Regional Training Institute

Centre of excellence in 'Corporate Governance and Finance'
and 'Audit of Municipal Corporations'

(Indian Audit and Accounts Department)

Audit of Corporate Finance-
Investment of scheme funds
A case study
With reference to a
Performance Audit Report

C-2, G N Block, Behind Asian Heart Institute
Bandra-Kurla Complex, Mumbai – 400051
Phone: 022-26521902 Fax: 022-26522627

Audit of Corporate Finance-
Investment of scheme funds
A case study
With reference to a
Performance Audit Report

From Principal Director's desk

Regional Training Institute, Mumbai was designated as knowledge centre for Corporate Governance, Finance, IPSAS and Commercial Audit from April 2015. In pursuit of excellence in our assigned areas of Knowledge Centre activities, we attempt to bring out series of interesting cases in Corporate Governance, Corporate Finance and Commercial Audit. In preparing the case study, an effort is made to recreate the genesis of an audit observation by simulating the audit process which would result in such observations.

The Case Study "Audit of Corporate Finance- Investment of scheme funds - A case study with reference to a Performance Audit Report" has been prepared based on Para 2.1.6 of CAG's Audit Report No.1 of 2015 on PSUs - Government of Haryana for the year ended 31 March 2013.

I hope that the readers would benefit from this. Suggestions, if any, are welcome and would help us in future designing of case studies.

RTI, Mumbai
29 February 2016

Abdul Rauf
Principal Director

CONTENTS

1. Background

1.1 Corporate Finance is a broad concept which encompasses all operations involving sourcing, investment, transactions, internal control and accounting relating to funds by corporates. In the context of public sector, government companies, deemed government companies and other companies directly or indirectly controlled by the government are corporates.

1.2 An example of an audit para on Corporate Finance is one that involves the use of its funds. Every company would be interested in balancing its financing activities and investing activities in such a way as to secure a rate of return which meets its cost of capital.

1.3 There are some occasions in which a Company is entrusted with funds meant for a particular scheme, project or activity. The Company merely serves as a via-media, akin to a trustee for spending out of this corpus, akin to a trust.

1.4 Para 2.1.6 of Chapter 2 (Perfomance Audit on Rajiv Gandhi Grameen Vidyutikaran Yojana - Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited) of CAG's Audit Report No.1 of 2015 on PSUs - Government of Haryana for the year ended 31 March 2013 was selected for this case study. The para is on avoidable interest burden of Rs.3.44 crore on cash credit facility due to deposit of scheme funds in fixed deposits.

1.5 Seen from a broader point of view, all wealth vested in an entity is held by it in trust, to be used for welfare of all its stakeholders. The management of the entity is to treat this 'trust' wealth in the same position as a trustee. It becomes even more incumbent on a Company to treat funds received from a third party with conditions attached to their use, as a separate fund, since it is not only an ethical, but also a legal or contractual requirement to do so.

1.6 In cases of such funds received in trust or for a specific purpose, use of the funds for the intended purpose and investment, in the interim period, only in approved modes are non-negotiable requirements. At the same time, as an interim arrangement and strictly within the bounds of the above requirement, the recipient can and should invest the funds in such a way as a trustee would, to earn some reasonable return to the funding agency. In short, keeping the funds for intended expenditure is the main purpose and interim investment thereof is an ancillary purpose.

2. Audit Criteria- Applicable norms

2.1 Audit of financial management in the context of performance audit is an audit of efficiency in as much as it deals with comparison of returns on investments with cost of funds.

2.2 The terms of any grant and loan need to be carefully scrutinised while doing an audit of schemes/ projects or of entrusted specific-use funds.

2.3 The audit criteria would thus be the terms of the grant or loan or the conditions attached to funds allotted for a specific use, scheme or project.

3. Sources of Audit observations - Audit evidence and Audit methodology

Audit evidence

3.1 The sources of evidence would be:
(i) The scheme or project document or contract wherein the clauses regarding entrustment of fund or grant or loan would be mentioned.
(ii) The receipt showing the amount of grant/ loan/ scheme or project funds received would prove the receipt of the amount.
(iii) The entry in bank statement showing date of credit in the bank would indicate the crucial date from which the funds come into the control of the Company.
(iv) Deployment of the fund can be vouched using the entries in bank statement which would indicate an identical outflow of cash in bulk or in instalments or in a series of transactions.
(v) If the amount received is not kept in a separate bank account, that itself would indicate that the funds are being mixed with regular bank transactions of the Company.
(vi) The amount of interest received from the investment of funds and that paid to grantor/ lender or entity financing the scheme or project can be compared.
(vii) The outflow of funds in connection with the scheme or project can be checked and correlated to the funds received for the scheme or project.

Audit Methodology

3.1 Audit would have to scrutinise the cash flows, investment strategy and scheme or project operations of the Company.

3.2 A scheme or project could be run by a Company itself, where funds are raised and deployed in investments and operations from a common pool of funds. There could also be cases where schemes or projects are assigned by another entity and funds are provided for specific purpose of this scheme or project. This is similar to the *Takavi* works or deposit works which are seen in Public Works contracts. Many large contracts such as those for construction of infrastructure facilities/ ships through infrastructure/ shipbuilding companies also follow this pattern of the Department placing funds with the Company for the specific purpose of the scheme or project. Audit would have to keep in mind the purpose of funding.

3.3 The first step would be to read the documents connected with the grant/ loan or funding to see if there is any obligation or restriction on how the funds are to be used and regarding interest on the funds. Unlike a payment by instalments, the payment schedule in case of large works or infrastructure contracts may involve payments of tranches (partial payments) from time to time to fund various phases or activities within a scheme or project or depending on degree of completion, immediate requirement of bulk funds, etc. A typical funding schedule of this nature would be as follows.

A Ltd. finances a scheme or project through B Ltd.

Purpose	Date of receipt by B Ltd.	Amount Rs.	Date of expenditure by B Ltd.	Amount Rs.	Balance Rs.
Tranche 1 for acquisition of land	1 January 2015	100 crore	30 June 2015	100 crore	-
Tranche 2 for import of machinery	1 July 2015	25 crore			25 crore
Tranche 3 for assembling, installation and commissioning	1 November 2015	10 crore			35 crore
			30 November 2015 (import)	25 crore	10 crore
			31 December 2015 (assembling, installation and commissioning)	10 crore	-

Audit would have to keep in mind the terms and conditions attached to the funding.

3.4 The amounts involved are huge, time-lags from funding till expenditure are significant and sometimes unpredictably long (response to invitation to tender may be poor, land acquisition may be subject to legal complications, etc.). At the same time, a scheme or project of this magnitude cannot be allowed to be subject to the risk of having to await funds when it is urgently needed. Hence, the scheme/ project funding is often linked to a condition that the fund till it is spent should be invested in a particular manner and the returns passed on to the agency financing the scheme/ project.

In the above example, though A Ltd. has paid Rs.100 crore to B Ltd. in January 2015, B Ltd. would have to keep the fund invested in a separate account and incur expenditure for acquiring land in July 2015 from this account only. The interest earned on this account from January 2015 to June 2015 should be passed on to A Ltd.

Now, imagine if B Ltd. invests all the amounts received, such as Rs.100 crore, Rs.25 crore, Rs.10 crore, etc. in Fixed Deposits. The amount of Rs.100 crore received on 1 January 2015 would be deposited in a fixed deposit (FD) for a year at 8 *per cent* interest p.a. It would be under obligation to pass on interest for 6 months (January-June 2015) of (say) Rs.4 crore to A Ltd. But in July 2015, it cannot 'break' (prematurely encash) the Fixed Deposit. It has to raise cash credit or loan of Rs.100 crore from the Bank at say 10 *per cent* p.a. for 6 months (July to

December 2015), leading to a net cash outflow of 2 *per cent* (10 *per cent* paid on loan less 8 *per cent* received on FD) for this period amounting to Rs.1 crore on Tranche 1 alone. This loss is indicative of use of scheme/ project funds as a normal cash flow, instead of as a separate account.

Audit would have to compare timing of expenditure and timing of maturity of investments intended to fund the expenditure.

3.5 Thus, audit methodology would involve tracking the funds from receipt till payment, investment thereof, maturity and re-investments, income earned thereon, transfer of income to the grantor and the source of funds raised at the time of incurring expenditure.

3.6 The basic reason why A Ltd. had paid tranches of funds to B Ltd. was because it could not estimate the time of cash outflows. If B Ltd. tries to pursue investment with these, it could lead to financial burden on B Ltd. B Ltd.'s only role in this regard would be to keep the funds ready for expenditure and pass on any incidental benefits due to investment of the funds to A Ltd. In such cases, an apt approach would be detached investments by keeping the funds in such investments, as can be easily liquidated and contractual obligations paid. Thus, the emphasis would be on liquidity, rather than on returns.

3.7 There are cardinal rules of finance that short term debts should not be used to finance long term assets. Thus, the time period and mode of investment is determined by the time of repayment of source of finance. To extend this argument, there are guiding norms for trust/ specific purpose funds. Not only the tenure, but also the purpose of funding and time when they are required should determine the mode and tenure of investment thereof.

4. Type of Audit findings

Audit findings would be:
(i) The amount received was not kept in separate account.- This was commented upon.
(ii) The amount was not used for the purpose for which it was granted.- This would amount to diversion of funds. In this observation, no such instance was found.
(iii) The amount was not invested in approved mode.- This was commented upon. Non-investment in approved mode would either result in low returns to the original investor (if it is the government or another PSU, there would be resultant loss) or it could lead to high risk of losing the investment and prospects of not getting liquid funds when needed.

5. Audit Conclusion-Cause and Effect

The possible conclusions in terms of cause and effect would be:
(i) Since timing of cash inflows from redemption of fixed deposits and cash outflows on scheme/ projects could not be matched, money had to be borrowed at higher cost.
(ii) Investment of scheme/ project funds over a longer period of time led to illiquidity and necessitated borrowing for meeting scheme/ project expenditure.

(iii) Diversion of scheme/ project funds for routine or unapproved investments led to blocking of funds and illiquidity at a time when it was needed. This led to the need to borrow funds at higher cost to meet the scheme/ project expenditure for which the scheme/ project funds were intended to be used.
(iv) Absence of a proper monitoring system to ensure compliance with terms and conditions of funding.
(v) Absence of a proper mechanism to prepare project-wise accounts.

All these can be brought out in audit reports.

6. Arrangement of the case study

The audit observations in the report cited are discussed as follows. The important observations are given in bold font, the audit criteria and sources of audit evidence in italics and the remarks as learning points forming part of the case study are given in normal font.

7. Observations on Corporate Finance- Investment of scheme funds *vide* CAG's Report No. 1 of 2015 on PSUs (Economic and Social Sectors) on Government of Haryana for the year 2012-13.

7.1 The report narrated the subject matter of the Perfomance Audit on Rajiv Gandhi Grameen Vidyutikaran Yojana in Electricity Distribution Companies (DISCOMs) - Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited as under.

(i) **Rajiv Gandhi Grameen Vidyutikaran Yojana (Scheme) was launched by Ministry of Power (MoP) Government of India (GoI) in March 2005 to provide electricity access to all rural households in India. The target was to electrify 1.25 lakh unelectrified villages of the country and to give electricity connections free of cost to 2.34 crore Below Poverty Line (BPL) households by 2009. In Haryana, the Scheme was covered under 10th and 11th five year plan (2005-2009) and was implemented by the two power distribution companies (DISCOMs)-Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL). A tripartite agreement (July 2005) was entered amongst Rural Electrification Corporation (REC), Government of Haryana (GoH) and DISCOMs for implementation of the Scheme and REC was the nodal agency.**

Learning points: The report narrates in brief the design of the scheme and roles of various agencies therein. This is an example of good drafting which should commence with a narrative of the various criteria.

Audit Evidence
The scheme and the tripartite agreement are the evidence as well as audit criteria against which performance would be assessed.

(ii) **As per REC guidelines (April 2008), the Scheme funds were to be kept in separate interest bearing deposits of nationalised banks till the payments were made to the contractors. Further, interest earned on these funds were to be refunded to the REC. The UHBVNL received funds of ₹ 59.08 crore from REC during 2008-10. Instead of keeping Scheme wise funds in separate accounts, the UHBVNL kept these funds in Fixed Deposit Receipts. Interest received on these funds were refunded to REC as per above guidelines.**

Audit Criteria/ Audit Evidence

The relevant clauses in the REC guidelines are the relevant audit criteria against which audit observations and conclusions were drawn. The narration of criteria is followed by the condition or prevailing situation/ actual transaction. This is a factual narrative. Evidence would be the fact that separate accounts were not opened and that the funds have simply been deposited into FDs in a routine manner.

Learning points: Having seen the criteria (the REC guidelines), the implementation thereof was compared in audit. It revealed a clear deviation from the instructions, as far as separate deposits were concerned, but compliance of the provision relating to refund of interest to REC, the nodal agency, which is the funding agency (akin to A Ltd. in our example). The DISCOMs are the implementing agencies (akin to B Ltd. in our example).

7.2 The report analysed the implications of the deviation as under.

However, we observed that field office of UHBVNL made payments of ₹43.20 crore during 2011-12 to the contractors not from the Scheme funds but by availing cash credit limit from the bank paying an average interest rate of 11 *per cent* on the cash credit limit.

Audit Evidence

The correspondence and notings relating to raising cash credit from the bank (borrowing) would be a useful audit evidence in concluding that the money was borrowed to meet the scheme (project) requirements.

Learning points: The logical inconsistency in having to borrow money to meet such expenditure which was already funded by REC is a clear indicator that the funds received from REC were not kept or used for intended purpose, but diverted into investments. Even if clear evidence in the form of papers for raising cash credit is not available, the fact that there is a sudden surge in cash inflow and outflow at short intervals would be an indicator to such connected transactions. The very proximity in time relating to funds received from REC and deposit of like amount in FDRs as also timing of the increase in cash credit availed to time of payments to contractors under the scheme/ project would be sufficient to vouch the trail of transactions.

7.3 The report draws the conclusion in terms of cause and effect.

Thus, the Company had to bear an avoidable interest burden of ₹3.44 crore by making payments from the cash credit facility.

Learning points: The report has clearly established the link between deposit of project (scheme) funds in FDs, rather than in separate accounts intended to pay contractors when the need arose. This led to unavailability of money when it was needed, resulting in the need to borrow at higher cost, while there was no benefit to the Company from the interest on FD. To sum up, REC earned interest on FD, while DISCOMs ended up paying a higher interest on cash credit. In effect, the 3 PSUs (REC, DISCOMs) put together, lost the net interest on the funds which benefitted lender banks. As the implementing agencies have incurred additional costs, these would be fully to their account and cannot be compensated from the scheme funds. Thus, the observations directly comment on the impact on the DISCOMs.

7.4 During exit conference, while admitting the facts, the Management stated that they have now started keeping Scheme wise data to avoid such losses in future.

Learning points: This is an example of the positive impact of Audit observation on the financial management practices of PSUs.

7.5 DHBVNL received (December 2008 to March 2011) ₹59.96 crore from REC. We observed that DHBVNL kept these funds in HDFC bank up to March 2011 in violation of REC guidelines (April 2008).

During exit conference, the Management admitted that though the funds were not kept as per REC guidelines, it earned more interest by keeping these funds in private bank. But the fact remains that provisions of REC guidelines were violated.

Audit Evidence

The proposal relating to investment and trail of funding thereof would be proof of the fact that scheme funds were invested in private bank.

Learning points: It is an indicator of an unhealthy trend of pursuing higher returns by contravening terms of use of money. The money was specifically entrusted by REC with the clear purpose of using it to pay contractors and to deposit it in the interim period in approved investments. Any breach of these restrictions would have led to higher risk of loss of capital. DISCOMs need not take such undue risks, as it was REC which had funded the scheme and had adopted norms for approved investments. Thereby, REC had implicitly expressed their consent for even a lower rate of return provided by approved investments. DISCOMs role was only to implement the scheme as per REC's norms. In any case, even higher rate of interest would accrue to REC and not to DISCOMs, which suggests that DISCOMs had no need to take such investment decisions on this money entrusted to it.

8. Conclusion

This para is an example of how the purpose of receiving funds and conditions of use should be the driving force behind the decision as to how, where, till when and at what rates they should be invested.

Sl. No.9

Key Document (KD)

Particulars	Page Number
Extracts from CAG's Audit Report No.1 of 2015 on PSUs (Economic and Social Sectors) - Government of Haryana	16-19

Chapter 2

2. Performance Audit relating to PSUs - Government Companies and Corporation

Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited

2.1 Rajiv Gandhi Grameen Vidyutikaran Yojana

Rajiv Gandhi Grameen Vidyutikaran Yojana launched (March 2005) by Ministry of Power (MoP) Government of India (GoI) was aimed to electrify 1.25 lakh un-electrified villages in the country and give free electricity connections to 2.34 crore Below Poverty Line (BPL) households by 2009. The important findings noticed during audit are as under:

Highlights

The Rural Electricity (RE) plan which was to be notified within six months of notification (August 2006) of RE policy was notified with delay of 58 months. RE plan was deficient as estimation of load was unrealistic and power requirement was not assessed to meet the additional load.

(Paragraphs 2.1.5.1 and 2.1.5.2)

Detailed Project Reports (DPRs) of 21 projects were approved by taking time ranging between 12 days and 920 days. DPRs were prepared without actual route surveys. Distribution Transformers (DTs) meters worth ₹ 8.27 crore were not utilised for conducting energy audit.

(Paragraphs 2.1.5.3 to 2.1.5.5)

UHBVNL spent ₹ 43.20 crore from cash credit accounts which resulted in incurring undue interest burden of ₹ 3.44 crore. DHBVNL kept Scheme funds of ₹ 59.96 crore in a private bank.

(Paragraph 2.1.6)

DISCOMs awarded contracts for ₹ 259 crore against REC sanctioned cost of ₹ 200.22 crore and bore the additional financial burden. Contractors of UHBVNL got excess payments of ₹ 15.36 crore by bringing material in excess to sites.

(Paragraphs 2.1.7.1 and 2.1.7.4)

Eight projects of UHBVNL were delayed for period ranging between 7 and 67 months and six projects of DHBVNL were completed with delay ranging between 10 and 28 months against the completion period of 12 months and 9 months respectively.

(Paragraph 2.1.7.3)

UHBVNL achieved 66.03 *per cent* and 75.83 *per cent* of its targets of release of connections to BPL households in 10th and 11th plan periods respectively. DHBVNL had achieved the targets for 11th plan Phase-1 but there was no achievement for Phase-II projects.

(Paragraph 2.1.8.2)

2.1.1 Introduction

Rajiv Gandhi Grameen Vidyutikaran Yojana (Scheme) was launched by Ministry of Power (MoP) Government of India (GoI) in March 2005 to provide electricity access to all rural households in India. The target was to electrify 1.25 lakh unelectrified villages of the country and to give electricity connections free of cost to 2.34 crore Below Poverty Line (BPL) households by 2009.

In Haryana, the Scheme was covered under 10th and 11th five year plan (2005-2009) and was implemented by the two power distribution companies (DISCOMs)-Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL). A tripartite agreement (July 2005) was entered amongst Rural Electrification Corporation (REC), Government of Haryana (GoH) and DISCOMs for implementation of the Scheme and REC was the nodal agency. GoI provided 90 *per cent* capital subsidy towards creation of Village Electrification Infrastructure (VEI) projects. VEI includes electrification of unelectrified habitations besides making provision of Distribution Transformers (DTs) in electrified villages. Electrification of unelectrified BPL households was to be financed with 100 *per cent* capital subsidy in all rural habitations. Above Poverty Line (APL) households too could be given connections but without any subsidy.

2.1.2 Audit Objectives

The objectives of the performance audit were to ascertain whether:

- preparation of Rural Electrification (RE) Plans was timely and formulation of DPRs was based on reliable data;
- the financial management was adequate;
- implementation of RGGVY projects/ works was economical, efficient and effective;
- targets envisaged under the Scheme were achieved; and
- there was an adequate and effective monitoring mechanism.

2.1.3 Scope of Audit & methodology

The audit examination involved scrutiny of records of eight out of 21 projects. Two projects (DHBVNL-Bhiwani and UHBVNL-Karnal) were selected on high materiality risk basis (being higher value projects) and six projects[1] were selected by simple random sampling without replacement method. Out of eight projects, 17 blocks, 85 villages (five villages from each block) and 419

[1] UHBVNL-Jhajjar, Jind, Kurukshetra; DHBVNL-Fatehabad, Mewat, Sirsa.

beneficiaries (five beneficiaries from each village except two villages where only three and one connection was released respectively) were selected on random sampling basis. The sample test checked cases constituted 47.93 *per cent* of the total amount of ₹ 173.72 crore spent.

We explained the audit objectives of this Scheme to the DISCOMs during an Entry Conference (August 2012). Our audit findings are discussed in subsequent paragraphs. The audit findings were reported to the Government/ Management (September 2013) and discussed in the exit conference (October 2013). Views of the Management have been considered while finalising this report.

2.1.4 Audit Criteria

The sources of the audit criteria were:-

- Electricity Act, 2003;
- Rural Electrification (RE) Policy 2006;
- Scheme guidelines issued by Ministry of Power (MoP)/ REC;
- Instructions/ circulars/ orders issued by MoP;
- Approved DPRs;
- Sanctions for payment of capital subsidy; and
- Tripartite Agreements amongst REC, GoH and DISCOMs.

Audit Findings

2.1.5 Planning and Project Formulation

2.1.5.1 Delay in notification of RE Plan 2007-12

GoI notified (23 August 2006) RE Policy and the State Government was required to prepare and notify a RE Plan within six months of notification of RE Policy, *i.e.* up to 23 February 2007. RE plan was to be a road map for achievement of objectives of the Scheme.

Against the target date of 23 February 2007 for notification of RE Plan, it was notified by 30 December 2011, a delay of 58 months. DISCOMs while agreeing with the facts (October 2013) stated that the delay was due to laid down procedures at various levels.

2.1.5.2 Deficiencies in RE Plan

RE plan should contain the data of rural households electrified and to be electrified, estimated load increase, plan to augment the distribution network, power requirement due to increased load and plans to meet increased power demand and to remove discrimination in hours of power supply between urban and rural households. Scrutiny of the RE Plan revealed that RE Plan did

2.1.5.5 Unfruitful expenditure on Distribution Transformer (DT) meters

5,082 DT meters installed at a cost of ₹ 8.27 crore had not been utilised for conducting energy audit due to lack of infrastructure *i.e.* server/ routers at headquarter to receive and process the data. Thus, the expenditure of ₹ 8.27 crore incurred on these meters was rendered unfruitful. DISCOMs stated (October 2013) that these DT meters would be utilised for conducting energy audit in future as consumer indexing has been completed now.

2.1.6 Financial Management

Against the approved project cost[8] of ₹ 214.41 crore (revised cost ₹ 229.69 crore) DISCOMs received ₹ 177.01 crore (grant-₹ 158.20 crore and loan-₹ 18.81 crore) and utilised ₹ 164.46 crore up to 31 March 2013. The DISCOMs earned an interest of ₹ 11.73 crore out of which ₹ 9.54 crore was refunded to REC. The irregularities noticed during audit are discussed below:

- As per REC guidelines (April 2008), the Scheme funds were to be kept in separate interest bearing deposits of nationalised banks till the payments were made to the contractors. Further, interest earned on these funds were to be refunded to the REC. The UHBVNL received funds of ₹ 59.08 crore from REC during 2008-10. Instead of keeping Scheme wise funds in separate accounts, the UHBVNL kept these funds in Fixed Deposit Receipts. Interest received on these funds were refunded to REC as per above guidelines. However, we observed that field office of UHBVNL made payments of ₹ 43.20 crore during 2011-12 to the contractors not from the Scheme funds but by availing cash credit limit from the bank paying an average interest rate of 11 *per cent* on the cash credit limit. Thus, the Company had to bear an avoidable interest burden of ₹ 3.44 crore by making payments from the cash credit facility.

  During exit conference, while admitting the facts, the Management stated that they have now started keeping Scheme wise data to avoid such losses in future.

- DHBVNL received (December 2008 to March 2011) ₹ 59.96 crore from REC. We observed that DHBVNL kept these funds in HDFC bank up to March 2011 in violation of REC guidelines (April 2008).

  During exit conference, the Management admitted that though the funds were not kept as per REC guidelines, it earned more interest by keeping these funds in private bank. But the fact remains that provisions of REC guidelines were violated.

2.1.7 Implementation of projects / works

2.1.7.1 DISCOMs awarded 15 contracts at a cost of ₹ 259 crore against

[8] 21 projects