply is self contradictory in nature that a newly established firm was well experienced in making stitched garments. Further, the Company being commercial entity has to protect its financial interest and follow proper procedure for assigning work and releasing payments.

## Financial Management

**2.29** The Company carries out its day to day activities with its internal sources[51] as well as Grants-in-Aid received from GoJ for meeting salary and other expenses[52]. The Company also received substantial funds from the GoJ and GoI for implementation of schemes for development of Sericulture, Handloom and Handicrafts including funds towards working capital. The operational performance of the Company for the years 2008-09 to 2011-12 is depicted in the ***Table – 2.4.***

[51] Income from sales, supervision charges received under schemes, interest from bank deposits *etc*.

[52] Grants-in-aid received from GoJ for meeting the expenditure of Salary, office expenses, rent for emporia, interior decoration of emporia, *mela* exhibition & advertisement *etc*.

***Table – 2.4***

**(₹ in lakh)**

| Particulars | Years | | | |
|---|---|---|---|---|
| | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
| Sales | 222.07 | 653.58 | 1280.09 | 1867.89 |
| Government Grants for scheme implementation | 150.31 | 996.65 | 2331.42 | 2119.06 |
| Other income | 9.82 | 8.06 | 643.81 | 689.59 |
| **Total income** | **382.20** | **1658.29** | **4255.32** | **4676.54** |
| Cost of producing goods | 216.55 | 677.06 | 1126.36 | 1286.42 |
| Administrative expenses | 103.39 | 178.01 | 472.46 | 604.38 |
| Selling & Distribution Expenses | 41.54 | 37.50 | 210.79 | 454.96 |
| Interest | 1.13 | 0.46 | 10.86 | 95.83 |
| Depreciation | 17.66 | 21.36 | 47.82 | 71.27 |
| Prior period Expense | - | - | 7.75 | (-)1.59 |
| **Total Expenditure** | **380.27** | **914.39** | **1876.04** | **2511.27** |
| Utilisation of government grants | - | 669.83 | 2331.42 | 2119.06 |
| Total Expenditure including utilisation of grants | 380.27 | 1584.22 | 4207.46 | 4630.33 |
| **Profit before tax** | **1.93** | **74.07** | **47.87** | **46.21** |

***(Source: Data compiled from Annual Accounts)***
***Note: The Company has not prepared its accounts for the financial year 2012-13.***

We observed that the other income[53] was ₹ 9.82 lakh in 2008-09, which increased to ₹ 6.90 crore in 2011-12 mainly on account of receipt of ₹ 5.01 crore and ₹ 5.76 crore during 2010-11 and 2011-12 respectively towards supervision charges for implementation of schemes of GoJ.

The Company received managerial grants of ₹ 10.13 crore[54] from GoJ during 2008-09 to 2012-13 as assistance for meeting expenditure on salary, rent and interiors of its emporia, participation in melas and exhibitions, advertisement of the schemes, design development, office expenses *etc*. so that the Company becomes self sustaining. We, however, observed that the Profit before Tax earned by the Company for the years 2008-09 to 2011-12 would have turned into losses in all the above years had it not received the managerial grants. Thus, the Company was not able to meet its operational expenses and was dependent on GoJ even after six years of its formation.

The Government stated (December 2013) that as the Company was incorporated five years ago, it takes time to reach breakeven level.

The Company has not kept its financial interests in mind as pointed out in paragraph nos. 2.24 to 2.28 and succeeding paragraphs.

***Credit policy and sundry debtors***

**2.30** The Company was selling its various products of handloom and handicrafts to Central Government Offices, State Government Departments/ Undertakings *etc*. on credit with prior approval of Managing Director. This resulted in mounting of outstanding debt from ₹ 37.22 lakh in 2008-09 to ₹ 8.30 crore as on March 2013. The Company had not prepared age-wise analysis of the debts for monitoring and pursuance for recovery.

[53] Comprising Supervision charges, consultancy charges, interest on bank deposit *etc*.
[54] ₹ 50 lakh in 2008-09, ₹ 1.63 crore in 2009-10, ₹ 2 crore in 2010-11, ₹ 3 crore in 2011-12 and ₹ 3 crore in 2012-13 included in the Government Grant.

It was observed that the Company supplied mementos, flags, decorations, banners *etc.* during 2010-11 to the National Games Organizing Committee (NGOC) at a cost of ₹ 1.97 crore. The NGOC paid only ₹ 1.39 crore and ₹ 58.28 lakh was outstanding as per the ledger. Thus, ₹ 58.28 lakh remained unrealised even after 34 months of execution (February 2011) of works for want of supply orders and detailed bills. The Company requested (May 2012) NGOC for payment, who called for the detailed bills and the work orders in respect of the outstanding amount. In the absence of proper record with the Company the chances of recovery of ₹ 58.28 lakh would be remote.

The Government stated (December 2013) that they are pursuing with NGOC for release of dues and assured that debtors would be reduced to a great extent by March 2014.

**2.31** As per purchase manual[55] of the Company, the Interior works upto a cost of ₹ 10 lakh was to be done by obtaining minimum three quotations from reliable suppliers and ensuring the reasonability of the price and for works above ₹ 10 lakh was to be done through open tender.

We observed that the Interior works of Mega Store at Ranchi were done by the Company wherein goods worth ₹ 20.26 lakh[56] were purchased from suppliers without tendering and without ascertaining the reasonability of rates by a purchase committee**,** thus violating the provisions of the purchase manual.

**Irregular award of work of interior decoration valuing ₹ 96.66 lakh to the agency.**

Similarly, the Company awarded Craftedge Consultants (Agency) the work of interiors of its Emporium (June 2012) at Dhanbad and Deoghar at a cost of ₹ 96.66[57] lakh including 10 *per cent* supervision charges on the basis of estimate submitted by the agency without tendering or ensuring the reasonability of the estimated cost as also indicated in paragraph no. 2.27 and 2.28. Further, the Company paid interest free advance of ₹ 28.05 lakh to the Agency without any security/Bank guarantee. Thus, the works for interiors of the Emporia/Stores of the Company was being executed without following the procedures as per its purchase manual thereby extending undue favour to the Agency and non safeguarding the financial interest of the Company.

The Government stated (December 2013) that the Agency was their partner and had managed the work through Self Help Groups and created livelihood opportunities for the carpenters.

The reply is not acceptable as the Company had violated the provisions of its own purchase manual.

## Material Management

**2.32** The Company had not formulated any procurement policy and inventory control mechanism for economical procurement and efficient control over inventory. The Company had neither done any ABC analysis nor

[55] approved by the Board of the Company in March 2011.
[56] Dilip Contech ₹ 8.78 lakh, Saket sales ₹ 3.69 lakh, Pelican International ₹ 2.10 lakh and Lucky Vanijya ₹ 5.68 lakh.
[57] Dhanbad Emporium ₹ 50.05 lakh, Emporium and camp office at Deoghar ₹ 46.61 lakh.

fixed any standard maximum/minimum level or reorder level of their material requirement. The ***Table – 2.5*** below indicates the inventory holdings and turnover during the last five years ended March 2013.

**Table – 2.5**

**(₹ in lakh)**

| Year | Total inventory | Turnover | Stock in terms of number of months' sales |
|---|---|---|---|
| **2008-09** | 445.75 | 222.07 | 24 |
| **2009-10** | 1472.73 | 653.58 | 27 |
| **2010-11** | 2599.60 | 1280.09 | 24 |
| **2011-12** | 3513.37 | 1867.89 | 23 |
| **2012-13 (Provisional)** | 4271.32 | ---- | --- |

***(Source: Data furnished by the Company)***

**Closing stock in terms of number of months' sales was between 23 and 27 months.**

It can be seen from the above table that the closing stock in terms of number of month's sales was consistently high ranging between 23 and 27 months. Had the Company adopted inventory control mechanism the inventory level could have been reduced. The Company had also not made age wise analysis of its stock.

The Government accepted (December 2013) the audit observation and stated that inventory management needs more improvement and all operations would become online by the end of 2013-14.

***Non-disposal of material accumulated due to excess production***

**2.33** The Company received an order (December 2010) for ₹ 1.20 crore from National Games Organizing Committee (NGOC) for supply of 14,450 mementos for 34th National Games held in Jharkhand in February 2011.

We observed that against the ordered quantity of 14,450 mementos, the Company produced 17,470 mementos i.e., 3,020 mementos in excess of the ordered quantity. Further, quantity of mementos supplied was only 12,646 i.e. the supplied quantity was lesser by 1804 even though excess quantity of mementos were produced. Reasons for short supply were not on record.

The Government stated (December 2013) that they had approached (August 2012) Sports Department, GoJ to take permission to sell the unsold mementos and if the Sports Department does not agree to the Company's proposal, the unsold mementos would be reused for making new product.

The fact remained that even after approaching Sports Department, GoJ in August 2012 no further action for disposal of material worth ₹ 37.10 lakh was taken so far (November 2013).

Thus, due to the excess production and failure to despatch full ordered quantity, 4,824 mementos valuing ₹ 34.91 lakh remained unsold. As the mementos were designed and produced for a specific occasion, there is remote

possibility of their disposal. Further, due to supply of less quantity of mementos, packaging materials[58] valuing ₹ 2.19 lakh also remained unutilised.

## Human Resource Management

**2.34** All officers and staff of the Company were engaged through outsourcing. The Company had appointed Team Lease Services Private Limited (August 2008) and *Awaran Seva Kendra* (November 2008) to provide manpower. Subsequently, the Company appointed Global Innov Source Solution Pvt. Ltd ("Global Innov") (August 2010) in place of Team Lease and the manpower engaged by the Company through Team Lease were transferred to Global Innov. The Company availed services of 267 personnel through the outsourced agencies (March 2013).

We observed the following:

- The Company had not formulated policy for recruitment of employees and no sanctioned strength of man power had been prescribed.

- The Company itself appointed the employees on probation for three to six months and after successful completion of probation period the Company sends their name to the outsourced agency to enroll on their pay roll.

- The Company appointed 25 project managers for smooth operation of sericulture although only seven of them had the required professional qualification i.e., Post Graduate Diploma in Sericulture. Eligibility and qualification for different posts were not specified by the Company except in case of Project Manager.

- The Company did not prescribe rules/regulations governing hike in salary of the outsourced employees which was enhanced on judgmental basis. Pay of the outsourced employees was increased within two months after appointment at the discretion of the Company management within the probation period.

- The turnover of the outsourced employee was quite high. One hundred and forty two employees, joined during August 2010 to April 2013 had left the Company after serving 1 to 1,003 days. This affects the performance of the Company.

The Government accepted (December 2013) the audit observation and stated that all the Project Managers held Post graduate diplomas in sericulture (PGDIS).

The reply is not acceptable as according to the information furnished by the Company, 18 out of 25 Project Managers were not holding PGDIS.

[58] Printed as per requirement of NGOC, hence cannot be used for other packing requirement.

## Monitoring and Internal Control

### *Internal Control*

**2.35** The Company was following internal control mechanisms viz. goods were being moved only on generation of challans, sales realisation was deposited in the bank on very next day, work order was issued with the prior approval of General Manager (Operation). However, the following deficiencies were noticed in the internal control and monitoring mechanism:

- The Department did not devise a mechanism to closely monitor the execution of schemes related to sericulture, handloom and handicraft.
- The Company did not devise a mechanism to monitor the physical progress of work in respect of handloom and handicrafts.
- The Department had not prescribed any time frame for construction of worksheds as mentioned in paragraph nos.2.15 and 2.17 to 2.19.
- The Company had not evolved any control mechanism to monitor the production of yarn by reelers and spinners from cocoons and had not compiled the data regarding number of cocoons issued to individual reelers and spinners and yarn received from them as mentioned in paragraph no. 2.14.
- Though the Company had a system of monthly review of purchase, production and sale, the reports were not compiled at the Company level except sales from emporia. Thus, without a consolidated report of purchase, production and sales the appropriate management decision may not be possible. This may also lead to deficiency in monitoring and follow up of Management Information System (MIS).
- The Department had not devised any mechanism to verify the UCs submitted by the Company as mentioned in paragraph no 2.15 and 2.19. The Department should have ensured that expenditure should match with the physical progress of work.
- The Company did not maintain stock register and schemewise data of purchase and distribution of looms and reeling and spinning machines as mentioned in paragraph no. 2.15 and 2.19. In its absence, the utilisation of funds could not be monitored by the Company.
- The Company did not safeguard its financial interest as mentioned in paragraph nos. 2.24 to 2.28, 2.30 and 2.31.

The Government stated (December 2013) that implementation of schemes were monitored by the Department/Company every month.

The facts remain that for achieving the objectives of the schemes monitoring needed to be improved.

***BoDs/Audit Committee meetings***

**2.36** Section 285 of the Companies Act, 1956 provides that every Company was to hold a meeting of Board of Directors at least once in three months and at least four such meetings was to be held every year. It was noticed that the Company did not hold the Board meeting in the second quarter of 2012-13[59]. BoDs could not monitor the activities of the Company in time in the absence of regular Board meetings.

Further, section 292A of the Companies Act, 1956 stipulated that every Public Limited Company having paid up capital of not less than ₹ five crore should constitute an Audit Committee at the Board level. However, the Company had not constituted the Audit Committee so far (November 2013). Review of financial statements and follow up of internal audit findings could not be ensured by the BoDs due to non formation of Audit Committee.

***Internal Audit***

**2.37** There was no arrangement for Internal Audit in the Company till October 2010. The Company had also not prepared the Internal Audit manual so far (November 2013). The Company outsourced Internal Audit to a firm of Chartered Accountants. The scope of work of the Internal Audit included checking of accounting and financial management system, observance of the procurement procedure for goods and services, physical verification of assets and inventory *etc*. However, the internal auditor did not examine the utilisation of funds for implementation of schemes for development of sericulture, handloom and handicrafts and performance of emporia/franchisee.

The Government accepted (December 2013) the audit observation regarding internal audit and stated that remedial action would be taken.

## Conclusion

**The Department prepared Eleventh Five Year Plan for establishment of 12 more PPCs for sericulture, however, targets in physical terms in respect of handloom and handicrafts was not specified. The Department achieved the target of establishment of 12 PPCs. There was short production of cocoons against the norms of CSB and the assistance of grants-in-aid was not fully provided but adjusted against the amount receivable from RDs. Further, the cocoons supplied to reelers and spinners were not matched with the production of silk yarn as estimated by the Company/Department. There was shortfall in achievements of the targets in respect of construction of worksheds and training to weavers under different schemes. The Department had not evolved mechanism to verify the UCs submitted by the Company. All the Emporia and Franchisee outlets were suffering losses. Appointment of Franchisees, management of urban *haat* and other works was assigned without**

[59] The Company had violated the provision by holding the Board meetings eight times from April 2007 to December 2011 with maximum time gap of seven months three days already reported in Audit report No. 2 of the year 2013, GoJ.

**following prescribed procedures. The advances were released to the Agency and Craftedge Apparels without any bank guarantee/security. The Company was not able to meet its operational expenses and was dependent on GoJ for fund requirement. The sundry debtors had increased from ₹ 37.22 lakh in 2008-09 to ₹ 8.30 crore as on March 2013. The Company had not formulated any procurement policy and inventory control mechanism for economical procurement and efficient control over inventory. Deficiencies were noticed in the internal control and monitoring mechanism and there was absence of comprehensive MIS system.**

## Recommendations

The Department needs to:

- monitor and review periodically the various schemes implemented by the Company to achieve the objectives of the schemes and evolve mechanism to verify the correctness of UCs; and
- take effective steps to increase the production of cocoons provide the full cash assistance to RDs without adjusting the amount receivable from RDs.

The Company needs to:

- prepare plans in consonance with the schemes sanctioned by GoI/GoJ to achieve their mandated function;
- monitor the silk yarn production with the cocoons supplied to reelers and spinners;
- take effective steps to promote sales and marketing of the products for ensuring profitability and commercial viability of the sales through emporia/franchisees and to adhere to financial rules for safeguarding its financial interest;
- adopt scientific inventory control method for better inventory management; and
- establish and strengthen various internal control mechanisms and MIS system.

# Chapter - III

# CHAPTER-III

## 3. Transaction Audit Observations

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

## Government companies

## Jharkhand State Forest Development Corporation Limited

### *3.1 Deficiencies in sale of kendu leaves*

#### *Introduction*

**3.1.1** The Jharkhand State Forest Development Corporation Limited (Company), a Public Sector Undertaking of Government of Jharkhand (GoJ), is the only agency of the Government of Jharkhand (GoJ) for the purpose of collection and sale of kendu leaves[1] in Jharkhand used for wrapping tobacco and making Beedis[2]. It performs its activities under the provision of the Jharkhand Kendu Leaves (Control of Trade) Rules, 1972, Jharkhand Kendu Leaves (Control of Trade) Act, 1973 and rules made thereunder.

Kendu leaves are sold in advance on lump sum basis in the month of December every year through tender *i.e.*, before the commencement of kendu leaves collection season (April to June). Tenders for sale of kendu leaves are invited by the Company for each lot[3]. Tenders received are finalised at Corporate office of the Company after evaluation by the Sale Committee constituted[4] by the GoJ. Agreements with highest bidders are entered into within 10 days from finalisation of tenders. In plucking season, kendu leaves pluckers collect new leaves of kendu and deliver these to the authorised agent of the purchasers deputed at the collection centres. After receipt of collected kendu leaves at collection centres, these dried leaves are sprinkled with water to soften them and then packed in jute bags called standard bags containing 1,000 polas[5]. Packed kendu leaves are transported to the godowns of the company or authorised private godowns where these are kept under "double lock system" consisting of locks of the purchaser and the company until the payment and lifting of the kendu leaves by the purchasers.

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[1] Botanical name Diospyros Melanoxylon.
[2] Popular smoke especially among poor natives.
[3] Lots are territorial/part territorial ranges consisting of one or more than one unit depending on size of the area and quantity of kendu leaves.
[4] Sale Committee includes representatives of Finance Department, Vigilance Department, Forest Department and the Company including Managing Director.
[5] Bundles of 50 kendu leaves is called as polas.

## Audit findings

During examination of records relating to sale of kendu leaves following deficiencies were noticed:

### *Unsold lots of kendu leaves*

**3.1.2** Unsold lots of kendu leaves are such lots for which no tender was received or tenders were received below the reserve price and were not considered for advance sale by the Sale Committee. These unsold lots were not collected by the pluckers and remained un-harvested[6] and were not useful for beedi making.

We noticed that on an average 10 to 15 rounds of advance sale tenders of kendu leaves lots were invited by the Company in between December to May during the seasons 2009 to 2013 so as to ensure sale of as many lots as possible. Despite successive advance sale tenders some lots of kendu leaves remained unsold. The details of sold and unsold kendu leaves lots during the seasons 2009 to 2013 are given in the ***Table – 3.1.***

**Table – 3.1**

| Season | Total no. of lots | No. of sold lots | No. of unsold lots | Notified yield[7] of unsold lots (Std bags) | Reserve price of unsold lots (₹ in crore) |
|---|---|---|---|---|---|
| 2009 | 297 | 237 | 60 | 132850 | 1.62 |
| 2010 | 295 | 240 | 55 | 126650 | 1.42 |
| 2011 | 298 | 279 | 19 | 34750 | 0.57 |
| 2012 | 296 | 290 | 06 | 17500 | 0.25 |
| 2013 | 299 | 200 | 99 | 266675 | 16.04 |
| **Total** | **1485** | **1246** | **239** | **578425** | **19.90** |

***(Source: Data compiled from sale report)***

During the seasons 2009-2013, unsold kendu leaves lots were ranging from six to 99. Thus, 5,78,425 standard bags of kendu leaves in respect of 239 unsold lots remained un-harvested. The sale of kendu leaves is the major source of income of the Company and it also provides seasonal employment to poor forest dwellers and villagers. Being a commercial entity the Company should have explored alternative avenues such as departmental collections[8] as carried out in erstwhile Bihar by way of making advance Action Plan for the lots which remained unsold in advance sale tenders till March of the respective collection season and reduction in reserve price with the approval of the BoDs as stipulated in Jharkhand Kendu Leaves (Control of Trade) Act, 1973 for harvesting these lots. However, no efforts were made in this regard by the Company.

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[6] The period of plucking/collection season of kendu leaf lots are from April to June i.e before rainy season. In the season, pluckers collect new leaves of kendu of sold lots. After the end of season the leaves get over matured. Thus, kendu leaves of the lots which are not sold in process of advance sale tenders remained un-harvested.

[7] Yield of kendu leaves in respective lots as per Gazette Notification dated 28 November 1984.

[8] Departmental collection- Before formation of Jharkhand the kendu leaves lots which could not be sold through auctions were got collected through pluckers under supervision of Company officials and directly sold to the purchasers.

Thus, 5,78,425 standard bags of kendu leaves in respect of 239 lots with reserve price of ₹ 19.90 crore remained un-harvested depriving revenue to the Company, State exchequer and employment to the pluckers.

The Management stated (November 2013) that reduction in reserve price would adversely affect sale in the next season. The limited purchasers would organise themselves into a cartel to sell lots at rates below reserve price thereby prices would reduce every year. Departmental collection would require huge initial investment for additional establishment and other infrastructure. Past experience of the same had not been very encouraging. The Management further stated that the matter will be taken up in the BoDs meeting.

Reply is not acceptable as the fixation of the reserve price is an internal matter of the Company. Hence, formation of cartels on the basis of a lowered reserve price does not arise. In a tender process the purchasers will offer higher price so as to purchase the lot on account of competitive bidding. Further, Jharkhand Kendu Leaves (Control of Trade) Act, 1973 provides for reduction in reserve price with the approval of competent authority. As regards departmental collection of unsold lots, no effort was made by the Company since its incorporation though the average market price of kendu leaves was higher than the collection cost including all charges. Further, the Company had not furnished the details of investment and additional establishment expenditure involved in support of its reply.

***Undue favour extended to purchasers owing to deficient clause***

**3.1.3** As per clause 1 of the terms and conditions of agreement, in case of delivery of kendu leaves in excess[9] of notified yield purchasers will pay for excess quantity with all taxes and duties. The value of excess quantity of kendu leaves over notified quantity will be calculated at 50 *per cent* of the average sale price per standard bag.

During seasons 2008 to 2012, an excess quantity of 3,04,286 standard bags of kendu leaves were collected over notified yields of 10,55,325 standard bags in respect of 407 sold lots ranging between 11.15 to 35.94 *per cent* of the notified yield aggregating total collections of 13,59,611 standard bags. The sale price of such excess collected leaves worked out to ₹ 15.10[10] crore ***–Annexure-3.1.***

The purchasers paid to the Company only 50 *per cent* of the average sale price per standard bag over notified yield of the respective lot for extra quantity of leaves collected as per agreement clause though the purchasers got full value of these extra quantities of leaves from their sale to Beedi manufacturer. We further observed that total collection including excess collection were within the yield as assessed by the Institute of Forest Productivity (IFP) Ranchi.

[9] Excess collection will be taken over compulsorily by purchasers.

[10] (Lump sum sale price /notified yield) X extra collection in standard bag; calculated for each lot where extra collection recorded.

Thus, due to deficient clause of agreement by allowing 50 *per cent* incentive on excess collection of kendu leaves is detrimental to the financial interest of the Company which resulted in extending undue benefit to the purchasers to the extent of ₹ 7.55 crore- ***Annexure 3.1***.

The Management stated (November 2013) that the present policy to encourage extra collection beyond notified yield at 50 *per cent* of the average sale price per standard bag motivates the purchaser to collect more leaves. This gives extra revenue for the Company; otherwise the purchaser may not be interested in kendu leaves collection beyond the target.

The reply of the Management is not acceptable as the policy of the Company is detrimental to its financial interest by allowing extra collection at 50 *per cent* rate. The Company did not revise the notified yield and tap the potential yield of kendu leaves as assessed by the IFP. Non revision of the notified yields and updating their systems resulted in aiding the purchasers. Further, the IFP Report was pending for adoption since December 2010, which would result in increase of notified yield.

***Adverse impact on sale of kendu leaves due to non enforcement of terms of agreements***

**3.1.4** In terms of the clause 7 (b) (i) of agreement, the purchaser has option to lift the sold quantity of leaves in four equal installments after depositing the sale value. Further, as per clause 11 of agreement, if the purchaser fails to deposit installment by due date or fails to comply with any other condition of the agreement, the Company may cancel the agreement, forfeit the security deposit and seize the stock to dispose of the said kendu leaves and recover the losses, if any, from the purchasers after its resale.

We noticed that the Company sold Khunti A lot under Ranchi division at lump sum price of ₹ 25.75 lakh and entered (February 2011) into agreement with the purchaser[11] in season 2011. The validity of the agreement was up to March 2012 and entire stocks of leaves were to be lifted within the validity period. The purchaser stored 753.250 standard bags collected in May-June 2011 at departmental godown.

We observed that the purchaser did not deposit any installment within the validity period of agreement. The purchaser applied (April 2012) for extension up to 30 June 2012 after depositing extension fee of ₹ 3.20 lakh and again applied (September 2012) for extension up to 10 October 2012 which was not granted. The Company neither cancelled the agreement nor seized the kendu leaves in accordance with the provisions of clause 11 of the agreement despite the fact that leaves are perishable by nature. The agreement was belatedly terminated and the security money of ₹ 9.65 lakh including extension fee was forfeited in December 2012. The effort of the Company to sell the seized stock of kendu leaves through auction (May 2013), after delay of one year and two months from the validity date, did not materialise being two years old stock and perishable nature of the leaves and resulted in a loss of ₹ 12.90 lakh.

[11] Prasan Kumar Sinha

The Management stated (November 2013) that the seized kendu leaves of the lot was put for sale in 2013, despite several rounds of tender no bid was received.

Reply confirms failure of the Company to take timely action for disposal of the seized kendu leaves ignoring clause 11 of the agreement.

**3.1.5** As per clause 7 (vi) of agreement, the purchaser is required to insure against fire and theft of notified quantity of leaves sold to them in favour of the Company within 10 days of the execution of the agreement and submit an original/ certified copy of the insurance policy to the respective Divisional Manager prior to taking delivery of kendu leaves. The insured sum will not be less than the amount payable at any time and in case of excess collection of kendu leaves the purchaser is also required to make insurance within 10 days of such excess collection. Further, as per clause 32 (b) (iv) of the terms and conditions of agreement, the purchaser was responsible for safety of delivered leaves at the collection centre and the stock of kendu leaves in the godown under supervision of the Company. In this regard following deficiencies were noticed:

**3.1.5.1** The Company sold Simdega East C lot under Ranchi division at lump sum price of ₹ 61.11 lakh and entered (February 2011) into agreement with the purchaser[12] in season 2011. The validity of the agreement was up to March 2012 and entire stock of leaves were to be lifted within the validity period.

The purchaser stored 2,649.750 standard bags collected in May-June 2011 at his godown at Kansdega which was insured for risk of fire only. The purchaser lifted only 662.437 standard bags up to January 2012 and the balance quantity remained in the godown even after expiry of agreement. Overlooking clause 11 of the agreement the Company neither cancelled agreement nor seized stock of kendu leaves despite being aware of their perishable nature. Although the purchaser applied extension up to 10 October 2012, no extension was granted. The agreement was terminated and security deposit of ₹ 15.28 lakh was forfeited (December 2012). Physical verification of stock was conducted (February 2013) by the Company after termination of the agreement in which 1,567.460 standard bags valuing ₹ 31.94 lakh[13] including taxes and other charges were found short for which neither any responsibility was fixed nor any recovery of the loss has yet been made (July 2013). Thus, in absence of insurance against theft the Company suffered a loss of ₹ 31.94 lakh. Further, efforts of the Company to sell the seized stock valuing ₹ 8.55 lakh[14] through auction (May 2013) did not materialise as kendu leaves being perishable by nature. Failure in taking timely action for seizure and resale of seized kendu leaves stock resulted in denial of potential revenue.

While accepting the facts Management stated (November 2013) that F.I.R. has been lodged against the godown owner, purchaser and the Forest Produce

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[12] Prasan Kumar Sinha

[13] ₹ 40.49 lakh/1987.313 Std bags*1567.460 Std bags

[14] ₹ 40.49 lakh/1987.313 Std bags*419.853 Std bags of Simdega East= ₹ 8.55 lakh

Overseer (FPO). FPO has been suspended and departmental proceedings have been initiated against him and Forest Produce Inspector (FPI). A certificate case has also been lodged against the purchaser. However, the fact remains that recovery of loss is yet to be made.

**3.1.5.2** In a similar case pertaining to Simdega East C lot and Simdega East D lot during the season 2012 the Company sold kendu leaves at a lump sum price of ₹ 72.11 lakh and ₹ 91.21 lakh. The purchaser stored 3,310.050 standard bags of Simdega East C lot and 3,770.790 standard bags of Simdega East D lot in godown. The purchaser deposited security of ₹ 40.83[15] lakh for the lots.

The purchasers did not deposit any installment of the lots on due dates. Despite this, the Company did not seize the kendu leaves stock in accordance with the provisions of clause 11 of the agreement. The godown caught fire (28 October 2012) and entire stock of kendu leaves valuing ₹ 163.32[16] lakh was burnt. The Company failed to ensure the safety of kendu leaves stock. However, the Company claimed (November 2012) for recovery of insured amount against these lots with the insurance company and the security deposits were forfeited. The claim is yet to be settled by insurers (November 2013). Failure to enforce clause 11 of the agreement and to ensure the safety of kendu leaves stock, the Company may sustain loss of ₹ 122.49[17] lakh.

The Management stated (November 2013) that all requisite information regarding the claim sought by surveyor of insurance company was made available. However, recovery of loss has not been made even after one year of the claim. The Management further stated that FPO has been suspended and departmental proceedings have been initiated against him and FPI. A certificate case has also been lodged against the purchaser along with black listing him.

The fact remained that the amount is yet to be realised (November 2013).

**3.1.5.3** It was also noticed that as against the 3,770.790 standard bags of kendu leaves collected in Simdega East D lot the payment of wages of ₹ 7.05[18] lakh was made to the kendu leaves collectors for 1007.12 standard bags only at the time of delivery of kendu leaves. Payment of wages for 2,763.670 standard bags could not be made as the Company did not obtain collection cost from the purchaser in contravention of the clause 6 of the agreement which provides that collection cost was to be obtained in full from the purchaser for timely payment to collectors before taking delivery of the collected leaves. Matter was brought to the notice[19] of the Company after a delay of seven months from the delivery of the kendu leaves although FPO and FPI were responsible for ensuring timely payments to collectors. Due to

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[15] Simdega East C- ₹ 18.03 lakh *plus* Simdega East D- ₹ 22.80 lakh
[16] Simdega East C- ₹ 72.11 lakh *plus* Simdega East D- ₹ 91.21 lakh
[17] Value of kendu leaves - ₹ 163.32 lakh *minus* security money-₹ 40.83 lakh = ₹ 122.49 lakh
[18] 1007.12 standard bags x ₹ 700 per standard bag = ₹ 7.05 lakh
[19] By Local Member of Parliament.

inaction of the Management the Company have to pay wages amounting to ₹ 19.35[20] lakh and to suffer loss to that extent.

***Inadequacies in insurance of stock of kendu leaves***

**3.1.6** During test check of records pertaining to purchasers along with insurance policies of Minor Forest Produce Divisions at Ranchi, Hazaribag, Giridih and Daltonganj during the seasons 2008-12, we noticed the following inadequacies;

- In the four test checked divisions, out of 910 lots sold, only 880 lots were insured. Moreover, out of these 880 insured lots 76 lots were insured for amounts less than the lump sum amount of the respective lots. In four cases, no original or certified copies of insurance policy was submitted.

- Insurance against the risk of theft were not done in Division offices at Ranchi and Daltonganj as required under terms and conditions of agreement whereas 203 lots and nine lots were insured against the risk of theft out of 208 and 268 insured lots in Giridih and Hazaribag respectively.

- In Hazaribag division, in five cases the kendu leaves were lifted after the expiry of the insurance policy ranging from 12 days to 10 months. The validity of the insurance policies in respect of 43, 33, 15 and 12 lots of Giridih, Hazaribag, Daltanganj and Ranchi divisions respectively expired before the contract period *i.e.* 31 March of year succeeding the year of collection.

- In season 2009, stock for Pratappur E lot was insured for shops dealing in hazardous goods, arms and ammunition dealers, motor vehicle showrooms including sales and services, petrol and diesel kiosks instead of stocks of kendu leaves. Wrong categorization of insured item may result in denial of claim in case of damage due to any accident.

Thus, failure of the Company to ensure adequate and proper insurance of kendu leaves stock indicates lack of monitoring. Inadequate or improper insurance may result in unnecessary loss of revenue and blocking of fund apart from wastage of time and resources in unwanted legal proceedings/procedures.

While confirming the facts the Management stated (November 2013) that in future steps would be taken to get the stock of kendu leaves insured against both fire and theft and the inadequacy have been noted and will not be repeated in future.

[20] 2763.670 standard bags x ₹ 700 per standard bag = ₹ 19.35 lakh

# Statutory Corporation

## Jharkhand State Electricity Board

### 3.2 Blockade of fund of ₹85.23 lakh due to improper planning

**Procurement of ACSR Panther conductor without proper assessment of requirement resulting in blocking of fund of ₹ 85.23 lakh and consequential loss of interest of ₹ 53.55 lakh.**

In order to meet the requirement for upgradation and extension of the electricity distribution system as per the demand, Jharkhand State Electricity Board (JSEB) prepares Annual Development Programme (ADP) each year. The requirement of materials for the works under ADP is worked out on the basis of requirement obtained from field offices and is included in the material budget for procurement during the year. The proposed expenditures under the ADP are largely met with the funds provided by the Government of Jharkhand (GoJ).

The General Manager-cum-Chief Engineer of Area Office, Jamshedpur, JSEB proposed (June 2006) the works of three 33 kV Switching sub-stations, 44 Kms of 33 kV line Stray extension and Rehabilitation of 14 Kms of 33 kV lines for which requirement of 1.8 Kms of ACSR Panther Conductor[21](Panther Conductor) and 313.60 Kms of Dog Conductor[22] was sent to JSEB, Headquarter. Against this, the works of three Switching sub-stations, eight Kms of 33 kV line Stray extension and Rehabilitation of 10 Kms of 33 kV lines was approved by JSEB for Area Office, Jamshedpur. Provision for procurement of 150 Kms of Panther Conductor was made in the material budget of ADP for the year 2006-07 although requirement projected by the field was only for procurement of 1.8 Kms of Panther Conductor.

JSEB proposed for procurement of 151.65 Kms[23] of Panther Conductor for which Chairman, JSEB accorded administrative approval (October 2006). Accordingly, tender was invited (December 2006) for supply of the material. After following the due tender evaluation procedure purchase order was placed (April 2008) on Anvil Cables Pvt. Ltd. for supply of 147 Kms of ISI marked Panther Conductor at a variable price of ₹ 1,20,044.27 per Km. The material was to be supplied within 45 days of issue of Letter of Intent (27 March 2008) *i.e.,* by May 2008. Out of the ordered quantity of 147 Kms supply of 85.30 Kms of Panther Conductor was received.

We observed (March 2013) that procurement of Panther conductor was made under the approved material budget for 2007-08 wherein provision was made for purchase of 200 Kms of Panther conductor on ad-hoc basis without assessing fresh requirement from the field.

[21] Aluminium Conductor Steel-reinforced (ACSR) panther cable is high current carrying capacity conductor used in Power Sub-stations and 33 kV lines
[22] ACSR Dog Conductor is utilised for construction of 33 kV line/11 kV line and LT lines
[23] Including 150 Kms for ADP and 1.65 Kms for Rural Electrification

Against the requirement of 1.80 Kms of Panther Conductor, 22.70 Kms of the conductor was delivered to the Central Store under Jamshedpur Area Office of which only 3.28 Kms was utilised (July 2013). JSEB delivered the balance material[24] to other Central Stores under Electric Supply Circles although no requisition for the material was received from them. As against the procured quantity of 85.30 Kms of the ACSR Panther conductor only 20.213 Kms (23.70 *per cent*) was utilised and balance quantity of 65.087 Kms valuing ₹ 85.23 lakh[25] remained (July 2013) in the Stores.

JSEB stated (August 2013) that the Panther Conductor could not be utilised in Jamshedpur Area Office and in other areas due to non-completion of proposed Switching Station and PSSs during the years 2008-2013 on account of land disputes and other reasons. The reply is not acceptable as Panther Conductor demand assessed in 2006-07 was only 1.8 Kms which was much less against the procurement. Further, JSEB has planned for construction of 46 PSSs under ADP in 2013-14 in which only 27.60[26] Kms of Panther Conductor would be required. Considering the fact that only four PSSs were constructed during 2008 to 2012 due to constraints of land availability for the proposed PSSs and other problems substantial time would be required for construction of the PSS. Thus, there was no possibility of immediate utilisation of the balance quantity of 65.087 Kms of the Panther Conductor.

Thus, procurement of the Panther Conductor in excess of requirement by JSEB resulted in 65.087 Kms of the conductor remaining unutilised for five years and consequential blocking of funds of ₹ 85.23 lakh. As the Board was under severe financial constraints and the funds were arranged mainly by loan from the GoJ, it has entailed avoidable interest burden of ₹ 53.55[27] lakh.

The matter was reported to the Government in June 2013; their reply is awaited (December 2013).

## 3.3 Unfruitful expenditure on repairing of Generator Stator

**Unfruitful expenditure of ₹ 71 lakh due to repairing of Generator (Stator & Rotor) for shut down Unit No.3 of Patratu Thermal Power Station without ensuring fund availability for the proposed restoration of the shut down Unit and consequent non-utilisation of the Generator Stator.**

As per the Financial and Account Code of Bihar State Electricity Board as adopted by Jharkhand State Electricity Board (JSEB), capital scheme involving expenditure of more than rupees fifteen lakh is to be prepared only with prior consultation of the State Government. JSEB prepares Work Plan for schemes relating to Generation each year, funding of which is made mainly by the Government of Jharkhand (GoJ). JSEB after obtaining administrative

[24] 62.60 Kms (85.30 Kms – 22.70 Kms)
[25] ₹ 69.78 lakh (53.304 Km x ₹ 1,30,900 landed cost per Km including price variation) + ₹ 15.45 lakh (11.783 Km x ₹ 1,31,153 landed cost per Km including price variation)
[26] considering the requirement of 600 meters in each proposed PSS
[27] ₹ 85.23 lakh x 13 *per cent* x 58 months/12 = ₹ 53.55 lakh

approval of the schemes from the apex Board sends the proposal to the GoJ for approval and for provision of fund.

The 50 MW Russian make power generation Unit No.3 of Patratu Thermal Power Station (PTPS) was shut down since August 2003. JSEB prepared Generation Work Plan for 2007-08 for ₹ 100 crore in which the scheme for restoration of Unit No.3 of PTPS at a cost of ₹ 25.29 crore was included. The GoJ made a provision of ₹ 100 crore against the work plan in the budget outlay for 2007-08. The apex Board of JSEB accorded administrative approval (April 2007) to the proposal subject to final approval of the GoJ. JSEB invited (February 2008) tender for awarding the work at an estimated cost of ₹ 25.29 crore in anticipation of approval of the GoJ.

The GoJ sanctioned (March 2009) ₹ 100 crore under Generation Plan of JSEB but restricted utilisation of the fund for Unit No. 3 stating that the funds were to be utilised only for ongoing rehabilitation of Unit No. 9 and 10 of PTPS. As the fund was not available, JSEB cancelled (February 2010) the comprehensive tender for restoration of the unit. Subsequently, restoration of Unit No.3 was postponed (February 2011) by the GoJ.

It was observed that in the meantime the Plant management of JSEB had proposed (May 2007) repairing of Generator (Stator & Rotor) for the unit separately though the cost (₹ 2.53 crore) for the same was included in the estimated cost (₹ 25.29 crore) for restoration of Unit No.3 (March 2007). The proposal was approved (December 2007) by the apex Board of JSEB and a technical estimate of ₹ 3.54 crore was sanctioned (May 2008) for the same.

JSEB placed (January 2009) the work order on turnkey basis for repair/rewinding of Generator Stator and Rotor on ABB Limited (ABB) at a price of ₹ 2.12 crore excluding taxes & duties. The complete work of repair of the Generator Rotor and re-insulation of the Stator including supply of winding materials for the Stator was completed by ABB in October 2009.

However, rewinding of the Stator, assembly of Stator and Rotor and associated works at the plant site of Unit No. 3 were yet to be executed as per the scope of work. There was no possibility of utilisation of the generator in the unit hence balance work for repairing of the Generator Stator was not done. The repaired Rotor was utilised (October 2010) in the generator of another 50 MW Russian make Unit No. 4 of PTPS which was shut down since December 2009 due to failure of its Rotor.

JSEB foreclosed (May 2013) the work order before completion of the work and revised the work order for reduced value of ₹ 1.65 crore (excluding taxes and duties) for actual quantity of works executed. The actual work done for the Stator costing ₹ 71 lakh remained unutilised so far (May 2013). This equipment can only be utilised in case of breakdown of Stator of Unit No. 4. Possibility of utilisation in other units of PTPS was also remote as JSEB has proposed (February 2013) phasing out of 50 MW Russian make Units no. 1, 2 and 3 immediately.

JSEB stated (August 2013) that separate work order for repair of Generator (Stator & Rotor) Unit No. 3 was placed on ABB Ltd. for early restoration of the Unit and that keeping one set of Generator Stator as spare was better. The repaired rotor of the generator was used for bringing into operation the shut down Unit No.4 due to failure of its Rotor.

The reply of JSEB is not acceptable as early restoration of the Unit No.3 was not possible as the work for comprehensive restoration of the Unit was not awarded due to uncertainty of getting the fund from the GoJ. Also, reply of JSEB to keep one set of Stator as spare is an afterthought as no such alternative was mooted at the time of placement of order.

Thus, placement of the work order for repair of Generator (Stator & Rotor) separately although the same was included in the restoration scheme of Unit No.3 which was not taken up due to non-availability of fund for the scheme was not justified as after getting it repaired the Stator remained unutilised since October 2009 rendering the expenditure of ₹ 71 lakh unfruitful.

The matter was reported to the Government in June 2013; their reply is awaited (December 2013).

## *3.4 Loss due to non-levy of penalty*

**Short billing of ₹ 45.72 lakh resulted in loss of interest of ₹ 5.29 lakh due to non/delayed realisation of penalty for exceeding 110 *per cent* of the contract demand from the consumers.**

Jharkhand State Electricity Board (JSEB) was supplying power to Eastern Coalfields Limited (ECL) a subsidiary of Coal India Limited, a Central Public Sector Undertaking through HTS connections and supply of power to Railways was being made by JSEB through Railway Traction Services (RTS) connections. We observed (January/May 2013) that one HTS connection of ECL at Lalmatia, under Electric Supply Circle, Deoghar recorded their maximum demand exceeding 110 *per cent* of the Contract demand during the period August 2011 to November 2011. Similarly, three RTS connections (Tolra, Lodhma and Bakaspur) of Railways under Transmission Circle, Ranchi recorded their maximum demand exceeding 110 *per cent* of the contract demand during the period August 2012 to March 2013. However, JSEB in violation of the provisions of the tariff order raised the bills for demand

As per provisional Tariff order in respect of High Tension Voltage Supply Service (HTS) consumers issued by Jharkhand State Electricity Regulatory Commission (JSERC) applicable from 1 August 2011 if the recorded demand exceeds 110 per cent of the contract demand then the demand charge upto 110 per cent of contract demand will be charged as per the normal tariff rate. The remaining recorded demand over and above 110 per cent will be charged at the rate of 1.5 times the normal tariff rate.

charges for the recorded maximum demand at the normal rates without levying the penal charges for the actual recorded demand exceeding 110 *per cent* of the contract demand. Thus, short billing for the penal charges resulted in short receipt of ₹ 45.72 lakh from the consumers.

On this being pointed out by Audit, JSEB raised supplementary bills on the above consumers for the penal charges amounting to ₹ 45.72 lakh of which ₹ 35.06 lakh in respect of the three RTS consumers were received (July/August 2013). However, the penal charges of ₹ 10.66 lakh receivable from ECL remained unrealised so far (October 2013).

JSEB has accepted (September 2013) the facts and further stated that even after reminder (July 2013) ECL had not paid the penal charges of ₹ 10.66 lakh.

Thus, failure of JSEB to levy penalty as per provisions of tariff order resulted in non recovery of ₹ 10.66 lakh and consequently it suffered interest loss of ₹ 5.29 lakh[28] due to delay in realisation/non-realisation of the penalty charges.

The matter was reported to the Government in June 2013; their reply is awaited (December 2013).

## *3.5 Non- realisation of share of expenditure for proposed power project from the beneficiary States*

**JSEB had not realised ₹ 1.57 crore from the beneficiary States towards the share of expenditure for the proposed Thermal Power Project and borne additional interest burden of ₹ 1.16 crore.**

The Government of India (GoI), Ministry of Power proposed (October 2007) to allocate Mourya Coal Block in Jharkhand to a Special Purpose Vehicle[29] (SPV) to be formed jointly by Jharkhand, Bihar and Uttar Pradesh, with these States having a share of drawal of 60 *per cent*, 25 *per cent* and 15 *per cent* power respectively from the thermal power project to be established in Jharkhand. The SPV would call tariff based competitive bid for procurement of power on behalf of the distribution utilities of the States for selection of developer. The SPV was to be taken over by the selected developer paying all the costs incurred by the SPV on the project.

The Jharkhand State Electricity Board (JSEB) appointed (February 2008) Power Finance Corporation (PFC) as consultant for creation of the SPV and to assist the SPV in getting water allocation, fuel linkage and in obtaining statutory clearances *viz.,* environment, forest clearance etc. and to advise and support for selection of developer for the project. The consultancy fee payable

[28] at 13 per cent rate of interest at which JSEB is borrowing from the Government of Jharkhand

[29] a legal identity established under the relevant Act of a country through an agreement

was ₹ 14 crore plus taxes. JSEB paid (February 2008) ₹ 3.93 crore[30] to PFC as advance as per terms of the work order.

JSEB constituted (19 September 2008) the SPV, Karanpura Energy Limited (KEL) as a Company under the Companies Act, 1956 wholly owned by JSEB with representatives of Government of Bihar and Uttar Pradesh in its Board of Directors. The Ministry of Coal, Government of India allocated (June 2009) the Mourya Coal Block for a Greenfield power project (2x660 MW) to be set up by KEL and the coal produced from the above mines was to be exclusively used in the power project.

The proposed power project was to be set up with the resources available in the State in which power was to be shared with Bihar and Uttar Pradesh. As such the expenditure relating to the project was to be shared among the beneficiary states in proportion to their share of power. JSEB however, did not enter into any arrangement with the states of Bihar and Uttar Pradesh for sharing of expenditure.

Though JSEB intimated (March 2008) the Government of Bihar and Uttar Pradesh that the expenses on consultancy services were to be shared by them, payment for the same was not pursued with them. As a result the share of the expenditure of ₹ 3.93 crore for consultancy charges i.e., ₹ 98.25 lakh[31] receivable from Bihar and ₹ 58.95 lakh[32] from Uttar Pradesh was not received (October 2013).

We noticed that the consultancy fee of ₹ 3.93 crore paid by JSEB was accounted for by KEL as loan received from JSEB in its accounts[33] although no interest on the same was shown as payable and thus JSEB would not receive interest on the amount on taking over of the SPV by the selected developer.

JSEB stated (November 2013) that it has requested the beneficiary states for remittance of the funds against their share of expenditure.

The reply is not acceptable as JSEB did not make effort for realisation of the proportionate share of the expenditure of the consultancy charges of ₹ 3.93 crore from the beneficiary states as the request for the payment was made only once in October 2013 on being pointed out by audit.

Thus, due to failure of JSEB in entering into an arrangement for sharing of expenditure for the project with the beneficiary States and in taking effective action for its realisation, ₹ 1.57 crore remained unrealised. Consequently, JSEB borne (October 2013) additional interest burden of ₹ 1.16 crore[34].

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[30] ₹ 350 lakh (25 *per cent* of ₹ 1400 lakh) plus ₹ 43.26 lakh (12.36 *per cent* Service tax )
[31] 25 *per cent* of ₹ 3.93 crore
[32] 15 *per cent* of ₹ 3.93 crore
[33] for the period 19 September 2008 to 30 June 2009 and for the subsequent accounting periods
[34] ₹157.20 lakh x 13 *per cent* x 68 months (March 2008 to October 2013)/12

The matter was reported to the Government in July 2013; their reply is awaited (December 2013).

## GENERAL

### *3.6* Follow up action on Audit Reports

**3.6.1** 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 2011-12 were placed in the State Legislature in July 2009, August 2010, August 2011, September 2012 and July 2013 respectively. Out of 31 paras/Reviews involving ten PSUs under eight Departments featured in the Audit Reports (Civil & Commercial) and Audit Report on PSUs respectively, no replies in respect of 30 paras/Reviews have been received from the Government by 30 September 2013 as indicated in the ***Table – 3.2.***

**Table – 3.2**

| Year of Audit Report | Total Paragraphs/Reviews in Audit Report | No. of Departments involved | No. of Paragraphs/Reviews for which replies were not received |
|---|---|---|---|
| 2007-08 | 9 | 3 | 8 |
| 2008-09 | 5 | 2 | 5 |
| 2009-10 | 7 | 2 | 7 |
| 2010-11 | 4 | 3 | 4 |
| 2011-12 | 6 | 8 | 6 |
| **Total** | **31** | | **30** |

Department wise analysis is given in ***Annexure-3.2.***

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

**3.6.2** In the Audit Reports (Civil & Commercial) for the years 2001-02 to 2010-11 and Audit Report on PSUs for the year 2011-12, 40 paragraphs and nine Reviews were included. Out of these, seven paragraphs and three Reviews had been discussed by COPU upto 30 September 2013. COPU had made recommendations in respect of three paragraphs and two Reviews of the Audit Reports for the years 2001-02 to 2007-08.

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. The ATNs are, however, furnished by the departments to us only at the time of discussion of ATNs by COPU.

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

**3.6.3** Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned administrative department of the State Government through Inspection Reports (IRs). The heads of PSUs

are required to furnish replies to the IRs within a period of four weeks. IRs issued upto March 2013 pertaining to 10 PSUs disclosed that 1,510 paragraphs related to 386 IRs remained outstanding at the end of September 2013. Department-wise break-up of IRs and audit observations outstanding as on 30 September 2013 are given in ***Annexure-3.3***.

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 five draft paragraphs and one review forwarded to the various departments during June to August 2013, the Government had replied (December 2013) only to the review; replies to the draft paragraphs have not been received so far (December 2013) as detailed in ***Annexure-3.4.***

We recommend that the Government should ensure that (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 recommendations 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.

**Ranchi**
**The**

**(MRIDULA SAPRU)**
**Principal Accountant General (Audit)**
**Jharkhand**

**Countersigned**

**New Delhi**
**The**

**(SHASHI KANT SHARMA)**
**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 2013 in respect of Government companies and Statutory corporation

*(Referred to in paragraph 1.8)*

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

| 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 2012-13 | | | | Debt equity ratio for 2012-13 (Previous year) | Manpower (No. of employees as on 31.3.2013) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 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. | Jharkhand State Forest Development Corporation Limited | Forest & Environment | 27.3.2002 | 5.00 | - | - | 5.00 | - | - | - | - | - | 318 |
| 2. | Jharkhand Hill Area Lift Irrigation Corporation Limited | Water Resources | 22.3.2002 | 500.00 | - | - | 500.00 | 525.00 | - | - | 525.00 | 1.05:1 | 219 |
| **Sector wise total** | | | | **505.00** | **-** | **-** | **505.00** | **525.00** | **-** | **-** | **525.00** | **1.04:1** | **537** |
| INFRASTRUCTURE | | | | | | | | | | | | | |
| 3. | Jharkhand Industrial Infrastructure Development Corporation Limited | Industry | 15.12.2004 | 900.00 | - | - | 900.00 | - | - | - | - | - | 15 |
| 4. | Jharkhand Police Housing Corporation Limited | Home | 13.03.2002 | 200.00 | - | - | 200.00 | - | - | - | - | - | 42 |
| 5. | Greater Ranchi Development Agency Limited | Urban Development | 23.01.2003 | 2500.00 (2450.00) | - | - | 2500.00 (2450.00) | - | - | - | - | - | 17 |
| **Sector wise total** | | | | **3600.00 (2450.00)** | **-** | **-** | **3600.00 (2450.00)** | **-** | **-** | **-** | **-** | **-** | **74** |
| MANUFACTURING | | | | | | | | | | | | | |
| 6. | Jharkhand Silk Textile and Handicraft Development Corporation Limited | Industry | 23.08.2006 | 1000.00 | - | - | 1000.00 | - | - | 725.00 | 725.00 | 0.73:1 | 267 |
| 7. | Jharkhand State Mineral Development Corporation Limited | Mines & Geology | 07.05.2002 | 200.00 | - | - | 200.00 | - | - | - | - | - | 365 |
| **Sector wise total** | | | | **1200.00** | **-** | **-** | **1200.00** | **-** | | **725.00** | **725.00** | **0.60:1** | **632** |
| POWER | | | | | | | | | | | | | |
| 8. | Tenughat Vidyut Nigam Limited | Energy | 26.11.1987 | 10500.00 | - | - | 10500.00 | 66589.87 | - | - | 66589.87 | 6.34:1 | 674 |
| 9. | Karanpura Energy Limited | Energy | 19.09.2008 | - | - | 5.00 | 5.00 | - | - | 1195.75 | 1195.75 | 239.15:1 | ❖ |
| **Sector wise total** | | | | **10500.00** | **-** | **5.00** | **10505.00** | **66589.87** | **-** | **1195.75** | **67785.62** | **6.45:1** | **674** |

| 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 2012-13 | | | | Debt equity ratio for 2012-13 (Previous year) | Manpower (No. of employees as on 31.3.2013) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 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) |
| SERVICES | | | | | | | | | | | | | |
| 10. | Jharkhand Tourism Development Corporation Limited | Tourism | 22.3.2002 | 300.00 (50.00) | - | - | 300.00 (50.00) | - | | - | - | - | 92 |
| 11. | Jharkhand State Beverages Corporation Limited | Excise & Prohibition | 26.11.2010 | 500.00 (300.00) | - | - | 500.00 (300.00) | 25.00 | - | - | 25.00 | 0.05:1 | 16 |
| 12. | Jharkhand State Food and Civil Supplies Corporation Limited | Public Distribution & Consumer Affairs | 18.06.2010 | 500.00 | - | - | 500.00 | 4396.00 | - | - | 4396.00 | 8.79:1 | 268 |
| 13. | Jharkhand State Minorities Finance Development Corporation | Welfare | 15.03.2012 | # | - | - | - | - | - | - | - | - | - |
| **Sector wise total** | | | | **1300.00 (350.00)** | - | - | **1300.00 (350.00)** | **4421.00** | - | - | **4421.00** | **3.40:1** | **376** |
| **Total A (All sector wise working Government companies) (Share Application Money)** | | | | **17105.00 (2800.00)** | | **5.00** | **17110.00 (2800.00)** | **71535.87** | - | **1920.75** | **73456.62** | **4.29:1** | **2293** |
| **B. Working Statutory corporations** | | | | | | | | - | | - | | | |
| POWER | | | | | | | | | | | | | |
| 1. | Jharkhand State Electricity Board | Energy | 20.3.2001 | - | - | - | - | 548281.00 | - | 21791.27 | 570072.27 | - | 5480 |
| **Sector wise total** | | | | - | - | - | - | **548281.00** | - | **21791.27** | **570072.27** | - | **5480** |
| **Total B (All sector wise working Statutory corporations)** | | | | - | - | - | - | **548281.00** | - | **21791.27** | **570072.27** | - | **5480** |
| **Grand Total (A + B) (Share Application Money)** | | | | **17105.00 (2800.00)** | - | **5.00** | **17110.00 (2800.00)** | **619816.87** | - | **23712.02** | **643528.89** | **37.61:1** | **7773** |
| **C. Non working Government companies** | | NIL | - | - | - | - | - | - | - | - | - | - | - |
| **D. Non working Statutory corporations** | | NIL | - | - | - | - | - | - | - | - | - | - | - |
| **Grand Total (A + B + C + D) (Share Application Money)** | | | | **17105.00 (2800.00)** | - | **5.00** | **17110.00 (2800.00)** | **619816.87** | - | **23712.02** | **643528.89** | **37.61:1** | **7773** |

*Source: Data furnished by Government companies/Statutory corporation.*

The figures appearing in brackets in col. 5(a) & 5(d) represent Share Application Money.

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

❖ The affairs of the company are managed by the officials of the JSEB.

\# Subscribed capital of ₹ 1.00 lakh has not been paid by the Government yet.

## Annexure – 1.2

## Statement showing equity, loans, 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 2013

*(Referred to in paragraph 1.11)*

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

| 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** | | | | | | | | | | | | | |
| INFRASTRUCTURE | | | | | | | | | | | | | |
| 1. | GRDA | 1400.00 | - | - | - | - | - | - | - | - | - | - | - |
| **Sector wise total** | | **1400.00** | - | - | - | - | - | - | - | - | - | - | - |
| MANUFACTURING | | | | | | | | | | | | | |
| 2. | JHARCRAFT | 50.00 | - | - | - | - | - | - | - | - | - | - | - |
| **Sector wise total** | | **50.00** | - | - | - | - | - | - | - | - | - | - | - |
| AGRICULTURE | | | | | | | | | | | | | |
| 3. | JHALCO | - | - | - | 542.00 | - | 542.00 | - | - | - | - | - | - |
| **Sector wise total** | | - | - | - | **542.00** | - | **542.00** | - | - | - | - | - | - |
| SERVICES | | | | | | | | | | | | | |
| 4. | JTDC | 50.00 | - | - | - | - | - | - | - | - | - | - | - |
| 5. | JSBCL | - | 2000.00[#] | - | - | - | - | - | - | - | - | - | - |
| 6. | JSFCSCL | - | - | - | 7500.00 | - | 7500.00 | - | - | - | - | - | - |
| **Sector wise total** | | **50.00** | **2000.00** | - | **7500.00** | - | **7500.00** | - | - | - | - | - | - |
| **Total A (All sector wise working Government companies)** | | **1500.00** | **2000.00** | - | **8042.00** | - | **8042.00** | - | - | - | - | - | - |
| **B. Working Statutory corporations** | | | | | | | | | | | | | |
| Power | | | | | | | | | | | | | |
| 1. | JSEB | - | 54170.00 | - | 110725.00 | - | 110725.00 | - | - | - | - | - | - |
| **Sector wise total** | | - | **54170.00** | - | **110725.00** | - | 110725.00 | - | - | - | - | - | - |
| **Total B (All sector wise working Statutory corporations)** | | - | 54170.00 | - | 110725.00 | - | 110725.00 | - | - | - | - | - | - |
| **Grand Total (A + B)** | | **1500.00** | **56170.00** | - | **118767.00** | - | **118767.00** | - | - | - | - | - | - |

*Source: Data furnished by Government companies/Statutory corporation.*

[#] *Repayment of ₹ 1975 lakh was made during the year by the Company*

## Annexure – 1.3

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

*(Referred to in paragraph 1.15)*

***(Figures in column 5 (a) to (11) are ₹in lakh)***

| Sl. No. | Sector & Name of the Company | Period of Accounts | Year in which finalised | Net Profit (+)/ Loss (-) | | | | Turnover | Impact of Accounts Comments[#] | Paid up Capital | Accumulated Profit (+)/ Loss (-) | Capital employed[@] | Return on capital employed[$] | Perce-ntage return on capital emplo-yed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Net Profit/ Loss before Interest & Depreciation | Interest | Depreci-ation | Net Profit/ Loss | | | | | | | |
| (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. | Jharkhand State Forest Development Corporation Limited | 2011-12 | 2012-13 | 671.55 | - | 10.06 | 661.49 | 6369.74 | - | 5.00 | 1689.02 | 1694.02 | 661.49 | 39.05 |
| 2. | Jharkhand Hill Area Lift Irrigation Corporation Limited | 2009-10 | 2013-14 | (-)133.39 | - | 0.73 | (-)134.12 | 71.02 | 36.28 | 500.00 | (-)1040.86 | (-)15.86 | (-)134.12 | - |
| **Sector wise total** | | | | **538.16** | **-** | **10.79** | **527.37** | **6440.76** | **36.28** | **505.00** | **648.16** | **1678.16** | **527.37** | **31.43** |
| INFRASTRUCTURE | | | | | | | | | | | | | | |
| 3. | Jharkhand Industrial Infrastructure Development Corporation Limited | 2010-11 | 2013-14 | 38.14 | - | 2.48 | 35.66 | 51.00 | 1.47 | 500.00 | 112.13 | 612.13 | 35.66 | 5.83 |
| 4. | Jharkhand Police Housing Corporation Limited | 2011-12 | 2012-13 | 186.41 | - | 6.16 | 180.25 | 239.97 | - | 200.00 | 1572.11 | 1772.11 | 180.25 | 10.17 |
| 5. | Greater Ranchi Development Agency Limited[1] | 2011-12 | 2013-14 | 320.14 | - | 1.54 | 318.61 | - | - | 1100.00 (1050.00) | 736.73 | 1836.73 | 318.61 | 17.35 |
| **Sector wise total** | | | | **544.69** | **-** | **10.18** | **534.52** | **290.97** | **1.47** | **1800.00 (1050.00)** | **2420.97** | **4220.97** | **534.52** | **12.66** |
| MANUFACTURING | | | | | | | | | | | | | | |
| 6. | Jharkhand Silk Textile and Handicraft Development | 2011-12 | 2013-14 | 200.50 | 95.83 | 71.27 | 33.40 | 1867.89 | (-)15.17 | 950.00 (150.00) | 63.16 | 1013.16 | 129.23 | 12.76 |

| Sl. No. | Sector & Name of the Company | Period of Accounts | Year in which finalised | Net Profit (+)/ Loss (-) | | | | Turnover | Impact of Accounts Comments[#] | Paid up Capital | Accumulated Profit (+)/ Loss (-) | Capital employed[@] | Return on capital employed[$] | Perce-ntage return on capital emplo-yed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Net Profit/ Loss before Interest & Depreciation | Interest | Depreci-ation | Net Profit/ Loss | | | | | | | |
| (1) | (2) | (3) | (4) | 5 (a) | 5 (b) | 5 (c) | 5 (d) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| | Corporation Limited | | | | | | | | | | | | | |
| 7. | Jharkhand State Mineral Development Corporation Limited[1] | 2008-09 | 2013-14 | 1409.10 | - | 15.00 | 1394.10 | 5190.59 | - | 200.00 | 9824.24 | 10024.24 | 1394.10 | 13.91 |
| **Sector wise total** | | | | **1609.60** | **95.83** | **86.27** | **1427.50** | **7058.48** | **(-)15.17** | **1150.00 (150.00)** | **9887.40** | **11037.40** | **1523.33** | **13.80** |
| POWER | | | | | | | | | | | | | | |
| 8. | Tenughat Vidyut Nigam Limited[1] | 1999-00 | 2013-14 | 5183.65 | 9957.73 | 9276.61 | (-)14050.69 | 19587.66 | - | 10000.00 | (-)27772.19 | 154848.92 | (-)4092.96 | - |
| 9. | Karanpura Energy Limited | $$ | - | - | - | - | - | - | - | - | | - | - | - |
| **Sector wise total** | | | | **5183.65** | **9957.73** | **9276.61** | **(-)14050.69** | **19587.66** | **-** | **10000.00** | **(-)27772.19** | **154848.92** | **(-)4092.96** | **-** |
| SERVICES | | | | | | | | | | | | | | |
| 10. | Jharkhand Tourism Development Corporation Limited | 2004-05 | 2012-13 | 15.61 | - | 4.19 | 11.42 | 103.38 | 1.47 | 50.00 | 44.30 | 94.30 | 11.42 | 12.11 |
| 11. | Jharkhand State Beverages Corporation Limited | 2011-12 | 2012-13 | (-)6.98 | - | - | (-)6.98 | - | - | 500.00 (300.00) | (-)6.98 | 493.02 | (-)6.98 | - |
| 12. | Jharkhand State Food and Civil Supplies Corporation Limited | $$ | - | - | - | - | - | - | - | - | - | - | - | - |
| 13. | Jharkhand State Minorities Finance Development Corporation | $$ | - | - | - | - | - | - | - | - | - | - | - | - |
| **Sector wise total** | | | | **8.63** | **-** | **4.19** | **4.44** | **103.38** | **1.47** | **550.00 (300.00)** | **37.32** | **587.32** | **4.44** | **0.76** |
| **Total A (All sector wise working Government** | | | | **7884.73** | **10053.56** | **9388.04** | **(-)11556.86** | **33481.25** | **24.05** | **14005.00 (1500.00)** | **(-)14778.34** | **172372.77** | **(-)1503.30** | **-** |

| Sl. No. | Sector & Name of the Company | Period of Accounts | Year in which finalised | Net Profit (+)/ Loss (-) | | | | Turnover | Impact of Accounts Comments[#] | Paid up Capital | Accumulated Profit (+)/ Loss (-) | Capital employed[@] | Return on capital employed[$] | Perce-ntage return on capital emplo-yed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Net Profit/ Loss before Interest & Depreciation | Interest | Depreci-ation | Net Profit/ Loss | | | | | | | |
| (1) | (2) | (3) | (4) | 5 (a) | 5 (b) | 5 (c) | 5 (d) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| **companies)** | | | | | | | | | | | | | | |
| **B. Working Statutory Corporations** | | | | | | | | | | | | | | |
| Power | | | | | | | | | | | | | | |
| 1. | Jharkhand State Electricity Board | 2011-12 | 2013-14 | (-)259417.34 | 49948.78 | 11736.75 | (-)321102.87 | 222904.99 | 2743.00 | - | (-)929014.77 | 81166.54 | (-)271154.09 | - |
| **Sector wise total** | | | | **(-)259417.34** | **49948.78** | **11736.75** | **(-)321102.87** | **222904.99** | **2743.00** | **-** | **(-)929014.77** | **81166.54** | **(-)271154.09** | **-** |
| **Total B (All sector wise working Statutory corporations)** | | | | **(-)259417.34** | **49948.78** | **11736.75** | **(-)321102.87** | **222904.99** | **2743.00** | **-** | **(-)929014.77** | **81166.54** | **(-)271154.09** | **-** |
| **Grand Total (A + B)** | | | | **(-)251532.61** | **60002.34** | **21124.79** | **(-)332659.76** | **256386.24** | **2767.05** | **14005.00 (1500.00)** | **(-)943793.11** | **253539.31** | **(-)272657.39** | **-** |

**Note: There is no non-working Government Company/Statutory Corporation in the State of Jharkhand.**

[#] Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/ decrease in losses and (-) decrease in profit/ increase in losses.

[@] Capital employed represents Shareholders Fund plus Long Term Borrowings as per requirement of schedule VI of the Companies Act, 1956. In case of JSEB capital employed represents net fixed assets + capital expenditure in progress + working capital as schedule VI is not applicable to JSEB.

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

$$ The company has not submitted first accounts so far.

[1] Supplementary audit of accounts of TVNL (1998-99 & 1999-2000), JSMDC (2008-09) and GRDA (2008-09 to 2011-12) was in progress.

## Annexure – 1.4

## Statement showing financial position of Jharkhand State Electricity Board

*(Referred to in paragraph 1.15)*

**(Amount: ₹ in crore)**

| Particulars | 2009-10 | 2010-11 | 2011-12 |
|---|---|---|---|
| **A. Assets** | | | |
| Gross Block | 1982.01 | 2351.60 | 2500.79 |
| Less: Depreciation | 1064.55 | 1115.61 | 1232.97 |
| Net Fixed Assets | 917.46 | 1235.99 | 1267.82 |
| Capital Expenditure in progress | 1815.03 | 1813.99 | 1752.26 |
| Assets not in use | 2.29 | 2.29 | 2.29 |
| Investment | 162.10 | 200.27 | 179.07 |
| Total Current Assets | 4013.19 | 4740.45 | 5450.15 |
| Deficit | 5356.29 | 6079.12 | 9290.15 |
| **Total A** | **12266.36** | **14072.11** | **17941.74** |
| **B. Liabilities** | | | |
| Borrowings for working Capital | 73.92 | 218.98 | 274.93 |
| Payment due on capital liabilities | 3745.38 | 4481.13 | 5383.28 |
| Capital liabilities | 264.39 | 210.10 | 205.58 |
| Funds from State Government | 3005.93 | 2958.65 | 2743.16 |
| Contributions, Grants and Subsidies | 1494.91 | 1570.38 | 1676.22 |
| Total Current liabilities | 3681.83 | 4632.87 | 7658.57 |
| **Total B** | **12266.36** | **14072.11** | **17941.74** |
| **C. Capital Employed*** | **3063.85** | **3157.56** | **811.66** |

*** Capital employed represents net fixed assets (including Capital Expenditure-in-Progress) plus working capital.**

## Annexure – 1.5

## Statement of working results of Jharkhand State Electricity Board

*(Referred to in paragraph 1.15)*

**(Amount: ₹ in crore)**

| Sl. No. | | Particulars | 2009-10 | 2010-11 | 2011-12 |
|---|---|---|---|---|---|
| 1. | a. | Revenue Receipts | 1634.37 | 2010.69 | 2229.05 |
| | b. | Revenue Subsidies and Grants, Other income | 701.44 | 652.85 | 961.23 |
| | c. | Total | 2335.81 | 2663.54 | 3190.28 |
| 2. | | Revenue expenditure (net of expenses capitalised including write off of intangible assets but excluding depreciation and interest)* | 2385.22 | 3036.58 | 3531.75 |
| 3. | | Gross surplus (+)/ deficit (-) for the year (Dr.) | (-) 49.41 | (-) 373.04 | (-) 341.47 |
| 4. | | Adjustment relating to previous year (Dr.) | (-) 147.44 | 97.26 | (-) 2252.70 |
| 5. | | Final gross surplus (+)/deficit (-) for the year (3+4) | (-) 196.85 | (-) 275.78 | (-) 2594.17 |
| 6. | | Appropriation | | | |
| | A) | Depreciation | 49.79 | 50.99 | 117.37 |
| | B) | Interest on Capital / Loans | 609.75 | 554.67 | 622.13 |
| | C) | Interest on the other Loans, Advances etc. | - | - | - |
| | D) | Total Interest on Loans (B+C) | 609.75 | 554.67 | 622.13 |
| | E) | Less Interest Capitalised | 149.82 | 158.61 | 122.64 |
| | F) | Net Interest charged to revenue (D-E) | 459.93 | 396.06 | 499.49 |
| 7. | | Surplus (+) Deficit (-) before accountal of subsidy from State Government {5-6A-6F-1b (grant only)} | (-) 1106.57 | (-) 1172.83 | (-) 3961.03 |
| 8. | | Net surplus (+) Deficit (-) (5-6A-6F) | (-) 706.57 | (-) 722.83 | (-) 3211.03 |
| 9. | | Total return on capital employed** (8+6F) | (-) 246.64 | (-) 326.76 | (-) 2711.54 |
| 10. | | Percentage of return on capital employed*** | - | - | - |

**NOTES:** * Revenue expenditure does not include depreciation and interest on the loans

** Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest on capital)

*** Percentage of return on Capital Employed not calculated as there was deficit in all the year.

# Annexure – 1.6
## Statement showing investments made by State Government in PSUs whose accounts are in arrears

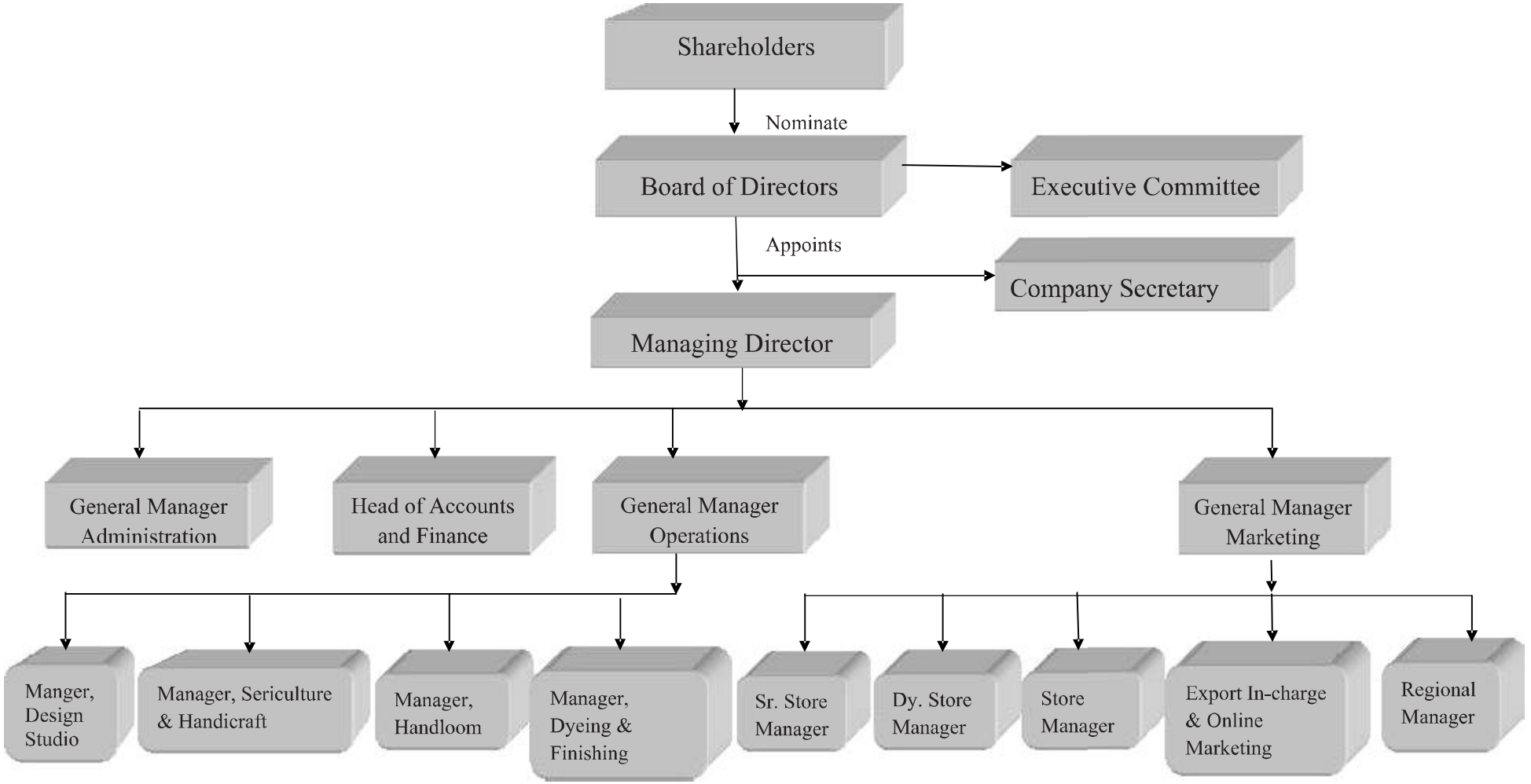
*(Referred to in paragraph 1.21)*

***(₹ in lakh)***

| Sl No. | Name of PSU | Year upto which accounts finalised | Paid up capital as per latest finalised accounts | Period during which accounts are in arrears | Investment made by State Government during the years for which accounts are in arrears | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Equity | Loan | Grant | Others |
| **Working Companies/Corporations** | | | | | | | | |
| **A. Government companies** | | | | | | | | |
| **1.** | Jharkhand Hill Area Lift Irrigation Corporation Limited | 2009-10 | 500.00 | 2010-11 | - | - | - | - |
| | | | | 2011-12 | - | - | - | - |
| | | | | 2012-13 | - | - | 542.00 | - |
| **2.** | Jharkhand Tourism Development Corporation Limited | 2004-05 | 50.00 | 2005-06 | 25.00 | - | - | - |
| | | | | 2006-07 | - | - | - | - |
| | | | | 2007-08 | - | - | - | - |
| | | | | 2008-09 | - | - | - | - |
| | | | | 2009-10 | 25.00 | - | - | - |
| | | | | 2010-11 | 50.00 | - | - | - |
| | | | | 2011-12 | 100.00 | - | - | - |
| | | | | 2012-13 | 50.00 | - | - | - |
| **3.** | Greater Ranchi Development Agency Limited | 2011-12 | 1100.00 (1050.00) | 2012-13 | 1400.00 | - | - | - |
| **4.** | Tenughat Vidyut Nigam Limited | 1999-2000 | 10000.00 | 2000-01 | - | - | - | - |
| | | | | 2001-02 | - | 1500.00 | - | - |
| | | | | 2002-03 | - | 1500.00 | - | - |
| | | | | 2003-04 | - | - | - | - |
| | | | | 2004-05 | - | 500.00 | - | - |
| | | | | 2005-06 | 500.00 | 1400.00 | - | - |
| | | | | 2006-07 | - | 800.00 | - | - |
| | | | | 2007-08 to 2012-13 | - | - | - | - |
| **5.** | Jharkhand Silk Textile and Handicraft Development Corporation Limited | 2011-12 | 950.00 (150.00) | 2012-13 | 50.00 | - | - | - |
| **6.** | Jharkhand State Beverages Corporation Limited | 2011-12 | 500.00 (300.00) | 2012-13 | - | 2000.00 | - | - |
| **7.** | Jharkhand State Food and Civil Supplies Corporation Limited | - | - | 2010-11 | 500.00 | - | 9400.00 | |
| | | | | 2011-12 | - | 4396.00 | 20000.00 | |
| | | | | 2012-13 | - | - | 7500.00 | - |
| | **Total (A)** | | **13100.00 (1500.00)** | | **2700.00** | **12096.00** | **37442.00** | **-** |
| **B** | **Statutory corporation** | | | | | | | |
| **1.** | Jharkhand State Electricity Board | 2011-12 | - | 2012-13 | - | 54170.00 | 110725.00 | - |
| | **Total(B)** | | | | **-** | **54170.00** | **148167.00** | **-** |
| | **Total (A)+(B)** | | **13100.00 (1500.00)** | | **2700.00** | **66266.00** | **148167.00** | **-** |

*Source: Data furnished by Government companies/Statutory corporation.*
The figures appearing in brackets represent Share Application Money.

**Annexure – 2.1**
**Organisation Structure of Jharcraft**
*(Referred to in paragraph 2.2)*



## Annexure – 2.2

## Statement showing the details of Cocoons produced during 2008-09 to 2011-12

*(Referred to in paragraph 2.10)*

***(Numbers in lakh)***

| Sl. No. | Particulars | 2008-09 | 2009-10 | 2010-11 | 2011-12 | Total |
|---|---|---|---|---|---|---|
| 1. | Cocoon preserved for production of basic DFLs | 28.50 | 47.80 | 73.54 | 139.34 | 289.18 |
| 2. | Basic DFL produced | 4.07 | 4.45 | 9.08 | 9.82 | 27.42 |
| 3. | Basic DFL to be produced | 5.42 | 9.08 | 13.97 | 26.47 | 54.94 |
| 4. | Basic DFL purchased | 3.04 | 1.51 | 2.78 | 7.05 | 14.38 |
| 5. | Total basic DFL available (2+4) | 7.11 | 5.96 | 11.86 | 16.87 | 41.80 |
| 6. | Total basic DFL to be available (3+4) | 8.46 | 10.59 | 16.75 | 33.52 | 69.32 |
| 7. | Commercial DFL produced | 44.00 | 21.64 | 69.69 | 143.49 | 278.82 |
| 8. | Commercial DFL to be produced (6*40/5) | 67.64 | 84.74 | 134.02 | 268.20 | 554.60 |
| 9. | Commercial DFL of local species produced (laria,modia etc.) | 0.94 | 0.53 | 1.41 | 2.14 | 5.02 |
| 10. | Total commercial DFL available (7+9) | 44.94 | 22.17 | 71.10 | 145.63 | 284.54 |
| 11. | Total commercial DFL to be available (8+9) | 68.58 | 85.27 | 135.43 | 270.34 | 560.02 |
| 12. | Commercial cocoon produced | 1855.31 | 1910.92 | 2266.52 | 8016.02 | 14048.77 |
| 13. | Commercial cocoon to be produced (11*40) | 2743.20 | 3410.64 | 5417.23 | 10813.47 | 22384.54 |
| 14. | Cocoon short produced (13-12) | 887.89 | 1499.72 | 3150.71 | 2797.45 | 8335.77 |
| 15. | Short fall in production (In %) (14/13*100) | 32.37 | 43.97 | 58.16 | 25.87 | 37.24 |
| 16. | Average cost[1] (₹) | 0.95 | 1.05 | 0.96 | 1.07 | - |
| 17. | Potential loss (₹ in crore) | 8.43 | 15.75 | 30.25 | 29.93 | 84.36 |

***(Source: Data furnished by the Department)***
***Note: Information relating to the year 2012-13 was not made available by the Department***

[1] Rate prevailing at Kharsawan in 2008-09 = ₹ (1.25+0.64)/2= ₹ 0.95, 2009-10= ₹ (1.37+0.73)/2= ₹ 1.05, 2010-11= ₹ (1.25+0.66)/2= ₹ 0.96 and 2011-12= ₹ (1.50+0.63)/2= ₹ 1.07

## Annexure-2.3

### Statement showing the details of sanctioned amount, targets and achievements in respect of cluster development scheme

*((Referred to in paragraph 2.17)*

| Date of sanction | No. of clusters | Sanctioned Amount (₹ in lakh) | Target (In Nos) | | | | | Achievement (In Nos) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | CFC shed | Dye house | Weaving training | Dye training | Design training | CFC shed | Dye house | Weaving training | Dye training | Design training |
| **February 2008** | 10 | 541.35 | 10 | 10 | 200 | 200 | 200 | Nil | Nil | 200 | 200 | 120 |
| **0ctober 2008** | 11 | 635.25 | 11 | 11 | 220 | 220 | 220 | Nil | Nil | 220 | 220 | 160 |
| **November 2009** | 5 | 283.50 | 5 | Nil | 100 | 100 | 100 | Nil | Nil | 60 | 100 | Nil |
| **December 2010** | 5 | 283.50 | 5 | Nil | 100 | 100 | 100 | Nil | Nil | 40 | Nil | Nil |
| **February 2011** | 4 | 226.80 | 4 | Nil | 80 | 80 | 80 | Nil | Nil | 40 | Nil | Nil |
| **Total** | **35** | **1970.40** | **35** | **21** | **700** | **700** | **700** | **Nil** | **Nil** | **560** | **520** | **280** |

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

## Annexure-2.4

### Statement showing the details of sanctioned amount, targets and achievements in respect of group approach scheme

*(Referred to in paragraph 2.18)*

| Date of sanction | No. of Groups sanctioned | Sanctioned amount (₹ in crore) | Target (In Nos) | | | Achievement (In Nos) | | |
|---|---|---|---|---|---|---|---|---|
| | | | Construction of Workshed | Training | | Construction of Workshed | Training | |
| | | | | Weaving | Dyeing | | Weaving | Dyeing |
| October 2008 | 11 | 0.66 | 07 | 80 | 140 | 06 | 60 | 120 |
| February 2009 | 12 | 0.70 | 07 | 100 | 120 | 06 | 80 | 100 |
| November 2009 | 19 | 1.13 | 19 | Nil | Nil | 15 | Nil | Nil |
| February 2011 | 48 | 2.86 | 48 | Nil | Nil | 35 | Nil | Nil |
| **Total** | **90** | **5.35** | **81** | **180** | **260** | **62** | **140** | **220** |

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

## Annexure-2.5

## Statement showing the details of sanctioned amount, targets and achievements in respect of PWCS scheme

*(Referred to in paragraph 2.19)*

| Year | Sanctioned amount (₹ in crore) | Target (In Nos) | | Achievement (In Nos) | |
|---|---|---|---|---|---|
| | | Number of Worksheds to be Constructed | Weavers to be trained | Number of Worksheds Constructed | Weavers trained |
| **2008-09** | 3.00 | 14 | Nil | Nil | Nil |
| **2009-10** | 4.00 | 23 | 460 | 7 | 288 |
| **2010-11** | 8.10 | 40 | 600 | 16 | 928 |
| **2011-12** | 8.70 | 100 | 2000 | 7 | 866 |
| **2012-13** | 7.32 | 59 | 1180 | Nil | 1542 |
| **Total** | **31.12** | **236** | **4240** | **30** | **3624** |

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

## Annexure- 3.1

## Statement showing the amount paid for extra quantity of kendu leaves collected over notified yield

*(Referred to in paragraph 3.1.3)*

| Season | No. of lots | Notified yield (Std bag) | Total collection (Std bag) | Excess collection (Std bag) (D-C) | Sale price of excess quantity at full value (₹) | Sale price at 50 *per cent* of F (₹) | Percentage of excess collection over notified yield (E/CX100) |
|---|---|---|---|---|---|---|---|
| (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) |
| 2008 | 85 | 232375 | 288440 | 56065 | 15092754 | 7546377 | 24.13 |
| 2009 | 86 | 228200 | 290296 | 62096 | 20085336 | 10042668 | 27.21 |
| 2010 | 90 | 211075 | 270629 | 59554 | 25013258 | 12506629 | 28.21 |
| 2011 | 24 | 45650 | 50739 | 5089 | 4334934 | 2167467 | 11.15 |
| 2012 | 122 | 338025 | 459507 | 121482 | 86474136 | 43237068 | 35.94 |
| **Total** | **407** | **1055325** | **1359611** | **304286** | **151000418** | **75500209** | **28.83** |

***(Source: Data furnished by the company)***

## Annexure - 3.2

### Statement showing paragraphs/Reviews for which replies were not received

*(Referred to in paragraph-3.6.1)*

| Sl. No. | Name of Department | 2007-08 | | 2008-09 | | 2009-10 | | 2010-11 | | 2011-12 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | No. of paras in Audit Report | No. of paras for which replies were not received | No. of paras in Audit Report | No. of paras for which replies were not received | No. of paras in Audit Report | No. of paras for which replies were not received | No. of paras in Audit Report | No. of paras for which replies were not received | No. of paras in Audit Report | No. of paras for which replies were not received |
| 1. | Energy | 7 | 7 | 4 | 4 | 6 | 6 | 2 | 2 | 3 | 3 |
| 2. | Forest & Environment | - | - | 1 | 1 | - | - | - | - | 1 | 1 |
| 3. | Home | 1 | 1 | - | - | 1 | 1 | 1 | 1 | 1 | 1 |
| 4. | Mines & Geology | 1 | - | - | - | - | - | 1 | 1 | - | - |
| 5. | Water Resources, Industry, Energy, Home, Tourism, Forest & Environment, Urban Development, and Mines & Geology | - | - | - | - | - | - | - | - | 1 | 1 |
| | **Total** | **9** | **8** | **5** | **5** | **7** | **7** | **4** | **4** | **6** | **6** |

## Annexure – 3.3

## Statement of department wise outstanding Inspection Reports (IRs)

*(Referred to in paragraph-3.6.3)*

| Sl. No. | Name of Department | No. of PSUs | No. of outstanding IRs | No. of outstanding paragraphs | Year from which paragraphs outstanding |
|---|---|---|---|---|---|
| 1. | Energy | 2 | 309 | 1221 | 2005-06 |
| 2. | Forest & Environment | 1 | 26 | 94 | 2006-07 |
| 3. | Mines and Geology | 1 | 4 | 18 | 2010-11 |
| 4. | Tourism | 1 | 13 | 59 | 2007-08 |
| 5. | Industry | 2 | 4 | 6 | 2008-09 |
| 6. | Home | 1 | 12 | 55 | 2006-07 |
| 7. | Water Resources | 1 | 16 | 45 | 2006-07 |
| 8. | Urban Development | 1 | 2 | 12 | 2009-10 |
| **Total** | | **10** | **386** | **1510** | |

## Annexure – 3.4

## Statement of department wise draft paragraphs replies to which were awaited

*(Referred to in paragraph-3.6.3)*

| Sl. No. | Name of Department | No. of draft paragraphs | Period of issue |
|---|---|---|---|
| 1. | Energy | 4 | June/July 2013 |
| 2. | Forest & Environment | 1 | August 2013 |
| | **Total** | **5** | |