हिमाचल प्रदेश

REPORT

OF THE

COMPTROLLER

AND

AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2009

(COMMERCIAL)

GOVERNMENT OF HIMACHAL PRADESH

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PREFACE

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

- Government companies,
- Statutory corporations, and
- Departmentally managed commercial undertakings.

2. This Report deals with the results of audit of Government companies and Statutory corporations including Himachal Pradesh State Electricity Board and has been prepared for submission to the Government of Himachal Pradesh under Section 19 A of the CAG'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 included in the Report of the CAG (Civil) - Government of Himachal Pradesh.

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

4. In respect of Himachal Road Transport Corporation and Himachal Pradesh State Electricity Board, which are Statutory corporations, the CAG is the sole Auditor. In respect of Himachal Pradesh Financial Corporation, he has the right to conduct the audit of accounts in addition to the audit conducted by the Chartered Accountants, appointed by the State Government in consultation with the CAG. In respect of Himachal Pradesh Electricity Regulatory Commission, the CAG is the sole auditor. The Audit Reports on the annual accounts of all these corporations are forwarded separately to the State Government.

5. The cases mentioned in this Report are those, which came to notice in the course of audit during 2008-09 as well as those which came to notice in earlier years, but were not dealt with in the previous Reports. Matters relating to the period subsequent to 2008-09 have also been included, wherever necessary.

6. The audit in relation to the material included in this Report has been conducted in conformity with the Auditing Standards issued by the CAG.

OVERVIEW

1 Overview of Government companies and Statutory corporations

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2009, the State of Himachal Pradesh had 20 working PSUs (17 companies and three Statutory corporations) and three non-working PSUs (all companies), which employed 42,204 employees. The working PSUs registered a turnover of Rs. 4,629.88 crore for 2008-09 as per their latest finalised accounts. This turnover was equal to 12.53 per cent of State GDP indicating an important role played by the State PSUs in the economy. However, the working PSUs incurred overall loss of Rs. 0.12 crore in 2008-09 and had accumulated losses of Rs. 943.78 crore.

Investment in PSUs

As on 31 March 2009, the investment (Capital and long term loans) in 23 PSUs was Rs. 4,256.01 crore which declined by over 16 per cent from Rs. 5,104.22 crore in 2003-04. Power sector accounted for nearly 72 per cent of the total investment in 2008-09. The Government contributed Rs. 703.85 crore towards equity, loans and grants/subsidies during 2008-09.

Performance of PSUs

During the year 2008-09, out of 20 working PSUs, eight PSUs earned profit of Rs. 47.68 crore and equal number of PSUs incurred loss of Rs. 47.80 crore. Three working PSUs had not started commercial activities and in respect of one working PSU, excess of expenditure over income was reimbursable by the State Government. The major contributors to profit were Himachal Pradesh State Electricity Board (Rs. 32.31 crore) and Himachal Pradesh State Industrial Development Corporation Limited (Rs. 9.74 crore). The heavy losses were incurred by Himachal Road Transport Corporation (Rs. 34.18 crore) and Himachal Pradesh Financial Corporation (Rs. 6.32 crore). The losses were attributable to various deficiencies in the functioning of PSUs. A review of three years Audit Reports of CAG shows that the state PSUs losses of Rs. 550.50 crore and infructuous investment of Rs. 8.58 crore were controllable with better management. Thus, there is tremendous scope to improve the functioning and minimise/eliminate losses. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for professionalism and accountability in the functioning of PSUs.

Quality of accounts

The quality of accounts of PSUs needs improvement. Of the 16 accounts of working companies finalised during October 2008 to September 2009, eight accounts received qualified certificates and seven accounts received adverse certificates. There were 44 instances of non-compliance with Accounting Standards. Of the three accounts of Statutory corporations finalised during October 2008 to September 2009, audit of only one account was completed and it received qualified certificate. The Reports of the Statutory Auditors on internal control of the companies indicated several weak areas.

Arrears in accounts and winding up

Twelve working PSUs had arrears of 15 accounts as of September 2009. The arrears need to be cleared by setting targets for individual PSUs. There were three non-working PSUs. As no purpose may be served by keeping these PSUs in existence, Government need to expedite closing down of the non-working PSUs.

Discussion of Audit Reports by COPU

The Audit Reports (Commercial) ~~for~~ from 2002-03 onwards are yet to be fully discussed by COPU. The six pending Audit Reports contained 17 reviews and 80 paragraphs of which 16 reviews and 56 paragraphs were pending for discussion.

2 Performance review relating to Statutory corporation

Performance review relating to 'Himachal Road Transport Corporation' was conducted. Executive summary of the Audit findings is given below:

The Himachal Road Transport Corporation (Corporation) provides public transport in the State through its 23 depots. The Corporation had fleet strength of 1,908 buses as on 31 March 2009 and carried an average of 1.20 lakh passengers per day during 2008-09. It accounted for a share of 41.26 per cent in public transport with rest coming from private operators. The performance audit of the Corporation for the period from 2004-05 to 2008-09 was conducted to assess efficiency and economy of its operations, ability to meet its financial commitments, possibility of realigning the buses model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the Corporation.

Finances and Performance

The Corporation suffered a loss of Rs. 34.18 crore in 2008-09. Its accumulated losses and borrowings stood at Rs. 512.23 crore and Rs. 140.01 crore as at 31 March 2009, respectively. The Corporation earned Rs. 25.19 per kilometre and expended Rs. 27.34 per kilometre in 2008-09. Audit noticed that with a right kind of policy measures and better management of its affairs, it is possible to reduce costs, so as to earn profit and serve its cause better.

Declining share

Of 4,624 buses licensed for public transport in 2008-09, about 41.26 per cent belonged to the Corporation. The percentage share of the Corporation increased from 40.35 per cent in 2004-05 to 41.82 per cent in 2007-08 but decreased marginally to 41.26 in 2008-09. The decline in share during 2008-09 was mainly due to its operational inefficiency. Nonetheless, vehicle density (including private operators buses) per one lakh population increased marginally from 65.31 in 2004-05 to 66.85 in 2008-09 indicating stability in the level of public transport in the State.

Vehicle profile and utilisation

Corporation's buses consisted of own fleet of 1,881 buses and 27 hired buses as on 31 March 2009. Of its own fleet, 588 (31.26 per cent) were overage. The percentage of overage buses increased from 24.46 in 2004-05 to 31.26 in 2008-09 due to non-replacement of overage buses though the Corporation acquired 960 new buses during 2004-09. The acquisition was funded through grant-in-aid of Rs. 40 crore and share capital contribution of Rs. 36.24 crore from the State Government. Corporation's fleet utilisation at 98.67 per cent in 2008-09 was above All India Average (AIA) of 90.01 per cent. Its vehicle productivity at 224 kilometres per day per bus was above the AIA of 196 kilometres for hilly areas. Similarly, its load factor at 64.83 per cent in 2008-09 remained above the AIA of 63 per cent. Though, the Corporation did well on operational parameters, its 95 per cent schedules of buses were unprofitable due to high cost of operations. The Corporation did not carry out preventive maintenance as required in 12.70 to 13.53 per cent cases during 2004-09.

Economy in operations

Manpower and fuel constitute 72.97 per cent of total cost. Interest, depreciation and taxes account for 14.22 per cent and are not controllable in the short term. Thus, the controllable expenditure has to come from manpower and fuel. The Corporation succeeded in reducing the manpower per bus from 5.09 in 2004-05 to 4.41 in 2008-09 though the manpower cost rose from Rs. 8.44 to Rs. 10.60 per effective Km in 2004-09. Further, the expenditure on repairs and maintenance was Rs. 66.24 crore (Rs. 3.52 lakh per bus) in 2008-09 of which nearly 44 per cent was on manpower. The Corporation did not attain its own fuel consumption targets resulting

in excess consumption of fuel valued at Rs. 5.26 crore.

The Corporation had just 27 hired buses where bus owners provide buses with drivers and incur all expenses. The Corporation provides conductors and makes payment as per kilometres operated. Since the net loss per effective Km of hired buses was lower than the same in respect of owned buses, this arrangement has the potential to cut down the cost substantially. The Corporation needs to explore possibility to replace overage buses by hired buses in future.

Revenue maximisation

The State Government reimburses the cost of concessional/free passes and operation on uneconomical routes. However, against the claim of Rs. 311.92 crore lodged by the Corporation, the State Government had reimbursed Rs. 231 crore only leaving a sum of Rs. 80.92 crore unrecovered.

Need for a regulator

The fare per kilometre stood at 92.50 paise from February 2008. Though the Government approves the fare increase, there is no scientific basis for its calculation. The Corporation has also not formed norms for providing services on uneconomical schedules. Thus, it would be desirable to have an independent regulatory body (like Public Tariff Commission as envisaged by the State Government) to fix the fares, specify operations on uneconomical routes and address grievances of commuters.

Inadequate monitoring

The fixation of targets for various operational parameters and an effective Management Information System (MIS) for obtaining feed back on achievement thereof are essential for monitoring by the top management. The shortfall in operations is required to be deliberated upon in the Board of Directors with suitable remedial actions to be taken. However, the Corporation lacked in these aspects and could not control the cost by exercising effective management control over operational parameters.

Conclusion and recommendations

Though the Corporation is incurring losses, it is mainly due to its high cost of operations, negligible reliance on hired buses and low fare structure. The Corporation can control the losses by reducing operational cost and resorting to hiring of buses. This review contains five recommendations to improve the Corporation's performance. Reduction of operational cost, hiring of buses and effective monitoring by top management are some of these recommendations.

3 Transaction Audit Observations

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

- Loss of Rs. 16.69 crore in five cases due to non-compliance of rules, directives, procedure and conditions of tender document.

  (Paragraphs 3.1, 3.6, 3.7, 3.9 and 3.10)

- Loss of potential revenue of Rs. 1.13 crore in one case due to deficient planning.

  (Paragraph 3.2)

- Loss of Rs. 7.51 crore in one case due to injudicious decision.

  (Paragraph 3.4)

- Loss of Rs. 12.52 crore in three cases due to inadequate/deficient monitoring.

(Paragraphs 3.3, 3.8 and 3.12)

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

Himachal Pradesh Tourism Development Corporation Limited failed to plan construction of a car parking project properly, which led to time overrun of more than seven years in commissioning of the project, cost overrun of Rs. 81 lakh besides loss of potential revenue of Rs. 1.13 crore.

(Paragraph 3.2)

Himachal Pradesh State Civil Supplies Corporation Limited failed to initiate timely action for revision of rates of bran in accordance with the prevailing market rates resulting in loss of Rs. 3.56 crore.

(Paragraph 3.3)

State Government's injudicious decision not to enforce the condition of the sale deed against the purchaser of property resulted in a loss of Rs. 7.51 crore to **Himachal Pradesh General Industries Corporation Limited.**

(Paragraph 3.4)

Himachal Pradesh State Electricity Board failed to fix rates for supply of Steel Tubular Poles as per the tender document resulting in undue favour of Rs. 1.06 crore to local suppliers.

(Paragraph 3.6)

Himachal Pradesh State Electricity Board failed to implement the Expenditure Regulations resulting in revenue loss of Rs. 2.90 crore due to short recovery of service connection charges from the consumers.

(Paragraph 3.7)

Himachal Pradesh State Electricity Board did not assess the load requirement of Sansarpur Terrace area correctly resulting in injudicious investment of Rs. 3.35 crore with resultant interest loss of Rs. 85.43 lakh.

(Paragraph 3.8)

Himachal Pradesh State Electricity Board failed to apply the provisions of applicable schedule of tariff and Electricity Act, 2003 resulting in loss of revenue of Rs. 11.69 crore.

(Paragraph 3.10)

CHAPTER I

1. Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Himachal Pradesh, the State PSUs occupy an important place in the state economy. The State PSUs registered a turnover of Rs. 4,629.88 crore for 2008-09 as *per* their latest finalised accounts as of September 2009. This turnover was equal to 12.53 *per cent* of State Gross Domestic Product (GDP) for 2008-09. Major activities of Himachal Pradesh State PSUs are concentrated in power sector. The State PSUs incurred an overall loss of Rs. 1.54 crore in the aggregate for 2008-09 as *per* their latest finalised accounts. They had employed 42,204[♣] employees as of 31 March 2009.

1.2 As on 31 March 2009, there were 23 PSUs as *per* the details given below. Of these, one company[§] was listed on the stock exchange.

22 - non-working
- 1
21 - merged
- 2
19 - New
+ 1
20

3

Type of PSUs	Working PSUs	Non-working PSUs[Ψ]	Total
Government Companies[◊]	17	3[Δ]	20
Statutory Corporations	3	-	3
Total	20	3	23

1.3 During the year 2008-09, one PSU[&] was established whereas two companies viz. Pabbar Valley Power Corporation Limited and Kinner Kailash Power Corporation Limited were merged with the Himachal Pradesh Power Corporation Limited with effect from 31 July 2007.

♣ As per the details provided by all the 23 PSUs.

§ Himachal Pradesh General Industries Corporation Limited.

Ψ Non-working PSUs are those which have ceased to carry on their operations.

◊ Includes 619-B companies.

Δ Includes one company (Agro Industrial Packaging India Limited) which became non-working during 2008-09.

& Himachal Pradesh Power Transmission Corporation Limited.

Audit Mandate

1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as *per* Section 619-B of the Companies Act.

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

1.6 Audit of statutory corporations is governed by their respective legislations. Out of three statutory corporations, CAG is the sole auditor for Himachal Pradesh State Electricity Board and Himachal Road Transport Corporation. In respect of Himachal Pradesh Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

Investment in State PSUs

1.7 As on 31 March 2009, the investment (capital and long-term loans) in 23 PSUs (including 619-B companies) was Rs. 4,256.01 crore as *per* details given below.

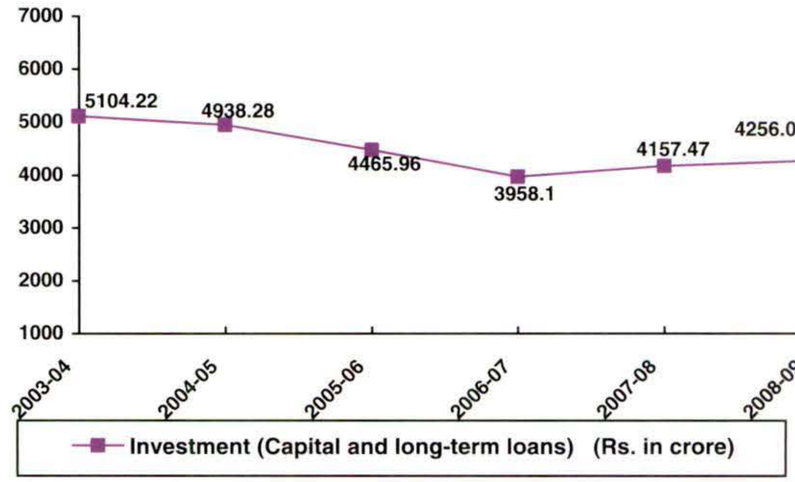
(Amount: Rupees in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	632.26	563.93	1,196.19	760.40	2,255.15	3,015.55	4,211.74
Non-working PSUs	22.14	22.13	44.27	-	-	-	44.27
Total	**654.40**	**586.06**	**1,240.46**	**760.40**	**2,255.15**	**3,015.55**	**4,256.01**

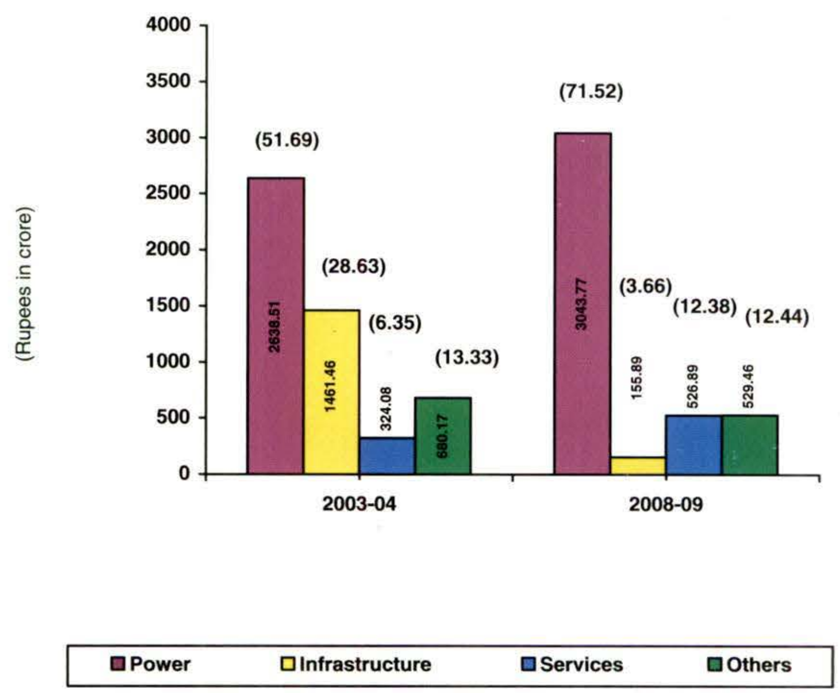
A summarised position of government investment in State PSUs is detailed in **Annexure 1**.

1.8 As on 31 March 2009, of the total investment in State PSUs, 98.96 *per cent* was in working PSUs and the remaining 1.04 *per cent* in non-working PSUs. This total investment consisted of 33.24 *per cent* towards capital and

66.76 *per cent* in long-term loans. The investment has declined by 16.62 *per cent* from Rs. 5,104.22 crore in 2003-04 to Rs. 4,256.01 crore in 2008-09 as shown in the graph below.



1.9 The investment in various important sectors and percentage thereof at the end of 31 March 2004 and 31 March 2009 are indicated below in the bar chart. During 2003-09, the major investment was in the power sector. The percentage of investment in power sector has increased from 51.69 in 2003-04 to 71.52 in 2008-09 of total investment due to incorporation of new companies.



(Figures in brackets show the percentage of total investment)

Budgetary outgo, grants/subsidies, guarantees and loans

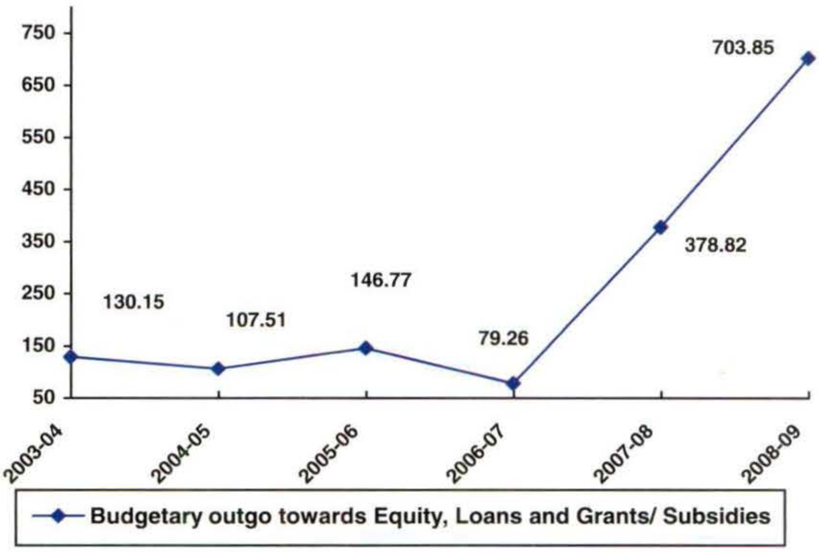
1.10 The details regarding budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Annexure 3**. The summarised details are given below for three years ended 2008-09.

(Amount: Rupees in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	5	14.36	6	164.83	8	336.99
2.	Loans given from budget	1	7.93	1	0.50	2	76.56
3.	Grants/Subsidy received	8	56.97	6	213.49	6	290.30
4.	Total Outgo (1+2+3)	12[¥]	79.26	10[¥]	378.82	14[¥]	703.85
5.	Loans converted into equity	-	-	1	4.61	-	-
6.	Guarantees issued	4	240.27	5	111.30	4	26.60
7.	Guarantee Commitment	8	2,411.74	9	584.70	7	1,795.42

¥ Represent actual number of companies/corporations which received budgetary support in the form of equity, loans, grants and subsidy from the State Government during respective year.

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



Budgetary outgo was Rs. 130.15 crore in 2003-04 which was curtailed to Rs. 79.26 crore in 2006-07. The budgetary outgo jumped to Rs. 378.82 crore in 2007-08 and again to Rs. 703.85 crore in 2008-09 mainly due to significant extension of equity/loans and grants/subsidy to power sector amounting to Rs. 301.85 crore (2007-08) and Rs. 470.55 crore (2008-09).

1.12 During 2008-09, the Government had guaranteed loan aggregating Rs. 26.60 crore obtained by four PSUs. At the end of 2008-09, guarantee commitment stood at Rs. 1,795.42 crore (seven PSUs) as against Rs. 2,411.74 crore (eight PSUs) and Rs. 584.70 crore (nine PSUs) during 2006-07 and 2007-08 respectively.

Reconciliation with Finance Accounts

1.13 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2009 is stated below.

(Amount: Rupees in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	1,205.73	1,225.91	20.18
Loans	-	145.39	145.39
Guarantees	1,906.06	1,795.42	110.64

1.14 Audit observed that the differences occurred in respect of 11 PSUs and the difference in respect of one company was pending reconciliation since 1995-96. The concerned administrative departments, PSUs and Finance Department were requested every quarter to take necessary action to reconcile the differences. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

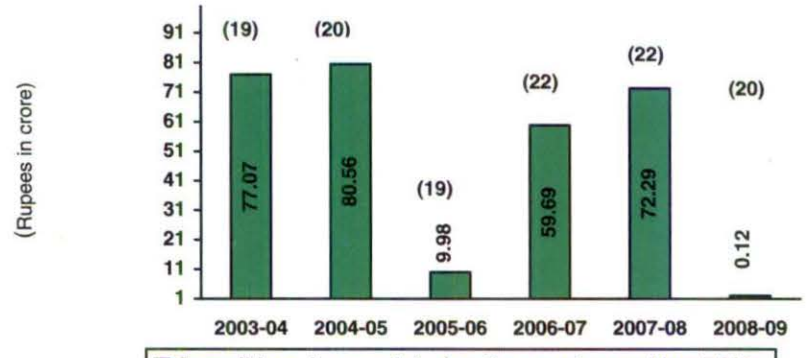
1.15 The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in **Annexure 2, 5 and 6** respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSU turnover and State GDP for the period 2003-04 to 2008-09.

(Amount: Rupees in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Turnover[∝]	2,037.52	2,146.74	2,641.63	3,029.68	3,476.06	4,629.88
State GDP	20,721.00	23,066.00	25,471.00	28,358.00	31,974.00	36,940.00
Percentage of Turnover to State GDP	9.83	9.31	10.37	10.68	10.87	12.53

It can be noticed that there was an overall rise in turnover of PSUs during 2003-09 with corresponding growth in the State GDP.

1.16 Losses incurred by State working PSUs during 2003-04 to 2008-09 are given below in a bar chart.



(Figures in brackets show the number of working PSUs in respective years)

During preceding six years up to 2008-09, the PSUs incurred overall huge losses, which indicated poor functioning of PSUs except during 2005-06 and 2008-09, when the overall losses incurred by State PSUs were comparatively low.

∝ Turnover as per the latest finalised accounts as of 30 September.

During the year 2008-09, out of 20 working PSUs, eight PSUs earned profit of Rs. 47.68 crore and equal number of PSUs incurred loss of Rs. 47.80 crore. Three working Government companies viz., Beas Valley Power Corporation Limited, Himachal Pradesh Power Corporation Limited and Himachal Pradesh Power Transmission Corporation Limited have not started commercial activities and in respect of one working Government company viz., Himachal Pradesh Road and Other Infrastructure Development Corporation Limited excess of expenditure over income is reimbursable by the State Government. The major contributors to profit were Himachal Pradesh State Electricity Board (Rs. 32.31 crore) and Himachal Pradesh State Industrial Development Corporation Limited (Rs. 9.74 crore). The heavy losses were incurred by Himachal Road Transport Corporation (Rs. 34.18 crore) and Himachal Pradesh Financial Corporation (Rs. 6.32 crore).

1.17 The losses of working PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of Rs. 550.50 crore and infructuous investment of Rs. 8.58 crore which were controllable with better management. Year wise details from Audit Reports are stated below.

(Amount: Rupees in crore)

Particulars	2006-07	2007-08	2008-09	Total
Net loss	59.69	72.00	0.12	131.81
Controllable losses/avoidable expenditure as per CAG's Audit Report	499.00	17.38	34.12	550.50
Infructuous Investment	1.71	3.18	3.69	8.58

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

1.19 Some other key parameters pertaining to State PSUs are given below.

(Amount: Rupees in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Return on Capital Employed (*Per cent*)	1.11	1.47	2.97	2.74	3.93	5.54
Debt	4,391.36	4,189.98	3,704.40	3,136.86	2,918.66	2,841.21
Turnover[ϒ]	2,037.52	2,146.74	2,641.63	3,029.68	3,476.06	4,629.88
Debt/ Turnover Ratio	2.16:1	1.95:1	1.40:1	1.04:1	0.84:1	0.61:1
Interest Payments	217.52	210.52	160.55	166.55	210.64	201.39
Accumulated Profits (losses)	(772.64)	(856.45)	(826.76)	(939.66)	(1,021.00)	(1,028.60)

(Above figures pertain to all PSUs except for turnover which is for working PSUs).

ϒ Turnover of working PSUs as per the latest finalised accounts as of 30 September.

1.20 The percentage of return on Capital Employed showed a rising trend from 1.11 *per cent* in 2003-04 to 5.54 *per cent* in 2008-09. The debt position also showed improvement as total debt declined from Rs. 4,391.36 crore in 2003-04 to Rs. 2,841.21 crore in 2008-09. The outgo of PSUs towards payment of interest showed declining trend up to 2005-06 and increased thereafter during next two years up to 2007-08. It again declined in 2008-09 and stood at Rs. 201.39 crore as on 31 March 2009. The turnover position also showed an improving trend during five years up to 2008-09, correspondingly, the debt-turnover ratio improved from 2.16:1 in 2003-04 to 0.61:1 in 2008-09. The position of accumulated losses has, however, deteriorated from Rs. 772.64 crore (2003-04) to Rs. 1,028.60 crore (2008-09).

1.21 The State Government had formulated (August 1982) a dividend policy under which all PSUs are required to pay a minimum return of three *per cent* on the paid up share capital contributed by the State Government. As per their latest finalised accounts, eight PSUs earned an aggregate profit of Rs. 47.68 crore and only one PSU[Ê] declared a dividend of Rs. 0.35 crore, which was ten *per cent* of its paid up capital. Other profit earning PSUs did not declare any dividend.

Performance of major PSUs

1.22 The investment in working PSUs and their turnover together aggregated to Rs. 8,841.62 crore during 2008-09. Out of 20 working PSUs, the following three PSUs accounted for individual investment *plus* turnover of more than five *per cent* of aggregate investment *plus* turnover. These three PSUs together accounted for 79.90 *per cent* of aggregate investment *plus* turnover.

(Amount: Rupees in crore)

PSU Name	Investment	Turnover	Total (2) + (3)	Percentage to aggregated investment plus turnover of all PSUs
(1)	(2)	(3)	(4)	(5)
Himachal Pradesh State Civil Supplies Corporation Limited	17.60	920.06	937.66	10.61
Himachal Pradesh State Electricity Board	2,312.62	2,915.38	5,228.00	59.13
Himachal Road Transport Corporation	479.61	419.00	898.61	10.16
Total	**2,809.83**	**4,254.44**	**7,064.27**	**79.90**

Some of the major audit findings of past five years for above PSUs are stated in the succeeding paragraphs.

Himachal Pradesh State Civil Supplies Corporation Limited

1.23 The profit of the Himachal Pradesh State Civil Supplies Corporation Limited (Company) has risen continuously in past three years from Rs. 1.13

Ê Himachal Pradesh State Civil Supplies Corporation Limited.

crore in 2006-07 to Rs. 3.23 crore in 2008-09. Similarly, the turnover too has risen from Rs. 568.66 crore to Rs. 920.06 crore during this period.

1.24 Deficiency in implementation

- The Company failed to comply with the instructions of the Government of India while fixing sale rates of wheat and rice for distribution to the consumers categorised under above poverty line resulting in a loss of Rs. 1.01 crore. (Paragraph 4.1 of Audit Report (Commercial), 2007-08)

1.25 Deficiencies in financial management

- Lackadaisical approach of the Company against the increase in service charges by the bank during 2006-07 resulted in an avoidable payment of Rs. 0.28 crore. (Paragraph 4.2 of Audit Report (Commercial), 2007-08)

Himachal Pradesh State Electricity Board

1.26 The Himachal Pradesh State Electricity Board (Board) has incurred a loss of Rs. 94.20 crore and Rs. 25.38 crore during 2006-07 and 2007-08 respectively, before taking into account the subsidy from State Government. However, the Board earned a profit of Rs. 32.31 crore in 2008-09 mainly because of reduction in transmission and distribution losses and upward revision of tariff. The turnover has risen from Rs. 1,917.70 crore in 2006-07 to Rs. 2,915.38 crore in 2008-09. The return on capital employed has increased from 5.30 *per cent* in 2006-07 to 8.71 *per cent* in 2008-09.

1.27 Deficiency in financial management

- Failure of the Board to exercise the option available for redemption of bonds of Rs. 58.44 crore after five years resulted in avoidable payment of interest of Rs. 6.89 crore for the period beyond fifth year. (Paragraph 4.7 of Audit Report (Commercial), 2006-07)

1.28 Deficiency in implementation

- The merger of excise duty in the ex-works rates, though the supplier was exempted from the payment of the same, resulted in extending of an undue favour of Rs. 1.29 crore to the supplier on the purchase of conductor. (Paragraph 4.8 of Audit Report (Commercial), 2006-07)

1.29 Deficiency in monitoring

- Failure of the Board in handing over the requisite sites to the contractor resulted in an unfruitful expenditure of Rs. 3.59 crore. (Paragraph 4.5 of Audit Report (Commercial), 2007-08)
- The Board's failure to deduct service tax in conformity with provision of Service Tax Rules may result in an avoidable liability of Rs. 15.89 crore. (Paragraph 4.12 of Audit Report (Commercial), 2007-08)
- During execution of civil works of Larji Hydel Project by the Board, extra/overpayments of Rs. 13.32 crore made to the contractors due to incorrect analysis, payment of higher rates for

deviated/extra/substituted/additional items. The Board extended undue favour of Rs. 9.66 crore to the contractors by payment of inadmissible compensation, inadmissible payments, releasing interest free advance, execution of work on behalf of contractors at its cost and non-recovery of dumping charges. Failure of the Board to levy compensation for non-achievement of targeted milestones of civil works resulted in undue favour of Rs. 18.35 crore to the contractors besides interest loss of Rs. 3.65 crore. (Paragraphs 2.1.11 to 2.1.22 & 2.1.24 of Audit Report (Commercial), 2003-04)

Himachal Road Transport Corporation

1.30 Himachal Road Transport Corporation (Corporation) is continuously incurring losses. The loss of Corporation has increased from Rs. 32.60 crore in 2007-08 to Rs. 34.18 crore in 2008-09. The turnover of the Corporation increased from Rs. 242.28 crore in 2006-07 to Rs. 419 crore[&] in 2008-09. The return on capital employed was negative during this period.

1.31 Deficiency in planning

- Purchase of two air conditioned buses from the highest bidder without cost benefit analysis resulted in avoidable expenditure of Rs.0.39 crore in addition to operational loss of Rs. 0.25 crore during ten months of their operation. (Paragraph 4.11 of Audit Report (Commercial), 2005-06)
- Failure to conduct traffic survey before plying two Volvo buses on a non-viable route resulted in an avoidable loss of Rs. 0.17 crore. (Paragraph 4.13 of Audit Report (Commercial), 2007-08)

Conclusion

1.32 The above details indicate that the State PSUs are not functioning efficiently and there is tremendous scope for improvement in their overall performance. They need to imbibe greater degree of professionalism to ensure delivery of their products and services efficiently and profitably. The State Government should introduce a performance based system of accountability for PSUs.

Arrears in finalisation of accounts

1.33 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as *per* the provisions of their

[&] Including subsidy of Rs. 48 crore received during the year on account of issue of free/concessional passes and running buses on uneconomical routes.

respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September of respective year.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Number of working PSUs	20	19	22	22	20
2.	Number of accounts finalised during the year	18	17	23	20	19
3.	Number of accounts in arrears	14	16	15	17	15
4.	Average arrears *per* PSU (3/1)	0.70	0.84	0.68	0.77	0.75
5.	Number of working PSUs with arrears in accounts	9	12	12	13	12
6.	Extent of arrears	1 to 5 years	1 to 4 years	1 to 3 years	1 to 3 years	1 to 3 years

1.34 The average number of accounts in arrears per working PSUs ranged between 0.68 in 2006-07 and 0.84 in 2005-06. The PSUs having arrears of accounts need to take effective measures for early clearance of backlog and make the accounts up-to-date. The PSUs should also ensure that at least one year's accounts are finalised each year so as to restrict further accumulation of arrears.

1.35 Out of three non-working PSUs, one had gone into liquidation process. The remaining two non-working PSUs have finalised their accounts for the year 2008-09.

1.36 The State Government had invested Rs. 259.47 crore (Equity: Rs. 248.17 crore, and grants: Rs. 11.30 crore) in nine PSUs during the years for which accounts have not been finalised as detailed in **Annexure 4**. In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain 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.

1.37 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 concerned administrative departments and officials of the Government were informed every quarter by the Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this, the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up (June 2009) with the Chief Secretary/Finance Secretary to expedite the clearance of backlog of arrears in accounts in a time bound manner.

1.38 **In view of above state of arrears, it is recommended that:**

- **The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.**

- **The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

Winding up of non-working PSUs

1.39 There were three non-working PSUs (all companies) as on 31 March 2009. Of these, one PSU has commenced liquidation process. The numbers of non-working companies at the end of each year during past five years are given below.

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
No. of non-working companies	4	4	2	2	3

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose. During 2008-09, two non-working PSUs incurred an expenditure of Rs. 1.41 crore towards salary & wages and other administrative expenses. The expenditure in respect of one non-working PSU was financed by the State Government by sanctioning an interest free loan of Rs. 1.56 crore.

1.40 The stages of closure in respect of non-working PSUs are given below.

Sl. No.	Particulars	Companies
1.	Total No. of non-working PSUs	3
2.	Of (1) above, the No. under	
(a)	liquidation by Court (liquidator appointed)	-
(b)	Voluntary winding up (liquidator appointed)	1
(c)	Closure, i.e. closing orders/ instructions issued but liquidation process not yet started	2

1.41 During the year 2008-09, no company was finally wound up. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously. The Government may make a decision regarding winding up of two non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working. The Government may consider setting up a cell to expedite closing down its non-working companies.

Accounts Comments and Internal Audit

1.42 Fourteen working companies forwarded their audited 16 accounts to PAG during the period from October 2008 to September 2009. Of these, 14 accounts of 14 companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(Amount: Rupees in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	3	5.25	5	5.59	2	1.31
2.	Increase in loss	7	14.17	4	13.42	4	15.59

It can be seen that average impact of audit comments per account causing 'increase in loss' or 'decrease in profit' increased from Rs. 1.94 crore (2006-07) to Rs. 2.82 crore (2008-09). The deterioration in the quality of maintenance of accounts by PSUs is thus, apparent and needs to be improved.

1.43 During the year, the statutory auditors had given unqualified certificates for one account, qualified certificates for eight accounts, adverse certificates (which means that accounts do not reflect a true and fair position) for seven accounts. The compliance of companies with the Accounting Standards remained poor as there were 44 instances of non-compliance in 11 accounts during the year.

1.44 Some of the important comments in respect of accounts of companies are stated below.

Himachal Pradesh Agro Industries Corporation Limited (2007-08)

- The Company did not make provisions for leave encashment (Rs. 2.77 crore), additional gratuity (Rs. 2.36 crore), interest payable on advance received on support price scheme for potato (Rs. 0.98 crore), doubtful debts/advances (Rs. 0.42 crore) and damages claimed by Provident Fund Department for late deposit of provident fund for the period June 1990 to March 1998 (Rs. 0.25 crore). This has resulted in understatement of current liabilities and provisions and loss for the year by Rs. 6.78 crore.

Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited (2007-08)

- Non-provision for liability towards leave encashment payable to employees has resulted in understatement of loss and current liabilities and provisions by Rs. 5.85 crore.
- No provision has been made for investment made in Punwire Limited which has become doubtful. This has resulted in understatement of loss and current liabilities by Rs. 0.55 crore.
- Non-provision for doubtful debts and loans and advances under litigation resulted in understatement of loss and overstatement of current assets by Rs. 0.76 crore.
- No provision has been made for current assets, loans and advances which were not in the possession of the Company and become doubtful

of recovery. This has resulted in overstatement of current assets, loans and advances and understatement of loss by Rs. 0.37 crore.

Himachal Pradesh State Forest Development Corporation Limited (2005-06)

- No provision was made for royalty on resin blazes though the Pricing Committee had fixed the royalty of resin blazes at the higher rate. This has resulted in understatement of current liability and provision and loss for the year by Rs. 1.23 crore.

- Non-provision for the amount demanded by the LIC of India towards short contribution to gratuity fund of employees has resulted in understatement of current liabilities and provisions and accumulated losses by Rs. 26.51 crore.

- The Company did not reconcile the provisions for income tax account since 1987-88 and provisions were continuing since then and these should have been adjusted/reversed in the next year in which the returns were filed. Non-reversal/adjustment of provisions for income tax up to 2001-02 has resulted in overstatement of loss and overstatement of advances recoverable in cash or kind by Rs. 11.14 crore.

- Sundry creditors do not include an amount of Rs. 0.36 crore on account of royalty payable to private parties and Rs. 0.48 crore in respect of interest on account of non-payment of royalty payable on due dates. This has resulted in understatement of sundry creditors and loss by Rs. 0.84 crore.

Himachal Pradesh State Handicrafts and Handloom Corporation Limited (2007-08)

- No provision has been made for retirement benefits of Rs. 0.35 crore for the year and Rs. 4.53 crore till date. This has resulted in understatement of current liability and provisions and accumulated loss by Rs. 4.53 crore.

Himachal Pradesh State Electronics Development Corporation Limited (2008-09)

- No provision for liability on account of leave encashment amounting to Rs. 0.89 crore was made. This has resulted in understatement of current liabilities and provisions and overstatement of profit by Rs. 0.89 crore.

1.45 Similarly, three working statutory corporations forwarded their three accounts to PAG during the period from October 2008 to September 2009. Of these, two accounts of two statutory corporations pertained to sole audit by

CAG which were under audit. The remaining one account was selected for supplementary audit. The audit reports of statutory auditors and the sole/ supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(Amount: Rupees in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	297.06	1	1.06	-	-
2.	Increase in loss	2	4.71	2	247.10	1	0.20

The huge impact of audit comments during 2006-07 and 2007-08 mainly pertain to Himachal Pradesh State Electricity Board and the impact of audit comments during 2008-09 is comparative low as the audit of the accounts of the Board for the year 2008-09 was under progress as on 30 September 2009.

1.46 During the year, the audit of accounts of only one Statutory corporation (Himachal Pradesh Financial Corporation) was completed and it received a qualified certificate.

1.47 Some of the important comments in respect of accounts of Statutory corporations are stated below.

Himachal Pradesh Financial Corporation (2008-09)

- Himachal Pradesh Financial Corporation had lodged a claim of Rs. 0.15 crore with the State Government on account of gratuity paid to its employees who opted for pension scheme notified by the State Government. As the reimbursement of this claim was doubtful, necessary provision should have been made. This resulted in understatement of loss and overstatement of current assets by Rs. 0.15 crore.
- Other liabilities does not include Rs. 0.05 crore representing rent of hired building payable to Director of Industries, Government of Himachal Pradesh for the period 4 November 2003 to March 2009. This has resulted in understatement of liabilities and loss by Rs. 0.05 crore.

1.48 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 seven companies[£] for the year 2007-08 and 13 companies[µ] for the year 2008-09 are given below.

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 2
1.	Non-existence of system of making short/long-term business plan	2	3 and 16
2.	Inadequate monitoring of outstanding dues from outside parties	8	1 to 4, 6, 11, 16 and 17
3.	Non-existence of system of obtaining confirmation from the debtors	9	1 to 4, 6, 10 and 13 to 15
4.	Non-provision of retirement benefits as per AS-15	5	2, 3, 6, 15 and 16
5.	Non-maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	8	2, 3, 6, 8 10, 11, 14 and 15
6.	Non-fixation of minimum/ maximum limits of store and spares	4	2, 14, 15 and 16
7.	Non-fixation of economic order quantity for procurement of stores	6	1 to 3, 14, 16 and 17
8.	Non-adoption of ABC analysis to control inventory	5	3 and 13 to 16
9.	Absence of internal audit system commensurate with the nature and size of business of the company	7	1 to 3, 6, 11, 13 and 15
10.	Non-preparation of internal audit manual/standards/ guidelines	5	3, 4, 11, 14 and 15
11.	No approved IT strategy/plan	13	1 to 4, 6, 8, 10 to 16

£ Sr. No. 1 to 3, 6, 14, 16 and 17 of Annexure 2.

µ Sr. No. 1 to 4, 6, 8, 10, 11 and 13 to 17 of Annexure 2.

Recoveries at the instance of audit

1.49 During the course of propriety audit in 2008-09, recoveries of Rs. 73.02 crore were pointed out to the Management of various PSUs, which were admitted by PSUs. An amount of Rs. 19.46 crore was recovered during the year 2008-09.

Status of placement of Separate Audit Reports

1.50 Separate Audit Reports (SARs) issued by the CAG on the accounts of all the three Statutory corporations for the period up to 2007-08 have been placed in the State Legislature by the State Government.

Disinvestment, Privatisation and Restructuring of PSUs

1.51 During the year 2008-09, there was no case of disinvestment and privatisation of Government companies and Statutory corporations. The State Government had not prepared any plan for disinvestment of State PSUs.

Reforms in Power Sector

1.52 The State has Himachal Pradesh Electricity Regulatory Commission (HPERC) formed in December 2000 under Section 17 (1) of the Electricity Regulatory Commission Act, 1998[◊] with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licences. During 2008-09, HPERC issued 37 orders (four on annual revenue requirements and 33 on others).

1.53 Memorandum of Understanding (MoU) was signed in March 2001 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector with identified milestones. The State Electricity Board was able to meet all the milestones set out in the MoU.

◊ Since replaced with Section 82 (1) of the Electricity Act, 2003.

Discussion of Audit Reports by COPU

1.54 The status as on 30 September 2009 of reviews and paragraphs that appeared in Audit Reports (Commercial) and discussed by the Committee on Public Undertakings (COPU) is as under:

Period of Audit Report	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
2002-03	2	10	-	10
2003-04	1	14	-	4
2004-05	-	13	-	4
2005-06	5	14	1	2
2006-07	6	15	-	2
2007-08	3	14	-	2
Total	**17**	**80**	**1**	**24**

CHAPTER II

Performance review relating to Statutory Corporation

2 Himachal Road Transport Corporation

Executive Summary

The Himachal Road Transport Corporation (Corporation) provides public transport in the State through its 23 depots. The Corporation had fleet strength of 1,908 buses as on 31 March 2009 and carried an average of 1.20 lakh passengers per day during 2008-09. It accounted for a share of 41.26 per cent in public transport with rest coming from private operators. The performance audit of the Corporation for the period from 2004-05 to 2008-09 was conducted to assess efficiency and economy of its operations, ability to meet its financial commitments, possibility of realigning the buses model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the Corporation.

Finances and Performance

The Corporation suffered a loss of Rs. 34.18 crore in 2008-09. Its accumulated losses and borrowings stood at Rs. 512.23 crore and Rs. 140.01 crore as at 31 March 2009, respectively. The Corporation earned Rs. 25.19 per kilometre and expended Rs. 27.34 per kilometre in 2008-09. Audit noticed that with a right kind of policy measures and better management of its affairs, it is possible to reduce costs, so as to earn profit and serve its cause better.

Declining share

Of 4,624 buses licensed for public transport in 2008-09, about 41.26 per cent belonged to the Corporation. The percentage share of the Corporation increased from 40.35 per cent in 2004-05 to 41.82 per cent in 2007-08 but decreased marginally to 41.26 in 2008-09. The decline in share during 2008-09 was mainly due to its operational inefficiency. Nonetheless, vehicle density (including private operators buses) per one lakh population increased marginally from 65.31 in 2004-05 to 66.85 in 2008-09 indicating stability in the level of public transport in the State.

Vehicle profile and utilisation

Corporation's buses consisted of own fleet of 1,881 buses and 27 hired buses as on 31 March 2009. Of its own fleet, 588 (31.26 per cent) were overage. The percentage of overage buses increased from 24.46 per cent in 2004-05 to 31.26 in 2008-09 due to non-replacement of overage buses though the Corporation acquired 960 new buses during 2004-09. The acquisition was funded through grant-in-aid of Rs. 40 crore and share capital contribution of Rs. 36.24 crore from the State Government. Corporation's fleet utilisation at 98.67 per cent in 2008-09 was above All India Average (AIA) of 90.01 per cent. Its vehicle productivity at 224 kilometres per day per bus was above the AIA of 196 kilometres for hilly areas. Similarly, its load factor at 64.83 per cent in 2008-09 remained above the AIA of 63 per cent. Though, the Corporation did well on operational parameters, its 95 per cent schedules of buses were unprofitable due to high cost of operations. The Corporation did not carry out preventive maintenance as required in 12.70 to 13.53 per cent cases during 2004-09.

Economy in operations

Manpower and fuel constitute 72.97 per cent of total cost. Interest, depreciation and taxes account for 14.22 per cent and are not controllable in the short term. Thus, the controllable expenditure has to come from manpower and fuel. The Corporation succeeded in reducing the manpower per bus from 5.09 in 2004-05 to 4.41 in 2008-09 though the manpower cost rose from Rs. 8.44 to Rs. 10.60 per effective Km in 2004-09. Further, the expenditure on repairs and maintenance was Rs. 66.24 crore (Rs. 3.52 lakh per bus) in 2008-09 of which nearly 44 per cent was on manpower. The Corporation did not attain its own fuel consumption targets resulting in excess consumption of fuel valued at Rs. 5.26 crore.

The Corporation had just 27 hired buses where bus owners provide buses with drivers and incur all expenses. The Corporation provides conductors and makes payment as per kilometres operated. Since the net loss per effective Km of hired buses was lower than the same in respect of owned buses, this arrangement has the potential to cut down the cost substantially. The Corporation needs to explore possibility to replace overage buses by hired buses in future.

Revenue maximisation

The State Government reimburses the cost of concessional/free passes and operation on uneconomical routes. However, against the claim of Rs. 311.92 crore lodged by the Corporation, the State Government had reimbursed Rs. 231 crore only leaving a sum of Rs. 80.92 crore unrecovered.

Need for a regulator

The fare per kilometre stood at 92.50 paise from February 2008. Though the Government approves the fare increase, there is no scientific basis for its calculation. The Corporation has also not formed norms for providing services on uneconomical schedules. Thus, it would be desirable to have an independent regulatory body (like Public Tariff Commission as envisaged by the State Government) to fix the fares, specify operations on uneconomical routes and address grievances of commuters.

Inadequate monitoring

The fixation of targets for various operational parameters and an effective Management Information System (MIS) for obtaining feed back on achievement thereof are essential for monitoring by the top management. The shortfall in operations is required to be deliberated upon in the Board of Directors with suitable remedial actions to be taken. However, the Corporation lacked in these aspects and could not control the cost by exercising effective management control over operational parameters.

Conclusion and recommendations

Though the Corporation is incurring losses, it is mainly due to its high cost of operations, negligible reliance on hired buses and low fare structure. The Corporation can control the losses by reducing operational cost and resorting to hiring of buses. This review contains five recommendations to improve the Corporation's performance. Reduction of operational cost, hiring of buses and effective monitoring by top management are some of these recommendations.

Introduction

2.1 In Himachal Pradesh, the public road transport is primarily provided by Himachal Road Transport Corporation (Corporation), which is mandated to provide an efficient, adequate, economical and properly co-ordinated road transport. The State Government also allows the private operators to provide public transport. The State Government has reserved certain routes exclusively for the Corporation while both Corporation and private operators have been allowed to operate on some other routes. The fare structure is controlled and approved by the State Government. This structure is same for both the Corporation as well as private operators.

The Corporation was incorporated in September 1974 by the State Government under Section 3 of the Road Transport Corporations Act, 1950 as a wholly owned Corporation of the State Government. The Corporation is under the administrative control of the Transport Department of the Government of Himachal Pradesh. The Management of the Corporation is vested with a Board of Directors comprising Chairman#, Managing Director (MD) and the Directors appointed by the Government of Himachal Pradesh. The day-to-day operations are carried out by the MD, who is the chief executive of the Corporation, with the assistance of Chief General Manager, Divisional Managers and Financial Advisor & Chief Accounts Officer at the Head Office. The Corporation has four* Divisional Offices, 23 Depots and four♣ Divisional Workshops. The bus body building and tyre retreading operations are carried out at three out of four Divisional Workshops (except Taradevi). In addition to Divisional Workshops, Workshops are also attached to the Depots for carrying out day to day repair and maintenance of the vehicles.

The Corporation had a fleet strength of 1,908 buses as on 31 March 2009 including 27 hired buses. The Corporation carried an average of 1.10 lakh to 1.20 lakh passengers *per* day during 2004-05 to 2008-09. The Corporation's share in the passenger transport operations in the State was 39.36 to 41.82 *per cent* and the private operators accounted for the remaining share. The turnover of the Corporation was Rs. 401.18 crore in 2008-09, which was equal to 1.09 *per cent* of the State Gross Domestic Product. The Corporation employed 8,413 employees as on 31 March 2009.

A review on the working of the Corporation was included in the Report of the Comptroller and Auditor General of India for the year ended March 1997 (Commercial), Government of Himachal Pradesh. The Report was discussed by COPU during June 1999 and recommendations of COPU were received in November 1999. The recommendations made by COPU did not relate to the areas covered in the present performance audit review.

\# Hon'ble Transport Minister, Government of Himachal Pradesh.

* Dharamshala, Hamirpur, Mandi and Shimla.

♣ Jassure, Mandi, Parwanoo and Taradevi.

Scope of Audit and Audit Methodology

2.2 The present review conducted during February to June 2009 covers the performance of the Corporation during the period from 2004-05 to 2008-09. The review mainly deals with operational efficiency, financial management, fare policy, fulfillment of social obligations and monitoring by top management of the Corporation. The audit examination involved scrutiny of records at the Head Office, two♦ Divisional Workshops and six• out of the 23 Depots. Selection of Depots for audit was made on the basis of operation of bus services in urban, rural, tough, moderate, semi plain areas and inter/intra State. The Divisional Workshops were selected on the basis of volume of operations. The fleet strength and turnover of selected units (Depots and Workshops) was 553 buses and Rs. 110.06 crore against the total fleet strength of 1,908 buses and turnover of Rs. 401.18 crore respectively as on 31 March 2009.

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

Audit Objectives

2.3 The objectives of the performance audit were to assess:

Operational Performance

- the extent to which the Corporation was able to keep pace with the growing demand for public transport;
- whether the Corporation succeeded in recovering the cost of operations;
- the extent to which the Corporation was running its operations efficiently;
- whether adequate maintenance was undertaken to keep the vehicles roadworthy; and
- the extent to which economy was ensured in cost of operations.

Financial Management

- whether the Corporation was able to meet its commitments and recover its dues efficiently; and
- the possibility of realigning the business model of the Corporation to tap non-conventional sources of revenue and adopting innovative methods of accessing such funds.

♦ Jassure and Mandi.

• Shimla (local), Shimla (Rural), Taradevi, Kullu, Rampur and Una.

Fare Policy and Fulfillment of Social Obligations

- the existence and adequacy of fare policy; and
- whether the Corporation operated adequately on uneconomical routes.

Monitoring by Top Management

- Monitoring by Top Management and future needs of the Corporation.
- whether the monitoring by Corporation's top management was effective.

Audit Criteria

2.4 The audit criteria adopted for assessing the achievement of the audit objectives were:

- all India averages for performance parameters;
- performance standards and operational norms fixed by the Association of State Road Transport Undertakings (ASRTU);
- physical and financial targets/norms fixed by the Management;
- manufacturers' specifications, norms for life of a bus, preventive maintenance schedule, fuel efficiency norms, etc.;
- instructions of the Government of India (GOI) and Government of State and other relevant rules and regulations;
- corporate policy for investment of funds; and
- procedures laid down by the Corporation.

Financial Position and Working Results

2.5 The financial position of the Corporation for the five years up to 2008-09 is given below:

(Rs. in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
A. Liabilities					
Paid up Capital	252.51	264.81	277.11	308.11	339.60
Reserve & Surplus (including Capital Grants but excluding Depreciation Reserve)	-	16.28	66.15	51.72	38.29
Borrowings (Loan Funds)	62.60	110.78	159.96	141.73	140.01
Current Liabilities & Provisions	120.70	106.98	93.81	142.52	155.75
Total	**183.3**	**498.85**	**597.03**	**644.08**	**673.65**
B. Assets					
Gross Block	151.45	158.78	177.80	199.12	214.93
Less: Depreciation	108.20	112.39	119.30	123.74	128.24
Net Fixed Assets	43.25	46.39	58.50	75.38	86.69
Capital works-in-progress (including cost of chassis)	2.88	4.07	2.00	3.68	2.11
Investments	0.31	0.36	0.63	0.70	0.81
Current Assets, Loans and Advances	22.24	42.69	97.95	86.27	71.81
Accumulated losses	367.13	405.34	437.95	478.05	512.23
Total	**695.46**	**770.02**	**894.13**	**644.08**	**673.65**

The details of working results like operating revenue and expenditure, total revenue and expenditure, net surplus/ loss and earnings and cost *per* kilometre of operation are given below:

(Rs. in crore)

Sl. No.	Description	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total Revenue	280.70	303.58	334.24	352.77	401.18
2.	Operating Revenue[ϕ]	271.07	294.08	321.06	335.25	381.60
3.	Total Expenditure	312.59	341.80	366.85	392.86	435.36
4.	Operating Expenditure[Ψ]	302.51	333.18	362.35	386.18	426.33
5.	Operating Loss	31.44	39.10	41.29	50.93	44.73
6.	Loss for the year	31.89	38.22	32.61	40.09	34.18
7.	Accumulated Loss	367.13	405.34	437.95	478.05	512.23
8.	Fixed Costs					
	(i) Personnel Costs	120.37	125.86	135.94	157.26	168.81
	(ii) Depreciation	14.68	10.91	8.13	8.67	13.17
	(iii) Interest	10.08	8.62	4.50	6.68	9.03
	(iv) Other Fixed Costs	4.38	4.04	5.18	6.00	10.30
	Total Fixed Costs	149.51	149.43	153.75	178.61	201.31
9.	Variable Costs					
	(i) Fuel & Lubricants	95.34	115.30	129.55	132.37	148.88
	(ii) Tyres & Tubes	11.70	13.32	14.70	16.97	19.07
	(iii) Other Items/ spares	13.59	14.42	15.30	16.89	17.82
	(iv) Taxes (MV Tax, Passenger Tax, etc.)	34.91	36.81	38.26	36.85	39.69
	(v) Other Variable Costs	7.54	12.52	15.29	11.17	8.59
	Total Variable Costs	163.08	192.37	213.10	214.25	234.05
10.	Effective Kms operated (in lakh)	1,425.95	1,470.42	1,521.29	1,576.69	1,592.59
11.	Earnings *per* Km (Rs.) (1/10)	19.69	20.65	21.97	22.37	25.19
12.	Fixed Cost *per* Km (Rs.) (8/10)	10.48	10.16	10.11	11.33	12.64
13.	Variable Cost *per* Km (Rs.) (9/10)	11.44	13.08	14.01	13.59	14.70
14.	Cost *per* Km (Rs.) (12+13)	21.92	23.24	24.12	24.92	27.34
15.	Net Earnings *per* Km (Rs.) (11-14)	(-)2.23	(-)2.59	(-)2.15	(-)2.55	(-)2.15
16.	Traffic Revenue[§]	224.07	246.08	273.06	295.25	333.60
17.	Traffic Revenue *per* Km (Rs.) (16/10)	15.71	16.74	17.95	18.73	20.95
18.	Operating loss per Km (Rs.) (5/10)	-2.20	-2.66	-2.71	-3.23	-2.81

ϕ Operating revenue includes traffic earnings, passes and season tickets, re-imbursement against concessional passes, fare realised from private operators under KM Scheme, etc.

Ψ Operating expenditure include expenses relating to traffic, depreciation on fleet, repair and maintenance, electricity, welfare and remuneration, licences and taxes and general administration expenses.

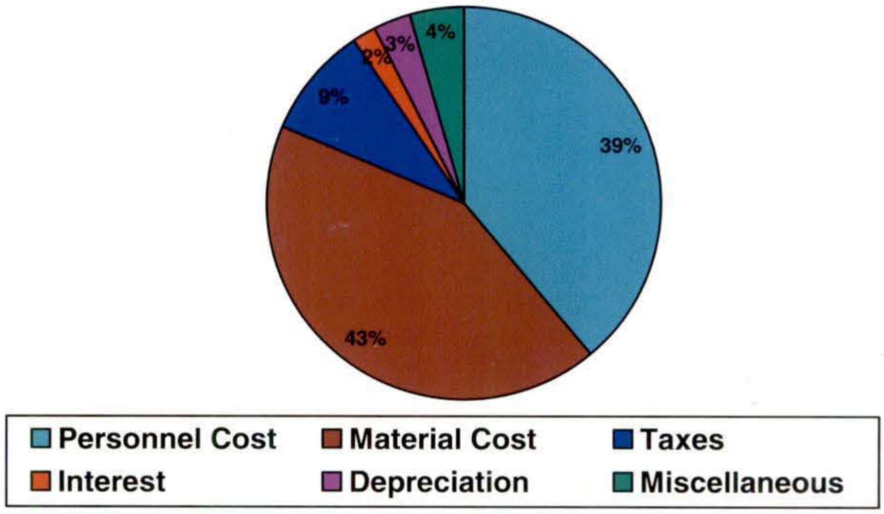
§ Traffic revenue represents sale of tickets, advance booking, reservation charges and contract services earnings.

The working results show that the Corporation was not able to recover the cost in all the five years and losses kept on mounting and were Rs.512.23 crore at the end of 2008-09.

Elements of Cost

2.6 Personnel costs and material costs constitute the major elements of costs. The percentage break-up of costs for 2008-09 is given below in the pie-chart.

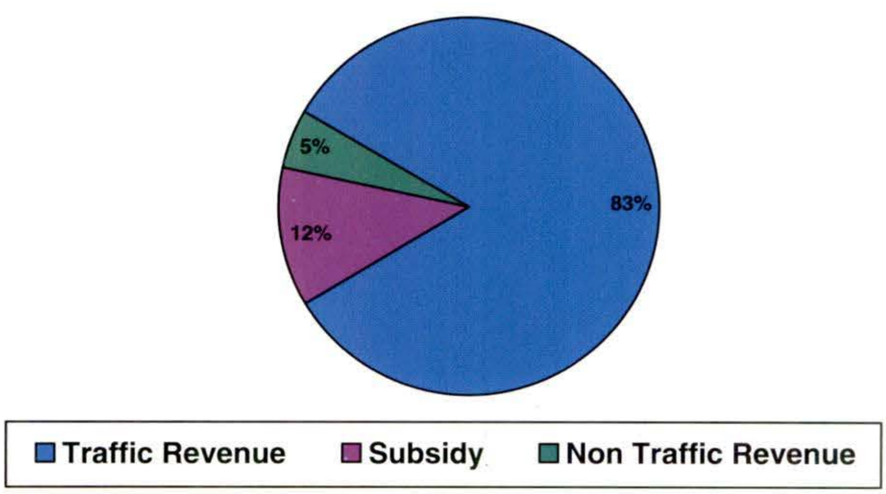
Components of various elements of cost



Elements of revenue

2.7 Traffic revenue, subsidy and non-traffic revenue constitute the elements of revenue. The percentage break-up of revenue for 2008-09 is given below in the pie-chart.

Components of various elements of revenue



Audit Findings

2.8 Audit explained the audit objectives to the Corporation during an 'entry conference' held on 4 March 2009. Subsequently, audit findings were reported to the Corporation and the Government in August 2009. They were again requested (September 2009) to furnish replies which are still awaited (October 2009). The audit findings are discussed below.

Operational Performance

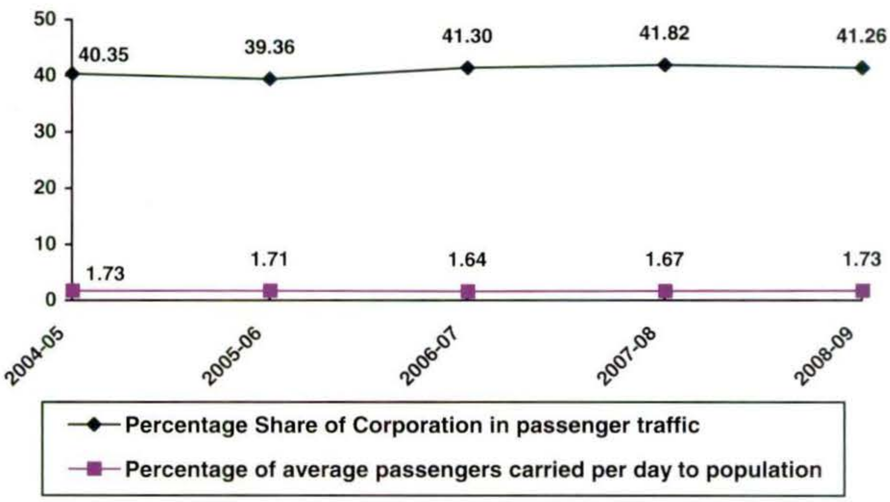
2.9 The operational performance of the Corporation for the five years ending 2008-09 is given in the **Annexure 7.** The operational performance of the Corporation was evaluated on various operational parameters as described below. It was also seen whether the Corporation was able to maintain pace with the growing demand of public transport. Audit findings in this regard are discussed in the subsequent paragraphs. These audit findings show that the losses were controllable and there is scope for improvement in performance.

Share of Corporation in public transport

2.10 The transport policy of the State Government (2004) seeks to achieve a balanced regional development and harnessing the growth potential of each and every sector of the State economy by improving the ability and efficiency of transport services. The policy states that the focus should be on augmentation of transportation in the remote and interior parts of the State. The people are largely dependent on road transport services as other means of transport are negligible.

Line-graphs depicting the percentage share* of the Corporation in the passenger traffic of the State (including private operators buses) and percentage of average passengers carried per day by the Corporation to the population of the State during five years ending 2008-09 are given below:

* The percentage share of the Corporation in the passengers traffic of the State has been worked out in Audit on the basis of number of buses held by the Corporation to total buses (including private operators buses) in the State.



The table below depicts the growth of public transport in the State.

Sl.No.	Particular	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Corporation's buses including hired buses (at the end of the respective year)	1,709	1,702	1,842	1,941	1,908
2.	Private stage carriages	2,526	2,622	2,618	2,700	2,716
3.	Total buses for public transport	4,235	4,324	4,460	4,641	4,624
4.	Percentage share of Corporation	40.35	39.36	41.30	41.82	41.26
5.	Percentage share of private operators	59.65	60.64	58.70	58.18	58.74
6.	Estimated population (lakh)	64.84	65.89	66.95	68.06	69.17
7.	Vehicle density *per* one lakh population	65.31	65.62	66.62	68.19	66.85
8.	Vehicle density of Corporation's buses per one lakh population	26.36	25.83	27.51	28.52	27.58

The percentage share of passenger traffic of the Corporation vis-à-vis the private operators remained more or less constant. The effective *per* Capita Km operated by the Corporation *per* year as given below shows improving trend in service by the Corporation except in 2008-09 when there was marginal decrease.

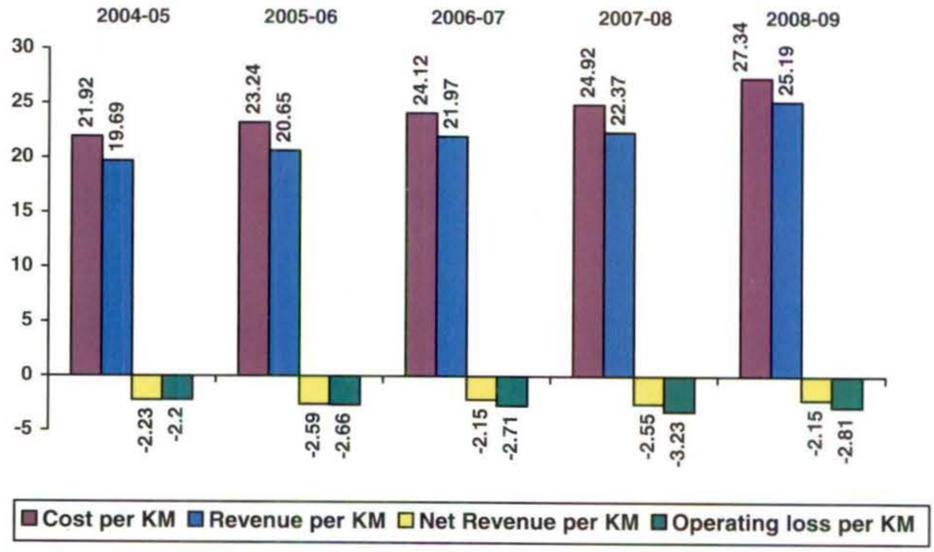
Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Effective Km operated (lakh)	1,425.95	1,470.42	1,521.29	1,576.69	1,592.59
Estimated Population (lakh)	64.84	65.89	66.95	68.06	69.17
Per Capita Km *per* year	21.99	22.32	22.72	23.17	23.02

Public transport has definite benefits over personalised transport in terms of costs, congestion on roads and environmental impact. The public transport services have to be adequate to derive those benefits. In the instant case, though the Corporation was able to maintain its share in public transport, the same could not be enhanced mainly due to operational inefficiencies as described later.

Recovery of cost of operations

The operating loss per Km increased from Rs. 2.20 in 2004-05 to Rs. 2.81 in 2008-09.

2.11 The Corporation was not able to recover its cost of operations in any of the years under review. During the last five years ending 2008-09, the net revenue remained negative as depicted in the graph⊗ below:



Above graph indicates the deteriorating performance of the Corporation over the period. The operating loss has been increasing year after year except in 2008-09 when it decreased to Rs. 2.81 per Km. The Corporation was not able to achieve the all India average for cost (Rs. 24.55 for hilly area) in 2007-08 and 2008-09. The revenue per Km showed an increasing trend and remained higher than all India average of Rs. 20.34 per Km in all the years under review except 2004-05. The high cost of operations has been impacting the ability of the Corporation to provide public transport services adequately as it is not able to replace its overage fleet in time. However, the level of operations of the Corporation was above average in the category.

Orissa, Uttar Pradesh and Karnataka registered best net earnings *per* Km at Rs. 0.49, Rs. 0.47 and Rs. 0.34 respectively during 2006-07.
(Source : STUs profile and performance 2006-07 by CIRT, Pune)

⊗ Cost per Km represents total expenditure divided by effective Km operated.
Revenue per Km is arrived at by dividing total revenue with effective Km operated.
Net Revenue per Km is revenue per Km reduced by cost per Km.
Operating loss per Km would be operating expenditure per Km reduced by operating income per Km.

Efficiency and Economy in operations

Fleet strength and utilisation

Fleet Strength and its Age Profile

2.12 The Corporation has its own fleet of buses. It also hires buses from contractors. Audit findings in respect of hired buses are given in paragraph 2.24. The table below explains the position of Corporation's own fleet.

The Association of State Road Transport Undertakings (ASRTU) had prescribed (September 1997) the desirable age of a bus as eight years or five lakh kilometres, whichever was earlier. The Corporation, however, has established its own norms for the life of buses. The Management had fixed (April 2000) the normal life of 42 and 37 seater buses as six lakh kilometres. For 52 and 47 seater buses, the same was fixed at seven lakh kilometres. However, due to improved technology and better road conditions, the norm was revised by the Corporation to 6.30 lakh kilometres and eight lakh kilometres respectively with effect from 1 April 2007. The table below shows the age-profile of the buses held (in terms of kilometres) by the Corporation for the period of five years ending 2008-09.

Sl.No.	Particulars[Π]	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total No. of buses at the beginning of the year	1,718	1,652	1,645	1,763	1,884
2.	Additions during the year	108	175	219	269	189
3.	Buses scrapped during the year (1+2-4)	174	182	101	148	192
4.	Buses held at the end of the year	1,652	1,645	1,763	1,884	1,881
5.	Number of overage buses as per Corporation's norms	404	541	662	690	588
6.	Percentage of overage buses to total buses	24.46	32.89	37.55	36.62	31.26

The Corporation had 31.26 per cent overage buses as on 31 March 2009.

The above table shows that the Corporation was not able to achieve the norm of right age buses. During 2004-09, the Corporation added 960 new buses at a cost of Rs. 76.24 crore. The expenditure was funded through grant in aid of Rs. 40 crore and share capital contribution of Rs. 36.24 crore by the State Government. To achieve the norm of right age buses, the Corporation was required to buy 588 new buses as on 31 March 2009 which would have cost it Rs. 69.15 crore approximately at an average cost of Rs. 11.76 lakh per bus. However, the Corporation did not generate adequate resources through its operations to finance the replacement of buses. Instead, it incurred a loss of

Π The number of busses will not match with the figures given in the table of paragraph 2.10 as it excludes hired buses.

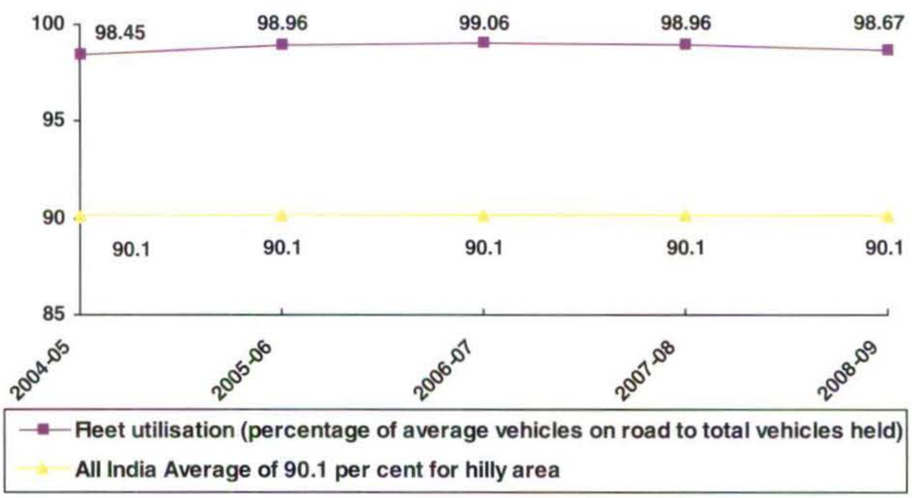
Rs. 121.43 crore before charging of depreciation during 2004-09. Thus, the Corporation's ability to survive and grow depends on its efforts to remove operational inefficiencies, cut costs and tap non-conventional revenue avenues so that it can fund its capital expenditure and be self-reliant.

The overage fleet requires high maintenance and results in extra cost and less availability of vehicles compared to underage fleet, other things being equal. This only goes on to increase operational inefficiency and causes losses which, in turn, affects the ability of the Corporation to replace its fleet on a timely basis.

Fleet Utilisation

2.13 Fleet utilisation represents the ratio of buses on road to those held by the Corporation (including hired buses). The Corporation had not set any target of fleet utilisation. The fleet utilisation of the Corporation remained between 98.45 and 99.06 *per cent* during 2004-09 which was higher than the AIA[∝] of 90.1 *per cent* for hilly area as indicated in the graph given below.

Andhra Pradesh, Tamil Nadu (Kumbakonam) and Tamil Nadu (Coimbatore) registered best fleet utilisation at 99.4, 98.4 and 98.3 *per cent* respectively during 2006-07.
(Source : STUs profile and performance 2006-07 by CIRT, Pune)



In spite of better fleet utilisation, the Corporation was continuously incurring losses which were mainly due to high cost of operation.

Vehicle productivity

2.14 Vehicle productivity refers to the average Kilometres run by each bus (including hired buses) *per* day in a year. The vehicle productivity of the

∝ AIA is for the year 2006-07 which has been used for comparison for the period under review.

Corporation vis-à-vis the overage fleet for the five years ending 2008-09 is shown in the table below:

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Vehicle productivity (Kms run *per* day *per* bus)	224	232	230	225	224
2.	Overage fleet (percentage)	24.46	32.89	37.55	36.62	31.26

Tamil Nadu (Villupuram), Tamil Nadu (Salem) and Tamil Nadu (Kumbakonam) registered best vehicle productivity at 474, 469 and 462.8 Kms per day respectively during 2006-07. (Source : STUs profile and performance 2006-07 by CIRT, Pune)

Compared to the AIA of 196 Kms for hilly area *per* day, the vehicle productivity of the Corporation has been on higher side for all the years under review. Test check in Audit of six Depots, however, revealed a different picture. In five Depots, out of a total number of buses ranging from 441 to 475 during the period 2004-08, buses ranging from 247 to 321 were found to be running below the AIA of 196 Kms. The average kilometres run per day by these buses ranged from 108 Kms to 147 Kms. The Corporation did not fix any targets of vehicle productivity for control purposes. This suggests that there is a lot of scope of improving the vehicle productivity further by making scientific route planning. Had these buses also achieved vehicle productivity of 196 Kms, the Corporation could have earned additional traffic revenue of Rs. 51.27 crore during 2004-08.

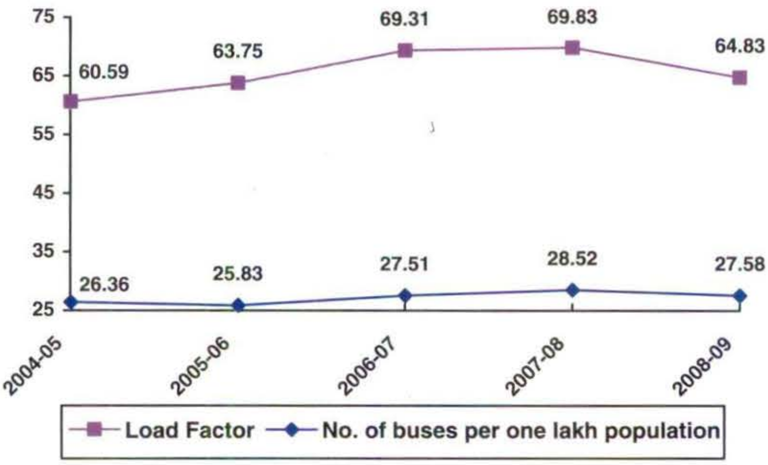
Capacity Utilisation

Load Factor

2.15 Capacity utilisation of a transport undertaking is measured in terms of load factor, which represents the percentage of passengers carried to seating capacity. The schedules to be operated are to be decided after proper study of routes and periodical reviews are necessary to improve the load factor. The Corporation calculates load factor on the basis of percentage of passenger Kms actually covered* to the passenger Kms operated#. The load factor of the Corporation increased from 60.59 *per cent* in 2004-05 to 69.83 *per cent* in 2007-08. It, however, decreased to 64.83 *per cent* in 2008-09 due to increase in fare by 25 *per cent* in February 2008, charging of lower fare by private operators and unauthorised plying of taxis. The load factor, however, remained higher than the AIA of 63 *per cent*. A graph depicting the load factor vis-à-vis number of buses *per* one lakh population is given below:

* Passenger Kms actually covered = Operating revenue dividing by fare per Km per seat.

\# Passenger Kms operated = Effective Kms multiplied by average seating capacity of bus.



Break-even load factor

2.16 The table below provides the details for break-even load factor (BELF) for traffic revenue. Audit worked out this BELF at the given level of vehicle productivity and total cost *per* Km.

(In Rupees)

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Cost *per* Km	21.92	23.24	24.12	24.92	27.34
2.	Traffic revenue per Km at 100 *per cent* load factor	25.93	26.26	25.90	26.82	32.32
3.	BELF (Percentage) (1/2)	84.54	88.50	93.13	92.92	84.59

The break-even load factor is quite high and is not likely to be achieved given the present load factor and the fact that the Corporation is also required to operate uneconomical routes. Thus, while the scope to improve upon the load factor remains limited, there is scope to cut down costs of operations as explained later.

Route Planning

2.17 Appropriate route planning to tap demand leads to higher load factor. There is no policy of the Corporation regarding introduction of new routes or increasing/decreasing frequency of services on existing routes. Feasibility appraisal and traffic survey are not conducted before introduction of new routes or changing frequency on existing routes. These are done on the basis of public demand. As a result, the Corporation is operating many routes and services which are uneconomical.

Some services are profitable while others are not. The position in this regard is given in the table below:

Particulars	Total No. of services	No. of services making profit	No. of services not meeting total cost
2004-05	2,398 (100)	66 (3)	2,332 (97)
2005-06	2,364 (100)	49 (2)	2,315 (98)
2006-07	2,458 (100)	76 (2)	2,382 (98)
2007-08	2,518 (100)	80 (3)	2,438 (97)
2008-09	2,542 (100)	132 (5)	2,410 (95)

(The percentage under the above heads is given in brackets for each year).

Ninety five *per cent* of the services operated by the Corporation in 2008-09 could not recover total cost.

The above table shows that in 2008-09, only five *per cent* services were profitable while 95 *per cent* services were unprofitable. Though, some of the services now appearing unprofitable would become profitable once the Corporation improves its efficiency, there would still be some uneconomical services. Given the scenario of mixed routes and obligation to serve uneconomical routes/services, the Corporation should decide an optimum quantum of services on different routes so as to optimise its revenue while serving the cause. However, no such exercise was carried out by the Corporation.

The Management stated (March 2009) that according to Section 18 of the Road Transport Corporations Act, 1950, it shall be the general duty of the Corporation to exercise its powers to provide or secure or promote the provision of an adequate, economical and properly coordinated system of transport services in the State. However, it may be mentioned here that Section 22 of the Act also states that the Corporation should be run on business principles. Thus, with proper planning of routes/services by Management, the Corporation could have provided requisite services on uneconomical routes/services besides making some unprofitable services into profitable ones.

Cancellation of Scheduled Kilometres

2.18 Cause-wise analysis for cancellation of services was not done by the Corporation for takin remedial measures. The details of scheduled kilometres, effective kilometres, cancelled kilometres calculated as difference between the scheduled kilometres and effective kilometres are furnished in the table below:

(In lakh Kms)

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Scheduled kilometres	1,451.60	1,483.49	1,540.75	1,576.64	1,583.76
2.	Effective kilometres[$]	1,397.83	1,441.98	1,492.45	1,542.44	1,566.80
3.	Kilometres cancelled	53.77	41.51	48.30	34.20	16.96
4.	Percentage of cancellation	3.70	2.80	3.13	2.17	1.07
5.	Contribution per Km (in Rupees)	4.27	3.66	3.94	5.14	6.25
6.	Loss of contribution (3x5) (Rupees in crore)	2.30	1.52	1.90	1.76	1.06

Tamil Nadu (Salem), State Express Transport Corporation (Tamil Nadu) and Tamil Nadu (Villupuram) registered least cancellation of scheduled Kms at 0.45, 0.67 and 0.78 *per cent* respectively during 2006-07.
(Source: STUs profile and performance 2006-07 by CIRT, Pune)

Due to cancellation of scheduled kilometres, the Corporation was deprived of contribution of Rs. 8.54 crore during 2004-09.

It can be seen from the above table that the percentage of cancellation of scheduled kilometres decreased from 3.70 *per cent* to 1.07 *per cent* during 2004-05 to 2008-09 but remained on higher side as compared to the best performers. The Corporation has not made cause-wise analysis of the cancelled kilometres and in the absence of the same, the Corporation did not have any mechanism for exercising effective control on cancellation. Due to cancellation of the scheduled kilometres, the Corporation was deprived of contribution of Rs. 8.54 crore during 2004-09.

Maintenance of vehicles

Preventive Maintenance

2.19 Preventive maintenance is essential to keep the buses in good running condition and to reduce breakdowns/ other mechanical failures. The Corporation has set up Workshops at all the Depots and Divisions for undertaking repairs and maintenance of vehicles. While Depot Workshops are required to attend to minor repairs or preventive maintenance that could be carried out on vehicles, Divisional Workshops carry out major repairs, renovation of bus bodies and reconditioning of engines/assembling etc. The Corporation had Tata and Leyland make buses, for which two major preventive maintenance schedules had been prescribed as under:

- On completion of 18,000/24,000 Kms for Tata/Leyland there should be change of oil, wheel alignment, cleaning of fuel injection pump, engine tuning, brake adjustment, etc.

$ This may not tally with Sl. No. 10 of table in paragraph 2.5 relating to working results due to non inclusion of kilometres run in respect of specially booked buses.

- On completion of 36,000 Kms (for both Tata and Leyland make buses) there should be overhauling of engines, spring leaves, wheel, brakes fuel injection pump, cooling system, change of gear oil, body work, etc.

The details of number of preventive maintenance required to be done vis-à-vis actually carried out during the five years ending 2008-09 is tabulated below:

(Numbers in lakh)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Number of preventive maintenance required to be done	1.20	1.23	1.26	1.34	1.33
Number of preventive maintenance actually carried out	1.04	1.07	1.10	1.16	1.15
Shortfall	0.16	0.16	0.16	0.18	0.18
Percentage of shortfall to total preventive maintenance required	13.33	13.01	12.70	13.43	13.53

The above table shows that required preventive maintenance schedules were not adhered to. The reasons for not carrying out required preventive maintenance were not on record. Test check of records of six Depots in Audit revealed that main reason for not adhering to preventive maintenance schedule was shortage of vehicles due to which the vehicles could not be withdrawn on scheduled dates for preventive maintenance. Continuous non-adherence to preventive maintenance schedules might have led to increase in repair and maintenance cost per bus over the review period as discussed in the succeeding paragraph despite acquisition of new buses by the Corporation over the years.

Repairs & Maintenance

2.20 A summarised position of fleet holding, over-aged buses, repairs and maintenance (R&M) expenditure for the last five years up to 2008-09 is given below:

Repairs and maintenance expenses per bus increased from Rs. 2.79 lakh in 2004-05 to Rs. 3.52 lakh in 2008-09.

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total buses at the end of the year excluding hired buses (No.)	1,652	1,645	1,763	1,884	1,881
2.	Over-age buses (as per Corporation's norms)	404	541	662	690	588
3.	Percentage of over age buses	24.46	32.89	37.55	36.62	31.26
4.	R&M Expenses (Rs. in crore)	46.11	49.80	53.07	61.15	66.24
5.	R&M Expenses per bus (Rs. In lakh.) (4/1)	2.79	3.03	3.01	3.25	3.52
6.	Percentage of manpower cost in R&M expenses	45	44	43	45	44

The above table shows that repair and maintenance expenses per bus has continuously increased over the period from Rs. 2.79 lakh in 2004-05 to

Rs. 3.52 lakh in 2008-09 except in 2006-07. The above included manpower cost engaged in repair and maintenance activity up to 43-45 *per cent*.

Docking of vehicles for fitness Certificates

2.21 The buses are required to be repaired and made fit before sending the same to Regional Transport Office (RTO) for renewal of fitness certificate under Section 62 of the Central Motor Vehicle Rules, 1989. As the date of expiry of the old fitness certificate is known in advance, Management should plan accordingly to get the buses repaired in time so that bus days are not lost due to delay in renewal. Test check of the records of five Depots♠ in Audit indicated that after allowing the grace of three days, 403 buses were held up for periods ranging from one to 100 days for want of Motor Vehicle Inspection Certificate resulting in loss of 3,067 bus days during 2004-09. This led to loss of contribution of Rs. 32.60 lakh. It was observed in Audit that the Corporation did not have any system to monitor and ensure timely repairs. Further, the Corporation failed to obtain fitness certificates due to reasons like shortage of spare parts, non-receipt of registration certificate from other depots and poor condition of the buses, which are *prima facie* controllable.

Manpower Cost

2.22 The cost structure of the Corporation shows that manpower and fuel constitute 72.97 *per cent* of total cost. Interest, depreciation and taxes – the costs which are not controllable in the short-term – account for 14.22 *per cent*. Thus, the major cost saving can come only from manpower and fuel.

Manpower is an important element of cost which constituted 38.77 *per cent* of total expenditure of the Corporation in 2008-09. Therefore, it is imperative that this cost is kept under control and the manpower is utilised optimally to achieve high productivity. The Table below provides the details of manpower, its cost and productivity.

Gujarat, Tamil Nadu (Villupuram) and Tamil Nadu (Salem) registered best performance at Rs. 6.10, Rs. 6.13 and Rs. 6.21 cost *per* effective Kms respectively during 2006-07.
(Source : STUs profile and performance 2006-07 by CIRT, Pune)

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total Manpower (Nos.)	8,706	8,552	8,484	8,595	8,413
2.	Manpower Cost (Rs. in crore)	120.37	125.86	135.94	157.26	168.81
3.	Effective Kms (in lakh)	1,425.95	1,470.42	1,521.29	1,576.69	1,592.59
4.	Cost per effective Km (Rs.)	8.44	8.56	8.94	9.97	10.60
5.	Productivity *per* day *per* person (Kms)	45	47	49	50	52
6.	Total Buses at the end of the year (No.)$^{\lambda}$	1,709	1,702	1,842	1,941	1,908
7.	Manpower *per* bus	5.09	5.02	4.61	4.43	4.41

♠ Shimla (local), Shimla (Rural), Taradevi, Kullu, and Rampur.

λ Including hired buses.

Manpower cost per effective Km increased from Rs. 8.44 in 2004-05 to Rs. 10.60 in 2008-09.

The manpower cost per effective Km was increasing year after year and was on higher side as compared to AIA of Rs. 7.50 per effective Km. The increase in manpower cost was due to payment of terminal benefits to retiring employees, increase in dearness allowance and grant of interim relief in 2007-08 and 2008-09 pending implementation of 5th Pay Commission of the Punjab Government, which is adopted by the State. Though the State Government had notified the same in August 2009, the Corporation had not implemented the same till date (October 2009) due to financial constraint. Productivity per day per person increased from 45 Kms in 2004-05 to 52 Kms in 2008-09 which was more than the AIA of 38 Kms for hilly area.

The Corporation had fixed norms for deployment of 5.80 manpower per bus against which actual deployment reduced from 5.09 in 2004-05 to 4.41 in 2008-09. To arrest the increasing trend of manpower cost, the Management may consider exploring the possibilities of hiring more buses with drivers.

North West Karnataka State Road Transport, Karnataka State Road Transport and Himachal Pradesh registered best performance at 4.89, 4.99 and 4.94 manpower *per* bus. (Source : STUs profile and performance 2006-07 by CIRT, Pune)

Fuel Cost

2.23 Fuel is a major cost element which constituted 34.20 *per cent* of total expenditure in 2008-09. Control of fuel costs by a road transport undertaking has a direct bearing on its productivity. The table below gives the targets fixed by the Corporation for fuel consumption, actual consumption, mileage obtained *per* litre (Kilomet0re *per* litre i.e. KMPL), AIA and estimated extra expenditure.

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Gross Kilometres operated (owned buses only) (in lakh)	1,421.34	1,433.93	1,479.41	1,549.95	1,593.68
2.	Target of KMPL fixed by Corporation (Average)	3.70	3.72	3.75	Not fixed	Not fixed
3.	Actual Consumption (in lakh litres)	390.81	392.42	399.61	417.70	434.41
4.	Kilometre obtained per litre (KMPL)	3.64	3.65	3.70	3.71	3.67
5.	All India Average in the category	3.69	3.69	3.69	3.69	3.69
6.	Consumption as per All India Average (in lakh litres) (1/5)	385.19	388.60	400.92	420.04	431.89
7.	Excess Consumption in terms of AIA (in lakh litres) (3-6)	5.62	3.82	-	-	2.52
8.	Average cost per litre (in Rs.)	24.06	29.31	31.82	30.87	33.14
9.	Extra expenditure (Rs. in crore) (7X8)	1.35	1.12	-	-	0.84
10	Consumption as per own targets (1/2) (In lakh litres)	384.15	385.47	394.51	-	-
11	Excess consumption in terms of own target (in lakh litres) (3-10)	6.66	6.95	5.10	-	-
12	Extra expenditure in terms of own targets (Rs. in crore) (11X8)	1.60	2.04	1.62	-	-

It can be seen from the above table that the mileage obtained *per* litre was on lower side during 2004-06 and 2008-09 as compared to AIA of 3.69 for hilly area. However, it remained marginally above the AIA during 2006-08. The Corporation had not analysed the reasons for sudden decrease in mileage obtained in 2008-09. The Corporation consumed 11.96 lakh litres of fuel in excess as compared to AIA during 2004-06 and 2008-09 resulting in extra expenditure of Rs. 3.31 crore. The Corporation had also fixed its own targets for fuel consumption considering the local situations. From December 2006, internal targets were not fixed by the Corporation. As compared to the internal targets, excess consumption of 18.71 lakh litres of fuel during 2004-07 resulted in extra expenditure of Rs. 5.26 crore.

North East Karnataka State Road Transport, Uttar Pradesh and Andhra Pradesh registered mileage of 5.45, 5.33 and 5.26 KMPL.
(Source : STUs profile and performance 2006-07 by CIRT, Pune)

Cost effectiveness of hired buses

2.24 The Corporation started (March 2004) hiring private buses on Kilometres payment basis (Km scheme). The owners of these buses were required to provide buses with drivers and to incur all expenditure for the running of the buses. The Corporation was to provide conductors and make payment as *per* the actual Kilometres operated by the hired buses. During 2004-09, the Corporation incurred loss of Rs. 5.93 crore from the operation of hired buses as shown below:

(Amount in Rs.)

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
	Own fleet					
1.	Cost *per* effective Km*	21.98	23.38	24.22	25.06	27.43
2.	Traffic Revenue *per* effective Km♣	15.74	16.64	17.85	18.71	21.05
3.	Net loss *per* effective Km (1-2)	(-) 6.24	(-) 6.74	(-) 6.37	(-) 6.35	(-) 6.38
	Hired buses					
4.	No. of Hired buses at the end of the year	57	57	79	57	27
5.	Cost *per* effective Km£	19.23	20.23	21.74	20.65	21.61
6.	Traffic Revenue *per* effective Km♣	14.38	18.89	20.03	19.16	14.47
7.	Net loss per effective Km (5-6)	(-) 4.85	(-) 1.34	(-) 1.71	(-) 1.49	(-) 7.14
8.	Total effective Kms operated by hired buses (in lakh)	29.07	61.21	67.16	51.47	24.94
9.	Loss from hired buses (Rs in crore)	1.41	0.82	1.15	0.77	1.78

* This may not tally with Sl. No.14 in the table of paragraph 2.5 under working results because this excludes cost incurred and effective Kms operated by hired buses, which are included in overall working results.

♣ Traffic revenue per effective KM in respect of owned and hired buses is different because of inclusion of reimbursement of concessional claims in the traffic revenue of owned buses.

£ This includes contract price plus conductors pay plus overheads.

It may be seen from the table above that net loss per effective Km on operating own buses had been higher than the same for hired buses in all the years under review except 2008-09. Audit analysed that increase in 2008-09 was due to significant reduction in number of hired buses on which traffic earnings were quite high. In view of this, running of more number of hired buses on high traffic earning routes may be beneficial to the Corporation. However, the number of hired buses reduced from 79 in 2006-07 to 27 in 2008-09.

Body Building

2.25 The Corporation had established three bus body building units. The Corporation engaged contract labour at a cost of Rs. 24.81 lakh for fabrication of 73 bus bodies during 2004-05, 2006-07 and 2007-08. During 2005-06 and 2008-09, bus bodies were fabricated using only in-house labour.

As per the agreement made with private body builders, while engaging contract labour, the Corporation allowed 12 days for fabrication of a bus. Audit observed that during 2004-09, 562 buses were not fabricated in the units within 12 days. The delay beyond 12 days resulted in loss of 14,509 bus days. Besides, there was abnormal delay in despatch of fabricated buses to Depots by the Workshops. It was also observed that 539 buses were despatched to Depots after delays up to 37 days during 2004-09 resulting in loss of 4,028 bus days. Thus, there was loss of contribution to the extent of Rs. 2.01 crore during review period.

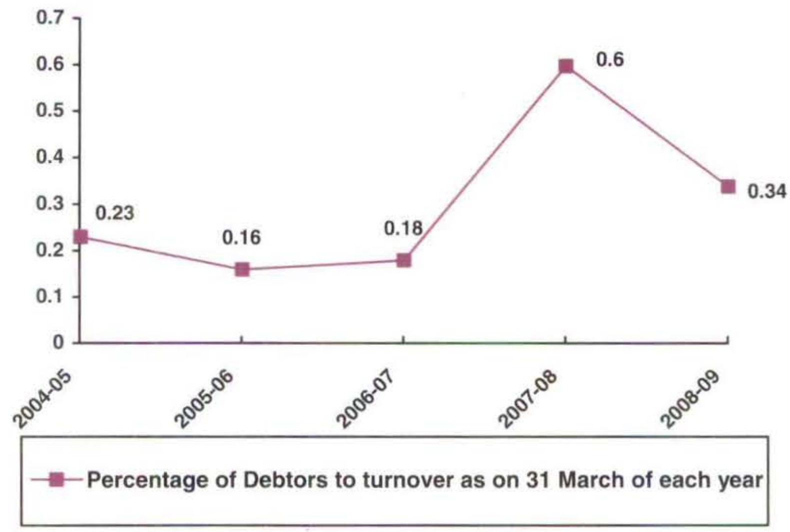
Financial Management

2.26 Raising of funds for capital expenditure, i.e., for replacement/addition of buses happens to be the major challenge in financial management of Corporation's affairs. This issue has been covered in paragraph 2.12. The section below deals with the Corporation's efficiency in raising claims and their recovery. This section also analyses whether an opportunity exists to realign the business model to generate more resources without compromising on service delivery.

Claims and Dues

2.27 The Corporation provides free/concessional passes to various categories of public like students, senior citizens, physically handicapped persons, employees including police personnel, freedom fighters, etc. However, the Corporation does not maintain proper records of beneficiaries for free/concessional travel and services provided on uneconomical routes and submits its claim with the State Government for reimbursement on estimation basis. During review period, the Corporation lodged claims of reimbursement amounting to Rs. 311.92 crore; of which the State Government reimbursed Rs. 231 crore only leaving a sum of Rs. 80.92 crore unrecovered.

The Corporation had not maintained year-wise break-up of debtors. Based on the scrutiny of records and analysis in Audit of the debtors outstanding as a percentage of turnover for the five years ending March 2009 are depicted in the graph below.



From the above, it can be seen that the outstanding dues remained between 0.16 to 0.60 *per cent* to the total turnover during 2004-09. Further, the scrutiny of records in Audit revealed that Rs. 5.64 lakh is recoverable from the Indian Railways since 1995. However, the same could not be recovered due to lack of effective pursuance by top Management.

Fare policy and fulfillment of social obligations

Existence and fairness of fare policy

2.28 There is no fare policy of the Corporation. The fares are fixed by the State Government but are not based on the input costs. These are largely based on socio-economic and political considerations. This is evident from the fact that fares fixed in April 2003 were revised upward to the extent of 25 *per cent* in February 2008 without taking into consideration the increase of 37.80 *per cent* in the price of diesel, mobile oil, tyres and other consumable items during this period. Fare structure for ordinary buses for the years

2004-09 shown in the table below:

(In Rupees)

Stages	2004-05	2005-06	2006-07	2007-08		2008-09
				Up to 22.2.2008	From 23.2.2008	
First 5 Kms						
Hills	4	4	4	4	5	5
Plains	2	2	2	2	3	3
First 10 Kms						
Hills	7	7	7	7	9	9
Plains	5	5	5	5	6	6
25 Kms						
Hills	19	19	19	19	23	23
Plains	12	12	12	12	15	15
100 Kms						
Hills	74	74	74	74	93	93
Plains	48	48	48	48	59	59

ASRTU recommended (August 1996) an automatic fare revision formula for the STUs. The Ministry of Surface Transport was also of the opinion (August 1997) that a flexible fare revision policy with an automatic fare revision formula to adjust to the rising cost of operations is inevitable to make the STUs viable entities. The State Government had also proposed (April 2005) setting up of a Public Tariff Commission (PTC) to advise on important issues and bringing transparency in the costs and the latent subsidies. However, Audit observed that the PTC had not been established so far (October 2009). Non-revision of fares on the basis of input costs was leading to increase in losses. However, the table below shows that the Corporation could have curtailed cost with better operational efficiency.

(In Rupees)

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Cost *per* Km	21.92	23.24	24.12	24.92	27.34
2.	Earning *per* Km	19.69	20.65	21.97	22.37	25.19
3.	Excess cost due to high manpower cost (*per* Km)	0.94	1.06	1.44	2.47	3.10
4.	Excess cost due to excess consumption of fuel (*per* Km)	0.10	0.08	-	-	0.05
5.	Ideal cost *per* Km [1-(3+4)]	20.88	22.10	22.68	22.45	24.19
6.	Net revenue *per* Km (2-1)	(-) 2.23	(-) 2.59	(-) 2.15	(-) 2.55	(-) 2.15
7.	Net ideal revenue *per* Km (2-5)	(-) 1.19	(-) 1.45	(-) 0.71	(-) 0.08	(+) 1.00
8.	Effective Kms (in lakh)	1,425.95	1,470.42	1,521.29	1,576.69	1,592.59
9.	Avoidable loss (Rs. in crore) [(6-7) x 8]	14.83	16.76	21.91	38.94	18.31

The above table does not take into account other inefficiencies such as excess tyre cost, defective route planning, etc. Nonetheless, it shows that the net loss could be lower, if the operations are properly planned and efficiently managed, than what they actually are.

The above facts lead to conclude that it is necessary to regulate the fares on the basis of input costs. Further, the State Government may consider early establishment of PTC as mentioned in preceding paragraphs to advise on fixation of fares, specifying operations on uneconomical routes and addressing the grievances of commuters.

Adequacy of services on uneconomical routes

2.29 The Corporation had about five *per cent* profit making services as of March 2009 as shown in table under paragraph 2.17. The position would, however, change if the Corporation improves its efficiency. Nonetheless, there would still be some routes/services which would be uneconomical. Though the Corporation is required to cater to these routes or provide services thereon, the Corporation had not formulated any norms in this regard. In the absence of norms, the adequacy of services on uneconomical routes/services could not be ascertained in Audit. The desirability to have an independent regulatory body to specify the quantum of services on uneconomical routes, taking into account the specific needs of commuters, is further underlined.

Monitoring by top management

2.30 For an organisation like a Road Transport Corporation to succeed in operating economically, efficiently and effectively, there has to be written norms of operations, service standards and targets. Further, there has to be a Management Information System (MIS) to report on achievement of targets and norms. The achievements need to be reviewed to address deficiencies and also to set targets for subsequent years. The targets should generally be such that the achievement of which would make an organisation self-reliant. In the light of this, Audit reviewed the system in the Corporation and noticed as under:

- The Corporation had fixed targets for operational performance up to November 2006 only. Thereafter, no targets were fixed. In the absence of targets, review of performance by the Chairman/MD/Board of Directors (BOD) did not serve the intended purpose.
- The daily/monthly data relating to physical and financial performance sent by the Depots/Divisional Offices/Divisional Workshops were reviewed by the MD but in the absence of targets/norms, the achievement was compared with previous year's and reasons were called for.
- Review meetings of Divisional Managers/ Regional Managers (Depot Incharge) were also held under the chairmanship of the Chairman/MD to review the physical and financial performance of the units but there was no laid down periodicity for holding such

meetings. As a result, during the last five years ending March 2009, only one meeting each was held in 2005-06, 2007-08 and 2008-09 while two meetings each were held in 2004-05 and 2006-07.

The number of Board of Directors meetings as required under the Road Transport Corporation Act, were not held during 2004-09.

- Data of physical/financial performance was consolidated and put up to the BOD for consideration. However, it was noticed in Audit that against the requirement of four Board of Directors meetings in each year as per the Road Transport Corporation Act, only one meeting was held in 2005-06 and 2007-08. Further, only two meetings each were held in 2004-05 and 2008-09 while three meetings were held in 2006-07. This was not only in contravention of the Act but also deprived the Corporation of the expertise of the Board.

The top management of the Corporation is expected to demonstrate managerial capability to set realistic and progressive targets, address areas of weakness and take remedial action wherever the things are not moving on expected lines. However, such ability was not seen either from records or performance of the Corporation during the period under review.

Conclusion

Operational performance

- **The Corporation's share in public transport increased marginally from 40.35 *per cent* in 2004-05 to 41.26 *per cent* in 2008-09.**
- **The Corporation could not recover the cost of operations in any of the five years under review. The operating loss per Km increased from Rs. 2.20 in 2004-05 to Rs. 3.23 in 2007-08 and decreased marginally to Rs. 2.81 in 2008-09. This was mainly due to operational inefficiencies and inadequate/ineffective monitoring by top Management.**
- **The Corporation did not carry out the preventive maintenance as required in 12.70 to 13.53 *per cent* cases, affecting the roadworthiness of its buses.**
- **The Corporation did not ensure the economy in operations as its manpower and fuel costs were higher than the AIA.**
- **The Corporation drastically reduced the operation of hired buses in 2008-09 though the net loss per effective Km from owned buses was higher than the same from hired buses.**

Financial management

- **The Corporation did not demonstrate utmost discipline in recovering its dues as it failed to recover an amount of Rs. 80.92 crore from the State Government during 2004-09.**

Fare policy and fulfillment of social obligations

- The Corporation neither has a fare policy based on scientific norms, nor any yardstick for adequacy of operation of uneconomical routes.

Monitoring by top management

- The MIS system of Corporation was not effectively utilised by its top management for exercising control over key operational parameters and service standards.

On the whole, there is scope to improve the performance of the Corporation. However, the present set up of the Corporation does not seem to be equipped to handle this. Effective monitoring of key parameters, coupled with certain policies measures, can see improvement in performance.

Recommendations

Operational performance

- The Corporation may increase its operations and share in passenger traffic by increasing its fleet strength through hiring of buses which would also result in reduction of manpower and fuel costs.
- The Corporation may ensure carrying out of preventive maintenance as per schedule to control repair and maintenance expenditure.

Financial performance

- The Corporation may consider maintaining proper records for free/concessional travel provided at the instance of the State Government besides services provided on uneconomical routes so that claims raised by it can be substantiated.

Fare policy and fulfillment of social obligations

- The Government may consider early establishment of PTC to regulate fares in accordance with cost of operations and also services on uneconomical routes taking into account the specific needs of commuters.

Monitoring by top management

- The Corporation may streamline its monitoring mechanism to exercise effective control over operational parameters and take remedial measures for improvement.

CHAPTER III

3 Transaction Audit Observations

Important audit findings emerging from test check of transactions made by the State Government companies/corporations are included in this Chapter.

Government companies

Beas Valley Power Corporation Limited

3.1 Undue favour to contractors

Failure to award the short duration contracts on 'fixed price basis' resulted in payment of price escalation of Rs. 29.19 lakh.

Clause 10 (CC) of Section 33 of the Central Public Works Department (CPWD) Manual inter-alia provides that escalation in prices of the material and/or wages of labour shall not be available to the contractor for a work for which the stipulated period of completion is 18 months or less. Similarly, Clause 10 of the Standard Contract Clauses of the Contract Document for domestic bidding prescribed by the Government of India, Ministry of Statistics and Programme Implementation (MOSPI) for providing basic structure for preparing contract documents stipulates that all short duration contracts up to 24 months should be awarded on fixed price basis and are not subject to any escalation whatsoever. Himachal Pradesh State Electricity Board (Board), which is a promoter of Beas Valley Power Corporation (Company), has adopted (November 2000) the provisions of the aforesaid manual.

Audit observed (February 2008) that the Company awarded the works of construction of office building at Jhalwan (Jogindernagar) and civil and engineering works of the MS pipe Aqueduct over Rana Khad to two different contractors on 9 June 2006 and 24 February 2007 for Rs. 68.88 lakh and Rs. 6.61 crore respectively. Though, the completion period of the above works was 12 and 18 months respectively, the Company failed to incorporate a suitable clause regarding non payment of price escalation in the notice inviting tenders as well as the agreements executed with the contractors in accordance with the above mentioned Clause of CPWD Manual or Standard Contract Clause of the Contract Document of MOSPI. This failure of the Company enabled the contractors to claim price escalation of Rs. 29.19 lakh on account of price increase in material, labour, petrol, oil and lubricants.

The Government stated (July 2009) that *ibid* Section of CPWD Manual was applicable only where the material was issued to the contractors by the Department. Since in these cases, material was arranged by the contractors themselves, CPWD Manual was not relevant. The reply is, however, not in consonance with the above mentioned provisions of CPWD Manual and the

Standard Contract Clause of Contract Document of MOSPI, which provide that all short term contracts have to be awarded on fixed price basis. The Managing Director and Directors on the Board of the Company are ex-officers of the Board and the Company should have adopted above mentioned clauses to safeguard its financial interest. The price escalation of Rs. 29.19 lakh was paid to the contractors for the work done during 18 months from the date of reckoning of contract period.

The Company should immediately adopt Clause 10 (CC) of Section 33 of the CPWD Manual to safeguard its financial interests. It should also put in place an effective internal check system to ensure that all short term contracts are awarded on fix price basis in future.

Himachal Pradesh Tourism Development Corporation Limited

3.2 *Deficient planning*

Lack of proper planning led to time overrun of more than seven years in commissioning of Car Parking Project, cost overrun of Rs. 81 lakh besides loss of potential revenue of Rs. 1.13 crore.

The Company hired (March 1999) Himachal Consultancy Organisation Limited (HIMCON) to examine feasibility and prepare brief project proposals of a Commercial Complex-cum-Car Parking near Hotel Holiday Home, Shimla. HIMCON prepared (May 1999) Techno Economic Feasibility Report (TEFR) for six floors having parking area for 150 cars and 4,500 sq. ft. of commercial area costing Rs. 1.14 crore, which anticipated annual revenue of Rs. 43.43 lakh (rent of car parking: Rs. 16.43 lakh + rent of commercial area: Rs. 27 lakh). The State Government proposal (August 1999) of Rs. 95 lakh was approved (September 1999) by the Ministry of Tourism (MOT), Government of India (GOI) with Central Financial Assistance of Rs. 90 lakh and State Government component of Rs. 5 lakh. The GOI share of Rs. 90 lakh was received in October 1999 (Rs. 27 lakh), October 2005 (Rs. 45 lakh) and October 2006 (Rs. 18 lakh). The State Government released Rs. 28.31 lakh in May 2006 (Rs. 5 lakh) and December 2006 (Rs. 23.31 lakh) due to increase in cost owing to time overrun and change in scope of work. According to the sanction of the GOI (September 1999), the work was to be started immediately to avoid escalation in cost and the project was to be commissioned within a maximum period of one year from the date of sanction. The work of construction of project was completed through a contractor in three phases as detailed below:

Phase No.	Date of award of work	Amount at which awarded (Rs. in lakh)	Stipulated date of completion	Actual date of completion	Amount at which completed (Rs. in lakh)	Time overrun (months)	Cost overrun (Rs.in lakh)
1	24.6.2004	19.59	15.6.2005	28.2.2007	36.41	20	16.82
2.	31.3.2005	28.31	15.1.2006	28.2.2007	75.15	13	46.84
3.	27.1.2007	25.30	10.5.2007	10.5.2007	21.86	Nil	(-)3.44
Total		73.20			133.42		60.22

The total project cost worked out to Rs. 1.76 crore including Rs. 42.51 lakh on account of departmental and other charges. Audit observed the following deficiencies at planning stage and in completion of project:

- The Company did not plan the project properly. Before preparation of TEFR and approval of project, the Company did not take approval of the Department of Town and Country Planning (T&CP), which allowed (November 2002) construction of only three floors.
- The site had a lot of loose soil but the Company did not ascertain the extent of digging required to find the requisite hard strata before preparation of TEFR. The matters regarding clearance of project by the Department of T&CP and ensuring availability of hard strata were also not referred to the consultant though these had direct bearing on the cost of construction and revenue expected after completion.
- The work of first phase was awarded in June 2004, i.e. after 57 months from sanction of project and 19 months after approval of the Department of T&CP for construction of three floors.
- The project required to be commissioned within one year (September 2000) at a cost of Rs. 95 lakh was actually commissioned (December 2007) after time overrun of seven years and three months and cost overrun of Rs. 81 lakh at a cost of Rs. 1.76 crore. The delay in commissioning was attributable to delay of four years and eight months in award of work (June 2004) and 20 and 13 months in the completion of work of first and second phase respectively due to non-finalisation of drawings, non-approval by Department of T&CP, stopping of work from time to time by the Departments of Forest and T&CP and change of scope of work owing to loose strata encountered during construction.
- Due to loose strata and varied site conditions encountered during construction, one floor having parking area of 350 square meters constructed below the road at an average cost of Rs. 34.01 lakh lacked approach and was lying idle since 24 December 2007.
- The delay in commissioning resulted in loss of potential revenue of Rs. 1.19 crore on account of parking rent based on the feasibility report and Rs. 1.13 crore based on annual rent being actually received[£] with effect from 24 December 2007.

Thus, due to inadequate and deficient planning, the project had to suffer a time overrun of more than seven years in commissioning with consequent cost overrun of Rs. 81 lakh, loss of anticipated revenue of Rs. 1.13 crore and unfruitful expenditure of Rs. 34.01 lakh.

The Government stated (October 2009) that project was planned properly, soil testing and Geologist's reports were taken before approval of the project and

£ 1,461 square meters parking area was rented out (December 2007) to a private party at an annual rent of Rs. 15.65 lakh.

case was also sent to the Department of T&CP in September 1999. But the Department of T&CP did not approve the project as envisaged and Geologist's report had to be taken time and again. The delay occurred due to stoppage of work many times by different Departments. It was further stated that efforts were being made to obtain access to the idle floor. The reply confirmed the observations of Audit, which indicate that there was lack of proper planning. The Company should have reconsidered implementation of the project when the Department of T&CP allowed constriction of only three floors.

The Company should explore the possibility of alternative use of idle space. It should also ensure proper planning of projects in future to avoid time and cost overrun and revenue loss.

Himachal Pradesh State Civil Supplies Corporation Limited

3.3 Loss due to failure to revise rates of bran

The Company failed to initiate timely action for revision of rates of bran in accordance with the prevailing market rates resulting in loss of Rs. 3.56 crore.

The Department of Food Civil Supplies and Consumer Affairs, Government of Himachal Pradesh fixed (December 2005) the conversion ratio of Above Poverty Line wheat into special whole meal atta at 95 *per cent* for custom grinding by the Millers. The Millers were required to deliver 95 *per cent* atta to the Company after retaining five *per cent* bran. The rate of bran was fixed at Rs. 5 per Kg. The Millers were being paid grinding and other charges after deducting Rs. 25 per quintal on account of five Kg bran.

Audit observed (January 2009) that the Company failed to ascertain market rate of bran from time to time to enable adopting of the same while determining the rate to be paid to Millers for grinding of wheat to atta. Being a nodal agency for distribution of food grain under Public Distribution System, the Company should have taken up the matter of fixing realistic rates with the State Government.

The market survey by Audit revealed (January 2009) that per quintal wholesale rate of bran in the market was Rs. 750 in April 2007, Rs. 783 in October 2007, Rs. 833 in February 2008 and Rs. 880 in May 2008 against the rate of Rs. 500 being charged from the Millers by the Company. Even if the rate of Rs. 750 per quintal prevalent in April 2007 is taken as against Rs. 500 per quintal (Rs. 5 per Kg) adopted by the Company, the Company suffered a loss of Rs. 3.56 crore on 1,42,334.67 quintals of bran that was generated during 2007-09. The loss would be more if the market rate prevalent from time to time is taken into consideration.

The Management replied (July 2009) that Ex-Mill rates were approved by the Director, Food Civil Supplies and Consumer Affairs, Government of Himachal Pradesh after taking into consideration all relevant factors including the market rate. It was also replied that based on the observations of Audit, the matter regarding revision of rates of bran was under consideration by the

Government. The reply confirms the delayed action initiated by the Company for necessary revision in the rates of bran in view of the higher market rates.

The Company should lay down a system of half yearly review of market prices for proposing revision of rates of bran to the Government.

The matter was referred to the Government in April 2009; their reply had not been received (October 2009).

Himachal Pradesh General Industries Corporation Limited

3.4 Loss due to injudicious decision

Injudicious decision of the State Government not to enforce the condition of the sale deed against the purchaser of property resulted in a loss of Rs. 7.51 crore to the Company.

After approval (March 2004) of the State Government, the Company sold (April 2004) its 65 bighas[♠] 19 biswas[♠] of industrial land and buildings (property) situated in the industrial belt at Manjholi, Tehsil Nalagarh, District Solan to the highest bidder Shri Om Parkash Khullar, Partner of Goodwill Industries, Shimla (firm) for Rs. 3.06 crore for industrial use . As per condition contained in the letter of acceptance (7 April 2004) and clause (g) of sale deed (December 2004), the property was to be utilised exclusively for the intended purpose (industrial use). In case of failure to do so, the property was to revert to the Company/State Government without any claim of the firm. This condition/clause was inserted in the letter of acceptance and sale deed on the basis of letter of approval (March 2004) from the State Government.

Audit observed (January 2009) that the firm failed to use the property for the intended purpose and requested (18 April 2006) the State Government to allow sale of property to another firm. On being asked, the Company informed (May 2006) the State Government that the firm had violated clause (g) of the sale deed and the property should revert to the Company. After consulting the issue with the Law Department, the State Government directed (August 2006) the Company to proceed in the matter. Accordingly, the Company filed (September 2006) a suit for declaration against the firm in the Court of Senior Sub-Judge, Shimla. Meanwhile, the firm filed a writ petition in the High Court of Himachal Pradesh for quashing the orders of reversion of property on the plea that the clause (g) of sale deed was not in conformity with the terms and conditions of the tender document. Based on the revised legal opinion obtained from the Law Department, the State Government directed (19 February 2007) the Company to allow the firm to sell the property to another firm (Indian Card Clothing Company Limited) for Rs. 7.51 crore and to withdraw the cases pending in the courts. The Company withdrew its cases from the High Court (July 2007) and the court of Senior Sub-Judge (September 2007). This was despite the fact that the legal advisor

♠ Land is measured in Acre, Bigha and Biswa; there are 4 bighas in one acre and 20 biswas in one bigha.

of the Company had categorically opined (28 February 2007) that the Law Department of the State Government had wrongly interpreted clause (g) of the sale deed. Thus, the firm was allowed to earn profit of Rs. 4.23 crore◊ within a period of three years resulting in a loss of Rs. 7.51 crore because in case of reversion of property, the Company could have also sold it for an equal or higher consideration. Thus, the Company failed to exercise powers to protect its the financial interest due to injudicious decisions of the State Government.

The Government stated (May 2009) that directions had been issued to the Director of Vigilance for conducting a detailed enquiry in the matter.

The State Government should direct the Vigilance Department to conclude the enquiry expeditiously so that responsibility for taking injudicious decision is fixed.

Himachal Pradesh State Industrial Development Corporation Limited

3.5 Deficient implementation of Transport Subsidy Scheme

The Transport Subsidy Scheme (scheme) introduced (July 1971) by the Government of India (GOI) to promote industrialisation of hilly, remote and inaccessible areas was applicable to industrial units located in Himachal Pradesh. The transport subsidy was payable at the rate of 75 *per cent* of the transport costs incurred on raw material and finished goods from the designated rail-heads to the industrial units and vice versa. The Company, which was notified (January 2005) as the Nodal Agency, received Rs. 31.20 crore from the GOI during 2004-08. The amount was disbursed to industrial units during 2005-09. The implementation of the scheme was reviewed in audit by scrutiny of 66 ◊claims of Rs. 7.76 crore of 58 industrial units in eight districts out of 461 claims of 185 industries of the State.

Salient features of the scheme were as under:

- State Level Committee (SLC) to scrutinise and pass the claims of transport subsidy was to be set up by the State Government.
- The subsidy was not payable for the material transported through unit's own vehicle and wheat purchased from or through the Food Corporation of India.
- The subsidy was to be allowed up to five years from the date of commencement of commercial production and for material to be used in authorised activities of the industrial units.
- The Director of Industries was required to lay down procedure for regular inflow of information regarding movement of raw materials and finished products and carry out periodical checks to ensure that the

◊ Rs. 7.51 crore – (Rs. 3.06 crore + Rs. 22 lakh spent by the purchaser of property) = Rs. 4.23 crore.

◊ Chamba district: 4, Kangra district: 6, Shimla district: 2, Solan district: 3, Una district: 3, Sirmour district: 45, Kullu district: 2 and Mandi district: 1

raw materials and finished goods in respect of which subsidy was paid were actually used for the purpose.

- The Company being the Nodal Agency, was required to examine genuineness of claims with reference to relevant original documents before making payment. It was required to scrutinise at least 10 *per cent* of the claims with reference to the original claim papers of the units during a financial year.

Audit observed following deficiencies in the implementation of the scheme:

3.5.1 As required in the scheme, the State Government had set up State Level Committee (SLC) to scrutinise and pass the claims of transport subsidy. District Level Committees (DLCs) had also been set up for receipt and initial scrutiny of claims. The SLC submitted the claims to the Company for further scrutiny and payment to the industrial units concerned. During scrutiny of claims in seven offices of the Director of Industries (DICs), Audit observed that while processing the claims, the DLCs, SLC and Nodal Agency failed to cross check the details given in the claim papers with the records maintained at the barriers, offices of Registering and Licensing Authorities (R&LAs) and original papers (ST-XXVI-A forms[£]) in the offices of Assistant Excise and Taxation Commissioners (AETCs) concerned. As a result, irregular payment of transport subsidy of Rs. 1.86 crore was made to 23 industrial units as detailed below:

- Payment of transport subsidy of Rs. 1.03 crore was made to three industrial units without obtaining ST-XXVI-A form.
- Transport subsidy of Rs. 27.99 lakh was disbursed to 19 industrial units for transportation of material through such vehicle numbers, which on verification in the offices of R&LAs concerned, were found to have been allotted to Scooters, Motor-cycles, Cranes, Cars, Jeeps, Himachal Road Transport Corporation Buses, etc. Thus, the vehicle numbers indicated in the claims were fictitious.
- Transport subsidy of Rs. 54.70 lakh was paid to Shiva Chemi Minerals, Sataun (Paonta Sahib), on the basis of ST-XXVI-A forms, which did not tally with the original ST-XXVI-A forms available in the office of AETC, Nahan. Thus the claims did not appear to be genuine.

The Director of Industries stated (August 2009) that instructions had been issued to all concerned to cross check the claims thoroughly at each stage with other departments regarding genuineness of ST-XXVI-A forms and genuine registration of vehicles, etc. It was further stated that ST-XXVI-A forms in respect of three industrial units to which subsidy of Rs. 1.03 crore was paid had been obtained and claims were scrutinised with reference to Audit observations. The recoverable amount worked out to Rs. 52.87 lakh which had been recovered. The reply confirmed the fact that scrutiny of claims was

£ A duplicate copy of this form is issued to the industrial unit at the barriers by the Department of Excise and Taxation and contains name of industrial units, material being transported, quantity and value of material, vehicle number, etc.

deficient and inadmissible payment of Rs. 52.87 lakh had been made to the industrial units.

3.5.2 Transport subsidy of Rs. 0.23 lakh was paid to two[•] industrial units against transportation of material (July 2003, December 2004 and January, February and March 2005) through trucks which did not exist on the registration records of R&LA, Chamba, Nahan and Paonta Sahib. Thus, claims appeared to be fictitious. The amount was recovered after being pointed out by Audit.

3.5.3 Transport subsidy of Rs. 5.08 lakh was paid (2006-07 and 2007-08) to four[$] industrial units for transportation of material against claims for 2000-07 through trucks which were either in the name of units or their proprietors. Royal Cement Company, Sansarpur Terrace, District Kangra claimed transport subsidy of Rs. 2 lakh for transportation of material through truck number HP-68-6935 which did not exist on the records of R&LA. The above truck number in the claim was indicated after overwriting vehicle number HP-68-0935 which was in the name of the unit.

The Director of Industries stated (August 2009) that an amount of Rs. 2.62 lakh had been recovered from three industrial units and notice for recovery of balance amount of Rs. 2.46 lakh had been issued to the fourth industrial unit which was lying closed.

3.5.4 Avoidable payment of transport subsidy of Rs. 1.22 lakh was made to five[♦] industrial units for a period beyond five years from the date of commencement of commercial production, transportation of un-authorised items of raw material and transportation of wheat purchased from the FCI.

The amount was recovered after being pointed out by Audit.

3.5.5 Annual accounts of industrial units were not being obtained to verify the correctness of the quantity of raw material and finished goods shown to have been transported in the transport subsidy claims of a particular year.

The Director of Industries stated (August 2009) that system of obtaining annual accounts of previous year along with the first quarter claim of each financial year had been introduced for future claims.

3.5.6 The procedure for ensuring regular inflow of information had not been laid down. There was also no laid down system of periodic inspection of industrial units to provide additional assurance of authenticity of claims. The Nodal Agency failed to check even 10 *per cent* of the claims each year with reference to the original claim papers.

[•] Valley Agro Foods, Chamba and Shiva Chemi Minerals, Sataun, Paonta Sahib.

[$] New India Detergents Ltd., Kirpalpur, Tehsil Nalagarh, District Solan: Rs. 2.46 lakh, Alpine Industry, Dadhau, District Sirmour: Rs. 0.54 lakh, Dhauladhar Cements, Industrial Area, Hatli, District Chamba: Rs. 0.08 lakh and Royal Cement Company, Sansarpur Terrace, District Kangra: Rs. 2 lakh.

[♦] Manikaran Roller Flour Mills Pvt. Ltd: Rs. 0.90 lakh, Nidhi Minerals Ltd., Sangrah, District Sirmour: Rs. 0.09 lakh, Prabh Dayal Om Paraksh, Paonta Sahib, District Sirmour: Rs. 0.07 lakh, Shivam Industry, Shoghi, District Shimla: Rs. 0.11 lakh and Girdhari Lal Agro Mills, Baddi, District Solan: Rs. 0.05 lakh.

The Director of Industries stated (August 2009) that procedure to ensure regular inflow of information had been introduced. The Nodal Agency was also considering claims for disbursement after scrutiny and physical inspection of documents.

3.5.7 Out of total payment of Rs. 31.20 crore during 2005-09, Audit scrutinised claims paid for Rs. 7.76 crore (24.87 *per cent*) and pointed out irregular/inadmissible payment of Rs. 1.93 crore (24.87 *per cent*). As against above, the Industries Department of the State Government had recovered inadmissible payment of Rs. 56.94 lakh and notice for recovery of Rs. 2.46 lakh had been issued. In respect of balance irregular payment of Rs. 1.34 crore, the Industries Department had re-scrutinised the claims after obtaining the requisite wanting documents and the payments were found to have been made correctly.

To sum up:

- **There were instances of irregular payments of transport subsidy against fake and inadmissible claims;**
- **No effective system existed in the Company for verification of genuineness of the claims before actual payments; and**
- **No standard procedure was laid down in the Company for monitoring and periodic inspection of stock movement for ensuring that the subsidy paid was utilised for intended purpose.**

The matter was referred to the Company in July 2009; their replies had not been received (October 2009).

Statutory corporations

Himachal Pradesh State Electricity Board

3.6 *Undue favour*

The Board failed to fix rates for supply of Steel Tubular Poles as per the tender document resulting in undue favour of Rs. 1.06 crore to local suppliers.

The Board issued (April 2006) tender enquiries for procurement of different sizes of Steel Tubular Poles (STPs). The tender document had a condition that manufacturing units located in the State of Himachal Pradesh (HP), whose rates were within 17.5 *per cent* over the overall comparable rates of the outside lowest L-I eligible firm, may be given order for purchase at the comparable lowest ex-works rates of L-I outside firm with duties and taxes applicable in HP or the total free on road (FOR) rates of the L-I outside firm, whichever is lower. After opening (May 2006) of the bids received, Fabrico (India) Pvt. Ltd., Meerut (an outside firm) emerged as L-I. The Board placed

(January 2007) supply orders on L-I outside firm and also six♦ HP based firms who had participated in the tender by considering the ex-works rates of the L-I outside firm.

A scrutiny of records by Audit (June 2008), however, revealed that on the basis of representation from local firms, the Board decided (January 2007) and paid them the FOR rates of L-I outside firm, which were higher as these included some of the duties/taxes (e.g. Excise Duty, education cess, etc.) which were not payable in HP by the local suppliers. This resulted in avoidable expenditure and undue favour of Rs. 1.06 crore to five HP based firms.

The Board should fix responsibility for allowing higher purchase price which resulted in avoidable expenditure and undue favour to the HP based firms. The Board also needs to devise an effective internal control system so as to ensure that such irregularity is not repeated in future.

The matter was referred to the Government/Board in April 2009; their replies had not been received (October 2009).

3.7 Loss of revenue due to short recovery of service connection charges from the consumers

Failure of the Board to implement the Expenditure Regulations resulted in revenue loss of Rs. 2.90 crore due to short recovery of service connection charges from the consumers.

As per Regulation 13 of the Expenditure Regulations issued (April 2005) by the Himachal Pradesh Electricity Regulatory Commission (HPERC), the Board is required to submit to the HPERC every year by the end of December a cost data (including departmental charges) book for approval, which shall be the basis for framing initial estimates for erection of lines and/or any other works. Regulation 15 further provides that cost data published for the year by the Rural Electrification Corporation (REC) shall be used until the cost data book is published in accordance with Regulation 13.

The requisite cost data was, however, not got approved by the Board from the HPERC. In the absence of approved cost data, the Board should have recovered service connection charges (erection/labour and departmental charges) as per REC cost data at the rate of Rs. 650, Rs. 804, Rs. 884 and Rs. 964 from domestic, commercial, non-domestic and non-commercial consumers respectively during 2005-06 to 2007-08. Audit observed (March 2008) that above procedure was not followed by 32 divisions (out of total 49 divisions) of the Board test checked in audit. As a result, service connection charges from 53,539 consumers were recovered at different percentages of cost of requisite material or at the average rate ranging between Rs. 150 and Rs. 300 per connection as was being done prior to issuing (April 2005) of

♦ Sun Steel Fab (Mandi), Electro Steels (India) (Damtal), Yamuna Industries (Poanta Sahib), H.M Steels Ltd. (Kala Amb), Goyal Engineering Co. (Solan) and A.B Steel Poles (Shoghi).

Expenditure Regulations. The rates charged being lower than the rates contained in REC cost data, resulted in revenue loss of Rs. 2.90 crore. As the same practice is still (October 2009) in vogue in these units, the total amount of short recovery would be more.

The matter was referred to the Government/Board (May 2009); their replies had not been received (October 2009).

The Board needs to comply with the Expenditure Regulations of HPERC without further delay to avoid loss of revenue.

3.8 Injudicious investment

The Board did not assess the load requirement of Sansarpur Terrace area correctly resulting in injudicious investment of Rs. 3.35 crore with resultant interest loss of Rs. 85.43 lakh.

The Board deposited (May 2006) an amount of Rs. 3.35 crore with the Bhakra Beas Management Board (BBMB) for upgradation of 20 MVA power transformer to 40 MVA at switch yard of Pong Power House to meet the expected load growth in the Sansarpur Terrace area. The work was to be completed within eight months after release of amount to the BBMB. As the BBMB did not upgrade the above mentioned transformer, the Board requested (December 2006) the BBMB to put 10 MVA additional load on Pong-Terrace 66 KV line as a stop gap arrangement till the installation of new transformer to enable it to meet the immediate load demand of the industrial units. Though, the additional load was released (July 2007) by the BBMB without levying any additional charges on the Board, the 20 MVA transformer has not been upgraded to 40 MVA so far (April 2009).

Scrutiny of records relating to load demand of Sansarpur Terrace sub-station showed that the maximum recorded demand of load during 2007-09 was to the extent of 8.27 MVA only which was being met through the already existing network. The above details were indicative of the fact that the Board had not assessed the load requirement of Sansarpur Terrace area correctly and deposited (May 2006) the amount of Rs. 3.35 crore with the BBMB without any justification. Further, it has taken no action to cancel the upgradation and reclaim the advance. The injudicious investment of Rs. 3.35 crore in May 2006 has resulted in interest loss of Rs. 85.43 lakh[♠] during the last three years up to May 2009.

The Board should take immediate steps for recovery of advance of Rs. 3.35 crore deposited with the BBMB.

The matter was referred to the Government/Board in May 2009; their replies had not been received (October 2009).

♠ Calculated at the rate of 8.5 per cent per annum which was the borrowing rate of the Board at the time of investment.

3.9 Undue favour to a consumer

Failure to follow the prescribed procedure resulted in extension of undue favour to the consumer and consequent non-recovery of dues of Rs. 74.71 lakh.

As per Regulation 4 (I) of the Himachal Pradesh Electricity Regulatory Commission (Security Deposit) Regulations, 2005, every consumer should maintain with the Board an amount equivalent to consumption charges for the billing cycle period, as security. The amount payable towards security should be in the form of cash/demand draft drawn in the favour of Board. Where the amount payable towards security exceeds Rs. 5 lakh, the consumer may furnish the security in the form of bank guarantee (BG). Section 56 (I) of the Electricity Act, 2003 provides that where any person neglects to pay any charge for electricity due from him, the Board may after giving not less than 15 clear days' notice in writing to such person, disconnect the supply of electricity.

Audit observed (May 2008) that the Board had sanctioned (August 2005) load of 2,000 KW with contract demand of 2,222 KVA to Tanu Alloys Products, Gagret (consumer). The name of the consumer was subsequently (August 2005) changed to Shri Balaji Magnese Pvt. Ltd. The consumer deposited security deposit of Rs. 22 lakh in April 2005 (Rs. 2 lakh), June 2005 (Rs. 18 lakh) and May 2006 (Rs. 2 lakh). The consumer applied (January 2007) extension of load to 3,999.959 KW with contract demand of 4,444 KVA. The Board sanctioned (March 2007) load of 3,999.959 KW with contract demand of 4,000 KVA and the same was released (April 2007) to the consumer. The consumer furnished (December 2006) BG of Rs. 18 lakh valid up to 17 December 2007 and also deposited (April 2007) additional security deposit of Rs. 4.44 lakh in cash. The consumer started making default in payment of energy charges from March 2006. The arrear of energy charges increased to Rs. 48.68 lakh in November 2007 and Rs. 93.93 lakh in February 2008. The sub-division concerned failed to follow the prescribed procedure to:

- maintain with it an amount of Rs. 57.03 lakh as security equivalent to the energy consumption charges for the month of April 2007 as against the available security deposit of Rs. 44.44 lakh;
- disconnect supply to the consumer in November 2007 when there was default of Rs. 48.68 lakh in payment of requisite energy charges;
- obtain the BG in prescribed format which had the provision to bind the banker to honour the claim of the Board even up to six months beyond the validity period of BG; and
- to get the BG renewed after 17 December 2007.

This resulted in extension of an undue favour to the consumer as after disconnection of supply (February 2008) and adjustment of cash security deposit of Rs. 26.44 lakh, an amount of Rs. 74.71 lakh was outstanding against the consumer as on July 2008.

The Government endorsed (July 2009) the reply of the Board which stated that the electricity supply was disconnected permanently in February 2008 and a case for recovery of amount of Rs. 74.02 lakh had been filed in the High Court of Himachal Pradesh which was pending for decision. It, however, admitted that the Board had failed to renew the bank guarantee of Rs. 18 lakh before its expiry as also to take the bank guarantee in the requisite proforma to keep it operative for six months from the date of expiry resulting in failure to recover at least Rs. 18 lakh from the consumer.

The Board should strengthen its internal control system to ensure that such lapse is not repeated in future.

3.10 Loss of revenue

Failure of the Board to apply the provisions of applicable schedule of tariff and Electricity Act, 2003 resulted in loss of revenue of Rs. 11.69 crore.

As per the schedule of tariff applicable from time to time, demand charges per month per KVA calculated on the basis of maximum demand in KVA recorded on the energy meters during any consecutive 30 minute block period[f] of the month or the contract demand in KVA entered into by the consumer, whichever is higher, were to be recovered from the bulk consumers. In addition to demand charges, Contract Demand Violation Charges (CDVC) at the rate of Rs. 300 per month per KVA in case of the violation were also to be recovered. Further, as per condition No. 10 of the Abridged Conditions of Supply contained in the Sales Manual, Part I of the Board, the consumer cannot extend his connected load without the prior approval of the Board. In case of violation of this condition, the consumer had to be dealt with as per Section 126 of the Electricity Act, 2003, which provided for applying one and a half times[£] the tariff applicable for the relevant category.

The Board released (August 2002) 800 KW load with contract demand of 889 KVA to the National Thermal Power Corporation (NTPC) for the construction of Kol Dam Hydro Electric Project. Audit observed that actual recorded demand of the NTPC exceeded the contract demand (889 KVA) entered into to the extent of 482.744 to 4514.840 KVA during July 2005 to July 2008. The NTPC also extended (July 2003) its load beyond the sanctioned limit of 800 KW without prior approval of the Board. The Board, however, failed to levy demand charges and CDVC (Rs. 3.30 crore) for utilisation of power in excess of contract demand entered into during July 2005 to July 2008[♠] and charges for extension of load (Rs. 8.39 crore) from

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f Demand in KVA is recorded every 30 minutes block and highest recorded demand for any block during a month is considered for levying demand charges on the consumer.

£ Revised to twice the tariff applicable with effect from May 2007 as per 'Electricity (Amendment) Act, 2007.

♠ Demand charges and CDVC for contract demand violation after July 2008 have been recovered.

July 2003 to December 2008* without the approval of the Board as per the provisions of the schedules of tariff applicable from time to time and the Electricity Act, 2003/Electricity (Amendment) Act, 2007 respectively. Thus, the total loss of revenue on account of demand charges, CDVC and charges for extension of load worked out to Rs. 11.69 crore.

The Board should take immediate action to recover the short charged amount from the NTPC. It should also put in place an effective internal check system to ensure that such irregularity does not occur in future.

The matter was referred to the Government/Board in July 2009; their replies had not been received (October 2009).

3.11 Operation, repair and maintenance of Hydro Electric Projects

Introduction

3.11.1 The State has an identified power potential of 20,415 Mega Watt (MW),Ψ out of which 6,370.12 MW has been harnessed so far (March 2009). Of this, Himachal Pradesh State Electricity Board (The Board) has a share of 466.95 MW harnessed through 20 completed Hydro Electric Projects (Projects), each having installed capacity ranging from 0.300 MW to 126 MW.

3.11.2 Operation, repair and maintenance of major projects (having installed capacity above three MW) and mini/micro projects (having installed capacity up to three MW) is looked after by Member (Technical) and Member (Operation) respectively. Member (Technical) is assisted by Chief Engineer (Generation) and Member (Operation) by Chief Engineers (Operation) and Chief Engineer (Commercial).

Financial implication

3.11.3 Funds for the operation, repair and maintenance of completed projects are provided by the Board from its internal resources. During the last five years ended March 2009, the operational expenses of 20 projects were Rs. 763.22 crore which included an expenditure of Rs. 248.07 crore incurred on repair and maintenance against the budget allotment Rs. 194.86 crore. The Board had also incurred an expenditure of Rs. 30.95 crore on capital maintenance of Bhaba and Ghanvi Projects (Rs. 11.86 crore) and renovation of Bassi Power House (Rs. 19.09 crore) during 2005-09.

With a view to examine the operational performance and repair and maintenance of completed projects, the records of 11 projectsϒ maintained by 14 out of 20 units of the Board were test checked during January 2009 to April 2009. Audit findings emerging from the records test checked are discussed below:

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* Till December 2008, the Board had not approved the extension of load.

Ψ Source: Statistical data released by the State Government.

ϒ Bhaba, Bassi, Giri, Ghanvi, Gaj, Binwa, Gumma, Holi, Sal-II, Larji and Khauli.

Operation of completed projects

Designed potential, targets and achievements

3.11.4 Inefficiency in operation of projects (power houses) leads to generation loss with consequent financial loss to the Board on account of non-receipt of revenue against generation loss and purchase of power from outside agencies at higher rates. The details of designed potential, targets fixed for generation and actual generation there against of the power houses operated by the Board during the last five years ended March 2009 are given in **Annexure 8**. It can be observed from the Annexure that against the designed potential of 10,244.41 million units (MUs) of 18 projects♣, the Board had fixed generation targets for 8,331.86 MUs for 16 projects (targets for 4 projects were not fixed) during the period from 2004-05 to 2008-09. The actual generation against the above targets was 7,998.10 MUs. Thus, the total generation loss during 2004-09 was 2,246.31 MUs which included generation loss due to fixation of targets at lower than rated capacity (1,828.30 MUs) and non-achievement of the targets fixed (418.01 MUs). The shortfall of 2,246.31 MUs was met by the Board by purchase of power from outside agencies at the rates ranging between Rs. 1.76 and Rs. 2.82 per unit against the average generation cost of Rs. 1.16 to Rs. 2.16 per unit respectively.

Himachal Pradesh Electricity Regulatory Commission (HPERC)$^{\nabla}$ took (June 2006) note of declining generation of Board's own power houses and desired (June 2006) that all measures to reduce outages and optimize generation should be initiated including separation of operation and maintenance (O&M) activity from the existing Generation wing. The Board had not taken any action in this regard so far (September 2009) though the losses on account of forced outages* worked out to 217.12 MUs during 2005-08. After reviewing (November 2008) the position, the HPERC issued further directives to the Board for identifying the reasons of declining trend in generation of power and to carry out efficiency test on at least one or two projects. Action of the Board on above directives was also awaited (September 2009).

Against the total generation loss of 2,246.31 MUs mentioned above, the generation loss of 1,917.18 MUs pertained to 11 projects test checked in audit. The generation loss of 615.92 MUs, as analysed in audit and discussed in succeeding paragraphs, was due to under utilisation of capacity of power houses due to inadequate water discharge, low efficiency of machine, failure to ensure timely and proper maintenance of machines, delay in replacement and repair of spares, delay in taking decision for repair, installation of ineffective trash cleaning machine and excess consumption of auxiliary power. The remaining generation loss of 1,301.26 MUs may be attributable to other

♣ While designed potential of two projects was not available on record, the targets fixed for one project have been treated as designed potential.

∇ A State Regulatory Body responsible for fixation of cost based tariff for sale of power within the State based on the generation cost.

* Period of non-operation of power houses on account of unplanned repairs.

reasons like natural calamities, low availability of water, planned shut downs, etc.

Operation of powerhouses below designed potential

3.11.5 The Board had suffered a generation loss of 471.71 MUs valued at Rs. 136.66 crore in two projectsduring 2004-09 on account of under utilisation of capacity of powerhouses due to inadequate water discharge, low efficiency of machines, etc. as discussed below:

- Sal-II project on Sal Nallah with installed capacity of 2 MW at designed discharge of nine cumecs♦ of water to generate 12.52 MUs of power in a year was completed (2000) at a cost of Rs. 14.79 crore. Up to January 2009, 54.54 MUs of power was generated against the designed potential of 109.97 MUs resulting in generation loss of 55.43 MUs valued at Rs. 13.86 crore. The shortfall in generation was due to availability of only five cumecs of water owing to diversion of some water of the Nallah by the local people to grow vegetables and to meet the additional drinking water demand of Chamba town. During execution of the project, the Board had neither taken up the matter with the State Government to stop diversion of water from the Nallah nor explored the possibility to provide alternate supply of water to the local inhabitants. Failure to resolve the matter during execution of project resulted in availability of lesser water discharge and underutilisation of the project capacity.

- The Board was operating four units of 15 MW each in Bassi project since 1981. The Board had not been able to utilise optimum capacity of the plant as envisaged in the sanctioned (November 2000) renovation scheme due to capacity constraints in the water conductors system as tail race system could not discharge full generation draft from the turbines. Audit observed that due to low efficiency of the turbines, discharge from each of them was on higher side in the order of 6.1 cumecs against the rated full load discharge of 5.37 cumecs. This resulted in blockade of water in tail race due to excess flow. Resultantly, level of water touched the runners thereby, reducing the effective head and limiting the generation to 58 MW as against the available capacity 60 MW resulting in annual generation loss of 17.52 MUs. According to Tata Consulting Engineers (June 2000), Bassi power house incurred huge loss of revenue due to above constraints.

  Further, the water available from Shanan power house for the above four units of Bassi power house could not be fully utilised due to above mentioned capacity constraints in the water conductor system. Since the commissioning of four units, generation up to the designed potential of 346 MUs (except 1989-90) could not be achieved. The shortfall in generation during April 2004 to March 2009 was of

♦ Cubic meter per second (m^3/second).

416.28* MUs valued at Rs. 122.80 crore. To overcome the above constraints, a renovation scheme was sanctioned (November 2000), which was proposed to be completed in April 2002. The scheme was still incomplete (September 2009) due to delay in arranging funds for the scheme (31 months) and excessive time consumed in finalisation of tenders (43 months). This resulted in cost over run of Rs. 77.61 crore.

Repairs and maintenance of projects

3.11.6 Properly planned and timely repair and maintenance of power houses is imperative for achieving the targets fixed, optimum utilisation of available water discharge/designed potential and avoiding generation loss in peak season. In the Board, however, there was no system in place for ensuring the timely upkeep and maintenance of the generating equipment. During the course of audit, several instances were noticed which indicate Board's failure in ensuring timely and properly planned maintenance of machines, replacement and repair of spares without delay, availability of sufficient auxiliary power, avoiding of excessive tripping, delay in taking decision for repair, etc. As a result, the Board suffered a generation loss of 123.29 MUs valued at Rs. 35.03 crore as detailed in **Annexures 9 and 10**.

Installation of ineffective Trash Cleaning Machine

3.11.7 First unit of the Larji project (42 MW) was put on commercial operation in September 2006 but trash cleaning machine⊗ was installed in October 2007. By that time, the Board had suffered generation loss of 7.75 MUs valued at Rs. 2.29 crore due to choking of trash rack and water conductor system for cooling. After installation of trash cleaning machine at a cost of Rs. 1.49 crore, the generation losses continued because the machine was unable to effectively clean the trash. Out of total generation loss of 23.23 MUs reported from September 2006 to August 2009, loss of 16.12 MUs valued at Rs. 4.76 crore was due to forced shut downs on account of accumulation of trash in the form of bottles, plastic bags, driftwood, empty cement bags, etc. near the trash rack. As per the Resident Engineer, Larji, the machine was virtually ineffective when all the three units were in operation. The suction at the trash rack was so strong that the trash got firmly stuck and was impossible to dislodge. This indicated that the machine was commissioned without assessing its effectiveness. Audit observed that only under sluice radial gates had been provided at diversion barrage without spill ways to pass through the floating and semi floating trash and no barrier to prevent the entry of floating trash in trash rack was provided. As a result, huge quantum of trash accumulated and choked the trash rack very frequently. As a solution to this problem, a proposal was submitted (July 2008) by the Superintending Engineer (Generation), Larji to install a log boom at a cost of Rs. 1.57 crore but the same had not been approved by the Board so far

* Including the annual generation loss of 17.52 MUs mentioned in the preceding sub-para.

⊗ Machine installed at intake to remove the trash accumulated near the trash rack.

(September 2009). The delay in resolving the problem was indicative of lackadaisical approach of the Management towards an important matter.

Auxiliary consumption

3.11.8 Auxiliary consumption[♦] of a power project is very vital for its viability and continuity of operations. The higher auxiliary consumption results in lesser net generation and leads to financial loss to the Board. Scrutiny of auxiliary consumption of 20 projects *vis-à-vis* the admissible limit as per the Central Electricity Regulatory Commission (CERC)[♣] during the last five years ended March 2009 revealed that auxiliary consumption of 11 projects[f] was in excess of the admissible limit. The excess auxiliary consumption worked out to 5.37 MUs during the years 2004-09 which resulted in revenue loss of Rs. 1.85 crore. The Board had not analysed the reasons for excess auxiliary consumption with a view to controlling the same.

Operation of unviable projects and unproductive assets

3.11.9 In cost based tariff regime, per unit generation cost of power is very significant. Generation cost in excess of the benchmark is not accepted by the HPERC for fixation of tariff. As such, operation of economically unviable projects results in loss to the Board. Audit observed that in case of six[♥] projects, per unit generation cost was much higher than the average per unit generation cost of Rs. 2.50 approved (July 2005) by the HPERC. Analysis of actual generation cost per unit, generation cost allowed by the HPERC to be recovered through tariff and effect thereof revealed that the Board had suffered a loss of Rs. 27.16 crore during 2005-06 and 2008-09 due to operation of unviable projects and unproductive assets as discussed below:

- To enhance economic viability of the Board, the HPERC, in its tariff order for 2005-06, advised the Board to disinvest high cost generation stations, especially those located in tribal areas or to explore the option of obtaining funds from Tribal Development Fund of the State Government for operation and maintenance of such stations. Audit, however, observed that the Board had not taken any action so far (January 2009) despite assurance given (June 2005) to the HPERC. As a result, the Board suffered a loss of Rs. 26.67 crore towards the higher generation cost of these unviable stations disallowed by the HPERC as per tariff order for 2005-06 and 2008-09.
- While approving tariff for 2004-05, the HPERC directed the Board to transfer unproductive assets to the State Government. The Board intimated (June 2005) the HPERC that it had taken up the matter with the State Government for this purpose. The Board, however, had not done so and had spent Rs. 3.76 crore on the operation/running and

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[♦] Power required for the operation of pumps for cooling, compressors and maintenance of pressure in the power houses.

[♣] The HPERC has also adopted the norms fixed by the CERC.

[f] Includes excess auxiliary consumption of 4.80 MUs valued at Rs. 1.63 crore of five out of 11 projects test checked in audit.

[♥] Rukti, Rongtong, Killar, Thirot, Holi and Sal-II.

maintenance of such unproductive assets during 2005-09, which included five schools and nine hospitals/dispensaries being run in the project areas. Due to non-compliance of directives, the HPERC in its tariff orders for 2005-08 and multi year tariff for 2008-11 had disallowed Rs. 49.26 lakh relating to the expenditure of above nature to be passed on to the consumers through tariff.

To sum up:

- **The Board failed to fix the generation targets as per the designed potential leading to huge losses due to purchase of power from outside agencies to recoup the shortfall in generation.**

- **The Board also failed to properly plan and carry out the repairs and maintenance of the Projects/Generating equipment leading to avoidable generation loss.**

General

3.12 Opportunity to recover money ignored

Five Public Sector Undertakings did not either seize the opportunity to recover their money or pursue the matters to their logical end. As a result, recovery of money amounting to Rs. 8.11 crore remains doubtful.

A review of unsettled paras from Inspection Reports (IRs) pertaining to periods up to 2003-04 showed that there were 52 paras in respect of seven Public Sector Undertakings (PSUs) involving a recovery of Rs. 8.11 crore. As per the provisions of Manual of Inspection, the PSUs are required to take remedial action within four weeks after receipt of IRs from Audit. However, no effective action has been initiated to take the matters to their logical end, i.e., to recover money from the concerned parties. As a result, these PSUs have so far lost the opportunity to recover their money which could have augmented their finances.

PSU wise details of paras and recovery amount are given below. The list of individual paras is given in the **Annexure 11**.

Sl No.	PSU Name	No. of paras	Amount for recovery (Rs. crore)
1	Himachal Pradesh State Electricity Board	39	7.17
2	Himachal Pradesh Agro Industries Corporation Limited	2	0.06
3	Himachal Road Transport Corporation	5	0.01
4	Himachal Pradesh State Forest Corporation Limited	3	0.52
5	Himachal Pradesh State Tourism Development Corporation Limited	3	0.35
Total		**52**	**8.11**

The paras mainly pertain to non/short recovery of various charges for consumption of electricity from consumers, dues recoverable from parties for supply of goods, excess payments made on account of wrong fixation of pay, short recovery on account of attached vehicle and rent, non-recovery of amount due from contractors, non-recovery of rent of accommodation provided to different parties, etc.

These cases point out the failure of respective PSU authorities to safeguard their financial interests. Audit observations and their repeated follow up by Audit, including bringing the pendency to the notice of the Administrative/Finance Department and PSU Management periodically; have not yielded the desired results in these cases.

The PSUs should initiate immediate steps to recover the money and complete the exercise in a time bound manner.

The matter was reported to the Government in September 2009; their reply had not been received (November 2009).

3.13 Lack of remedial action on audit observations

Three PSUs did not either take remedial action or pursue the matters to their logical end in respect of 95 IR paras, resulting in foregoing the opportunity to improve their functioning.

A review of unsettled paras from Inspection Reports (IRs) pertaining to periods up to 2003-04 showed that there were 95 paras in respect of three PSUs, which pointed out deficiencies in the functioning of these PSUs. As per the provision of Manual of Inspection, the PSUs are required to take remedial action within four weeks after receipt of IRs from Audit. However, no effective action has been started to take the matters to their logical end, i.e., to take remedial action to address these deficiencies. As a result, these PSUs have so far lost the opportunity to improve their functioning in this regard.

PSU wise details of paras are given below. The list of individual paras is given in **Annexure 12**.

Sl. No.	PSU Name	No. of paras
1	Himachal Pradesh State Electricity Board	93
2	Agro Industrial Packaging India Limited	1
3	Himachal Pradesh State Forest Corporation Limited	1
	Total	**95**

The paras mainly pertain to non-handing over of charge/material, irregular/un-authorised expenditure, non-writing off losses, undue favour to firms/contractors, idle machinery, irregular regularisation of staff, non-reconciliation with the banks, etc.

Above cases point out the failure of respective PSU authorities to address the specific deficiencies and ensure accountability of their staff. Audit observations and their repeated follow up by Audit, including bringing the pendency to the notice of the Administrative/Finance Department and PSU management periodically, have not yielded the desired results in these cases.

The PSUs should initiate immediate steps to take remedial action on these paras and complete the exercise in a time bound manner.

The matter was reported to the Government in November 2009; their reply had not been received (November 2009).

3.14 Follow-up action on Audit Reports

Explanatory Notes outstanding

3.14.1 Comptroller and Auditor General of India's Audit Reports represent the culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in various Public Sector Undertakings. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. Finance Department, Government of Himachal Pradesh issued (February 1994) instructions to all Administrative Departments to submit explanatory notes indicating corrective/remedial action taken or proposed to be taken on paragraphs and reviews included in the Audit Reports within three months of their presentation to the Legislature, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

Though the Audit Reports for the years 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08 were presented to the State Legislature in April 2005, 2006, 2007, 2008 and February 2009 six departments did not submit explanatory notes on 39 out of 85 paragraphs/reviews, as on September 2009, as indicated below:

Year of Audit Report (Commercial)/ Commercial Chapter	Total paragraphs/ reviews in Audit Report/ Commercial Chapter	Number of paragraphs/ reviews for which explanatory notes were not received
2003-04	15	3
2004-05	13	4
2005-06	19	3
2006-07	21	13
2007-08	17	16
Total	**85**	**39**

Department wise analysis is given below:

Name of department	2003-04	2004-05	2005-06	2006-07	2007-08
Power department	-	-	-	9	10
Horticulture department	-	-	-	1	1
Forest department	-	-	-	1	-
Food and Supplies department	-	-	-	-	3
Transport department	-	-	-	-	1
Finance department	3	4	3	2	1
Total	**3**	**4**	**3**	**13**	**16**

Those largely responsible for non-submission of explanatory notes were the Power, Food and Supplies and Finance departments. They did not submit explanatory notes to 35 out of 39 paragraphs/reviews and did not even respond to reviews highlighting important issues like system failures, loss due to failure to file tariff petitions in time, non-restructuring of high cost debts, potential loss of revenue, loss of interest, undue favour, avoidable payments, unfruitful expenditure, *etc.*

Compliance to Reports of Committee on Public Undertakings (COPU)

3.14.2 The Action Taken Notes on the recommendations of COPU are required to be furnished within six months from the presentation of the Reports. Replies to 31 paragraphs pertaining to 13 Reports of the COPU, presented to the State Legislature between February 2007 and February 2009 had not been received as of September 2009, as indicated below:

Year of the COPU Report	Total number of Reports involved	No. of paragraphs where replies not received
2006-07	2	12
2007-08	2	2
2008-09	9	17
Total	**13**	**31**

***Response to inspection reports, draft paras and* reviews**

3.14.3 Audit observations noticed during audit and not settled on the spot are communicated to the heads of the Public Sector Undertakings (PSUs) and departments of the State Government concerned through inspection reports. The heads of PSUs are required to furnish replies to the inspection reports through respective heads of departments within a period of six weeks. Inspection reports issued up to March 2009 pertaining to 21 PSUs disclosed that 4,095 paragraphs relating to 986 inspection reports remained outstanding at the end of September 2009. Department-wise break-up of inspection reports and audit observations outstanding as on 30 September 2009 is given in **Annexure 13**.

Similarly, reviews and draft paragraphs on the working of Public Sector Undertakings are forwarded to the Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that 10 draft paragraphs and one review forwarded to five departments between April and November 2009, as detailed in **Annexure 14** had not been replied to so far (November 2009).

It is recommended that (a) the Government should ensure that procedure exists for action against the officials who fail to send replies to inspection reports/draft paragraphs/Action Taken Notes on the recommendations of COPU as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayments is taken within the prescribed time schedule and (c) the system of responding to audit observations is revamped.

The matter was reported to the Government in November 2009; their reply had not been received (November 2009).

Rita Mitra

Shimla | **(RITA MITRA)**
The | **Principal Accountant General (Audit)**
13 MAR 2010 | **Himachal Pradesh**

Countersigned

Vinod Rai

New Delhi | **(VINOD RAI)**
The | **Comptroller and Auditor General of India**
4 MAR 2010

ANNEXURES

Annexure 1
(Refer paragraph 1.7)
Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2009 in respect of Government companies and Statutory corporations

(Figures in column 5 (a) to 6 (c) are Rupees in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital$ State Government	Paid-up Capital$ Central Government	Paid-up Capital$ Others	Paid-up Capital$ Total	Loans** outstanding at the close of 2008-09 State Government	Loans** outstanding Central Government	Loans** outstanding Others	Loans** outstanding Total	Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
(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.	Himachal Pradesh Agro Industries Corporation Limited	Horticulture	September 1970	9.84	1.96	-	11.80	1.11	0.40	-	1.51	0.13:1 (0.13:1)	227
2.	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	Horticulture	June 1974	10.23	1.50	6.07	17.80	10.00	-	0.93	10.93	0.61:1 (0.62:1)	452
3.	Himachal Pradesh State Forest Development Corporation Limited	Forest	March 1974	12.08	-	-	12.08	-	-	160.75	160.75	13.31:1 (13.31:1)	2675
Sector wise total				**32.15**	**3.46**	**6.07**	**41.68**	**11.11**	**0.40**	**161.68**	**173.19**	**4.16:1 (5.39:1)**	**3354**
FINANCING													
4.	Himachal Backward Classes Finance and Development Corporation	Social Justice & Empowerment	January 1994	9.50	-	-	9.50	-	-	7.65	7.65	0.82:1 (0.74:1)	22
5.	Himachal Pradesh Mahila Vikas Nigam	Social Justice & Empowerment	April 1989	4.57	0.10	-	4.67	-	-	-	-	-	6
6.	Himachal Pradesh Minorities Finance and Development Corporation	Social Justice & Empowerment	September 1996	4.71	-	0.18	4.89	-	-	10.16	10.16	2.07:1 (-)	15
Sector wise total				**18.78**	**0.10**	**0.18**	**19.06**	**-**	**-**	**17.81**	**17.81**	**0.93:1 (0.39:1)**	**43**
INFRASTRUCTURE													
7.	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	Public Works	June 1999	25.00	-	-	25.00	-	-	101.30	101.30	4.05:1 (5.64:1)	3
8.	Himachal Pradesh State Industrial Development Corporation Limited	Industries	November 1966	29.59	-	-	29.59	-	-	-	-	- (0.34:1)	183
Sector wise total				**54.59**	**-**	**-**	**54.59**	**-**	**-**	**101.30**	**101.30**	**1.86:1 (2.77:1)**	**186**

(Figures in column 5 (a) to 6 (c) are Rupees in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of Incorporation	Paid-up Capital$				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
MANUFACTURE													
9.	Himachal Pradesh General Industries Corporation Limited	Industries	November 1972	7.04	-	0.12	7.16	2.97	-	-	2.97	0.41:1 (0.42:1)	208
Sector wise total				**7.04**	**-**	**0.12**	**7.16**	**2.97**	**-**	**-**	**2.97**	**0.41:1 (0.42:1)**	**208**
POWER													
10.	Beas Valley Power Corporation Limited	MPP & Power	March 2003	-	-	146.60	146.60	-	-	198.60	198.60	1.35:1 (1.21:1)	352
11.	Himachal Pradesh Power Corporation Limited^	MPP & Power	December 2006	321.03	-	0.40	321.43	-	-	53.52	53.52	0.17:1 (-)	871
12.	Himachal Pradesh Power Transmission Corporation Limited	MPP & Power	August 2008	3.00	-	8.00	11.00	-	-	-	-	-	25
Sector wise total				**324.03**	**-**	**155.00**	**479.03**	**-**	**-**	**252.12**	**252.12**	**0.53:1 (0.64:1)**	**1248**
SERVICE													
13.	Himachal Pradesh State Civil Supplies Corporation Limited	Food & Supplies	September 1980	3.51	-	-	3.51	14.09	-	-	14.09	4.01:1 (-)	938
14.	Himachal Pradesh State Electronics Development Corporation Limited	Industries	October 1984	3.72	-	-	3.72	1.95	-	-	1.95	0.52:1 (0.52:1)	76
15.	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	Industries	March 1974	8.72	0.03	-	8.75	0.50	-	-	0.50	0.06:1 (0.06:1)	97
16.	Himachal Pradesh State Small Industries and Export Corporation Limited	Industries	October 1966	2.46	-	-	2.46	-	-	-	-	-	24
17.	Himachal Pradesh Tourism Development Corporation Limited	Tourism & Civil Aviation	September 1972	12.30	-	-	12.30	-	-	-	-	- 0.03:1)	1751
Sector wise total				**30.71**	**0.03**	**-**	**30.74**	**16.54**	**-**	**-**	**16.54**	**0.54:1 (0.09:1)**	**2886**
Total A (All sector wise working Government companies)				**467.30**	**3.59**	**161.37**	**632.26**	**30.62**	**0.40**	**532.91**	**563.93**	**0.89:1 (1.44:1)**	**7925**

(Figures in column 5 (a) to 6 (c) are Rupees in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of Incorporation	Paid-up Capital$				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
B. Working Statutory corporations													
FINANCING													
1.	Himachal Pradesh Financial Corporation	Industries	April 1967	41.98	-	6.59	48.57	-	-	174.75	174.75	3.60:1 (6.83:1)	100
Sector wise total				**41.98**	**-**	**6.59**	**48.57**	**-**	**-**	**174.75**	**174.75**	**3.60:1 (6.83:1)**	**100**
POWER													
2.	Himachal Pradesh State Electricity Board	MPP & Power	September 1971	372.23	-	-	372.23	92.64	-	1847.75	1940.39	5.21:1 (6.89:1)	25721
Sector wise total				**372.23**	**-**	**-**	**372.23**	**92.64**	**-**	**1847.75**	**1940.39**	**5.21:1 (6.89:1)**	**25721**
SERVICE													
3.	Himachal Road Transport Corporation	Transport	September 1974	324.15	15.45	-	339.60	-	-	140.01	140.01	0.41:1 (0.21:1)	8413
Sector wise total				**324.15**	**15.45**	**-**	**339.60**	**-**	**-**	**140.01**	**140.01**	**0.41:1 (0.21:1)**	**8413**
Total B (All sector wise working Statutory corporations)				**738.36**	**15.45**	**6.59**	**760.40**	**92.64**	**-**	**2162.51**	**2255.15**	**2.97:1 (3.82:1)**	**34234**
Grand Total (A + B)				**1205.66**	**19.04**	**167.96**	**1392.66**	**123.26**	**0.40**	**2695.42**	**2819.08**	**2.02:1 (3.18:1)**	**42159**
C. Non working Government companies													
AGRICULTURE & ALLIED													
1.	Agro Industrial Packaging India Limited	Horticulture	February 1987	16.75	-	0.97	17.72	22.13	-	-	22.13	1.25:1 (1.25:1)	36
Sector wise total				**16.75**	**-**	**0.97**	**17.72**	**22.13**	**-**	**-**	**22.13**	**1.25:1 (1.25:1)**	**36**

(Figures in column 5 (a) to 6 (c) are Rupees in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of Incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				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)
MANUFACTURE													
2.	Himachal Worsted Mills Limited	Industries	October 1974	-	-	0.92	0.92	-	-	-	-	-	-
3.	Nahan Foundry Limited	Industries	October 1952	3.50	-	-	3.50	-	-	-	-	-	9
Sector wise total				**3.50**	**-**	**0.92**	**4.42**	**-**	**-**	**-**	**-**	**-**	**9**
Total C (All sector wise non working Government companies)				**20.25**	**-**	**1.89**	**22.14**	**22.13**	**-**	**-**	**22.13**	**1.00:1 (1.00:1)**	**45**
Grand Total (A + B + C)				**1225.91**	**19.04**	**169.85**	**1414.80**	**145.39**	**0.40**	**2695.42**	**2841.21**	**2.00:1 (3.16:1)**	**42204**

Notes:

Above includes one Section 619-B company at Sr. No. A-10.

$ Paid-up capital includes share application money.

** Loans outstanding at the close of 2008-09 represent long-term loans only.

Δ Two 619-B companies (viz. Kinner Kailash Power Corporation Limited and Pabbar Valley Power Corporation Limited) have been merged with Himachal Pradesh Power Corporation Limited with effect from 31 July 2007.

Annexure 2

(Refer paragraph 1.15)

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

(Figures in column 5 (a) to (6) and (8) to (10) are Rupees in crore)

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^Δ	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. Working Government Companies														
AGRICULTURE & ALLIED														
1.	Himachal Pradesh Agro Industries Corporation Limited	2007-08	2009-10	(-)0.74	0.24	0.11	(-)1.09	32.11	(-)6.83	11.80	(-)10.45	(-)1.11	(-)0.85	-
2.	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	2007-08	2008-09	(-)2.98	0.23	0.73	(-)3.94	25.56	(-)8.15	17.80	(-)43.00	(-)10.02	(-)3.71	-
3.	Himachal Pradesh State Forest Development Corporation Limited	2005-06	2009-10	2.10	2.44	0.54	(-)0.88	131.65	(+)23.70	12.08	(-)44.79	152.04	1.56	1.03
Sector wise total				**(-)1.62**	**2.91**	**1.38**	**(-)5.91**	**189.32**	**8.72**	**41.68**	**(-)98.24**	**140.90**	**(-)3.00**	**-**
FINANCING														
4.	Himachal Backward Classes Finance and Development Corporation	2005-06	2008-09	0.83	0.37	0.02	0.44	1.30	-	6.30	2.72	16.56	0.81	4.89
		2006-07	2008-09	0.72	0.28	0.01	0.43	1.35	-	7.50	3.15	17.97	0.71	3.95
5.	Himachal Pradesh Mahila Vikas Nigam	2007-08	2009-10	0.06	-	-	0.06	0.18	(-)0.56	3.82	(-)0.07	3.64	0.06	1.65
6.	Himachal Pradesh Minorities Finance and Development Corporation	2007-08	2008-09	(-)0.13	0.20	-	(-)0.33	0.22	(-)0.16	3.89	(-)2.32	11.43	(-)0.13	-
Sector wise total				**0.65**	**0.48**	**0.01**	**0.16**	**1.75**	**(-)0.72**	**15.21**	**0.76**	**33.04**	**0.64**	**1.94**

(Figures in column 5 (a) to (6) and (8) to (10) are Rupees in crore)

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^Δ	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
INFRASTRUCTURE														
7.	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	2008-09	2009-10	-	-	-	***	-	-	25.00	-	333.51	-	-
8.	Himachal Pradesh State Industrial Development Corporation Limited	2008-09	2009-10	9.83	-	0.09	9.74	15.09	(+)0.01	29.59	11.53	52.63	9.74	18.51
Sector wise total				**9.83**	**-**	**0.09**	**9.74**	**15.09**	**(+)0.01**	**54.59**	**11.53**	**386.14**	**9.74**	**2.52**
MANUFACTURE														
9.	Himachal Pradesh General Industries Corporation Limited	2007-08	2008-09	1.03	0.17	0.12	0.74	16.79	(-)0.75	7.16	(-)0.59	9.63	0.91	9.45
Sector wise total				**1.03**	**0.17**	**0.12**	**0.74**	**16.79**	**(-)0.75**	**7.16**	**(-)0.59**	**9.63**	**0.91**	**9.45**
POWER														
10.	Beas Valley Power Corporation Limited	2007-08	2009-10	-	-	-	**	-	-	125.14	-	242.85	-	-
11.	Himachal Pradesh Power Corporation Limited	2007-08	2009-10	-	-	-	**	-	-	80.11	-	154.39	-	-
12.	Himachal Pradesh Power Transmission Corporation Limited						**							
Sector wise total					**-**	**-**	**-**	**-**	**-**	**205.25**	**-**	**397.24**	**-**	**-**

(Figures in column 5 (a) to (6) and (8) to (10) are Rupees in crore)

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∆	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
SERVICE														
13	Himachal Pradesh State Civil Supplies Corporation Limited	2007-08	2008-09	3.65	0.52	1.19	1.94	810.38	(+)0.05	3.51	13.24	36.58	2.46	6.72
		2008-09	2009-10	4.62	0.39	1.00	3.23	920.06		3.51	14.96	36.76	3.62	9.85
14.	Himachal Pradesh State Electronics Development Corporation Limited	2008-09	2009-10	1.18	-	0.08	1.10	26.49		3.72	0.23	5.65	1.10	19.47
15.	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	2007-08	2008-09	(-)0.40	0.03	0.05	(-)0.48	10.57	(-)0.45	8.75	(-)11.77	(-)2.29	(-)0.45	-
16.	Himachal Pradesh State Small Industries and Export Corporation Limited	2008-09	2009-10	0.10	-	0.03	0.07	53.98		2.46	(-)1.15	2.29	0.07	3.06
17.	Himachal Pradesh Tourism Development Corporation Limited	2007-08	2008-09	1.11	0.20	1.49	(-)0.58	46.07	-	12.30	(-)14.87	6.86	(-)0.38	-
Sector wise total				**6.61**	**0.62**	**2.65**	**3.34**	**1057.17**	**(-)0.45**	**30.74**	**(-)12.60**	**49.27**	**3.96**	**8.04**
Total A (All sector wise working Government companies)				**16.50**	**4.18**	**4.25**	**8.07**	**1280.12**	**6.81**	**354.63**	**(-)99.14**	**1016.22**	**12.25**	**1.21**
B. Working Statutory corporations														
FINANCING														
1.	Himacal Pradesh Financial Corporation	2008-09	2009-10	9.71	15.93	0.10	(-)6.32	15.38		48.57	(-)102.05	229.35	9.61	4.19
Sector wise total				**9.71**	**15.93**	**0.10**	**(-)6.32**	**15.38**		**48.57**	**(-)102.05**	**229.35**	**9.61**	**4.19**

(Figures in column 5 (a) to (6) and (8) to (10) are Rupees in crore)

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[Δ]	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
POWER														
2.	Himachal Pradesh State Electricity Board	2008-09	2009-10	301.52	172.25	96.96	32.31[ΔΔ]	2915.38		372.23	(-)230.36	2349.52	204.56	8.71
Sector wise total				**301.52**	**172.25**	**96.96**	**32.31**	**2915.38**		**372.23**	**(-)230.36**	**2349.52**	**204.56**	**8.71**
SERVICE														
3.	Himachal Road Transport Corporation	2008-09	2009-10	(-)11.98	9.03	13.17	(-)34.18	419.00$		339.60	(-)512.23	5.67	(-)25.15	
Sector wise total				**(-)11.98**	**9.03**	**13.17**	**(-)34.18**	**419.00$**		**339.60**	**(-)512.23**	**5.67**	**(-)25.15**	
Total B (All sector wise working Statutory corporations)				**299.25**	**197.21**	**110.23**	**(-)8.19**	**3349.76**	-	**760.40**	**(-)844.64**	**2584.54**	**189.02**	**7.31**
Grand Total (A + B)				**315.75**	**201.39**	**114.48**	**(-)0.12**	**4629.88**	**6.81**	**1115.03**	**(-)943.78**	**3600.76**	**201.27**	**5.59**
C. Non working Government companies														
AGRICULTURE 7 ALLIED														
1.	Agro Industrial Packaging India Limited	2008-09	2009-10	(-)1.23	-	0.14	(-)1.37	-		17.72	(-)74.57	3.33	(-)1.37	-
Sector wise total				**(-)1.23**	**-**	**0.14**	**(-)1.37**	**-**		**17.72**	**(-)74.57**	**3.33**	**(-)1.37**	**-**

(Figures in column 5 (a) to (6) and (8) to (10) are Rupees in crore)

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 employedΔ	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
MANUFACTURE														
2.	Himachal Worsted Mills Limited	2000-01	2001-02	(-)0.01	-	-	(-)0.01	-	-	0.92	(-)5.44	(-)0.64	(-)0.01	-
3.	Nahan Foundry Limited	2008-09	2009-10	(-)0.04	-	-	(-)0.04	-	-	3.50	(-)4.81	(-)1.32	(-)0.04	-
Sector wise total				**(-)0.05**	**-**	**-**	**(-)0.05**	**-**	**-**	**4.42**	**(-)10.25**	**(-)1.96**	**(-)0.05**	**-**
Total C (All sector wise non working Government companies)				**(-)1.28**	**-**	**0.14**	**(-)1.42**	**-**	**-**	**22.14**	**(-)84.82**	**5.29**	**(-)1.42**	**-**
Grand Total (A + B + C)				**314.47**	**201.39**	**114.62**	**(-)1.54**	**4629.88**	**6.81**	**1137.17**	**(-)1028.60**	**3606.05**	**199.85**	**5.54**

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 (-) decrease in profit/ increase in losses.

@ Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in case of finance companies/ corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).

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

** Companies (serial no. A-10, 11 and 12) are under construction. One Company (serial no. A-12) had not furnished the statement of incidental expenses during construction period.

*** Excess of expenditure over income is reimbursable by the State Government.

$ Includes subsidy of Rs. 48 crore received during the year on account of issue of free/concessional passes and running buses on uneconomic routes.

ΔΔ Before taking into account the subsidy/subvention from Government (Rs. 0.02 crore).

Annexure 3

(Refer paragraph 1.10)

Statement showing 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 2009

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

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
A. Working Government Companies													
AGRICULTURE & ALLIED													
1.	Himachal Pradesh Agro Industries Corporation Limited	-	-	-	0.50	-	0.50	-	-	-	-	-	-
2.	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	-	-	-	8.09	-	8.09	1.00	0.99	-	-	-	-
3.	Himachal Pradesh State Forest Development Corporation Limited	-	-	-	-	-	-	-	148.95	-	-	-	-
Sector wise total		**-**	**-**	**-**	**8.59**	**-**	**8.59**	**1.00**	**149.94**	**-**	**-**	**-**	**-**
FINANCING													
4.	Himachal Backward Classes Finance and Development Corporation	1.10	-	-	-	-	-	15.00	7.65	-	-	-	-
5.	Himachal Pradesh Mahila Vikas Nigam	0.85	-	-	-	-	-	-	-	-	-	-	-

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

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
6.	Himachal Pradesh Minorities Finance and Development Corporation	1.00	-	-	-	-	-	11.00	10.16	-	-	-	-
Sector wise total		**2.95**	-	-	-	-	-	**26.00**	**17.81**	-	-	-	-
INFRASTRUCTURE													
7.	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	-	-	-	166.00	-	166.00	-	-	-	-	-	-
Sector wise total		-	-	-	**166.00**	-	**166.00**	-	-	-	-	-	-
POWER													
8.	Himachal Pradesh Power Corporation Limited	241.32	-	-	-	-	-	-	-	-	-	-	-
9.	Himachal Pradesh Power Transmission Corporation Limited	3.00	-	-	-	-	-	-	-	-	-	-	-
Sector wise total		**244.32**	-	-	-	-	-	-	-	-	-	-	-
SERVICE													
10.	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	-	-	0.37	2.06	-	2.43	0.60	0.60	-	-	-	-
11.	Himachal Pradesh Tourism Development Corporation Limited	-	-	8.68	0.65	0.11	9.44	-	-	-	-	-	-
Sector wise total		-	-	**9.05**	**2.71**	**0.11**	**11.87**	**0.60**	**0.60**	-	-	-	-
Total A (All sector wise working Government companies)		**247.27**	-	**9.05**	**177.30**	**0.11**	**186.46**	**26.60**	**168.35**	-	-	-	-

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

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
B. Working Statutory corporations													
FINANCING													
1.	Himachal Pradesh Financial Corporation	20.00	-	-	-	0.32	0.32	-	91.06	-	-	-	-
Sector wise total		**20.00**	**-**	**-**	**-**	**0.32**	**0.32**	**-**	**91.06**	**-**	**-**	**-**	**-**
POWER													
2.	Himachal Pradesh State Electricity Board	38.23	75.00	78.69	113.00	-	191.69	-	1536.01	-	-	-	-
Sector wise total		**38.23**	**75.00**	**78.69**	**113.00**	**-**	**191.69**	**-**	**1536.01**	**-**	**-**	**-**	**-**
SERVICE													
3.	Himachal Road Transport Corporation	31.49	-	-	*	-	-	-	-	-	-	-	-
Sector wise total		**31.49**	**-**	**-**	*****	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total B (All sector wise working Statutory corporations)		**89.72**	**-**	**78.69**	**113.00**	**0.32**	**192.01**	**-**	**1627.07**	**-**	**-**	**-**	**-**
Grand Total (A + B)		**336.99**	**75.00**	**87.74**	**290.30**	**0.43**	**378.47**	**26.60**	**1795.42**	**-**	**-**	**-**	**-**

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

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
C. Non-working Government companies													
AGRICULTURE & ALLIED													
1.	Agro Industrial Packaging India Limited	-	1.56	-	-	-	-	-	-	-	-	-	-
Sector wise total		-	1.56	-	-	-	-	-	-	-	-	-	-
Grand Total (A + B +C))		**336.99**	**76.56**	**87.74**	**290.30**	**0.43**	**378.47**	**26.60**	**1795.42**	-	-	-	-

@ Figures indicate total guarantees outstanding at the end of the year.

* State Government released a subsidy of Rs. 48 crore during 2008-09 for bridging the gap of losses sustained by the Corporation on account of free/concessional facilities provided to the various section of society and running buses on uneconomic routes. Subsidy so provided has been taken as passenger income instead of subsidy.

Annexure 4

(Refer paragraph 1.36)

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

Sl. No.	Name of PSU	Year up to which accounts finalised	Paid-up capital as per latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears			
				Equity	Loan	Grants/subsidy	Others
Working companies/corporations			Rs. in Crore				
1	Himachal Pradesh Agro Industries Corporation Limited	2007-08	11.80	-	-	0.50	-
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	2007-08	17.80	-	-	8.09	-
3	Himachal Pradesh State Forest Corporation Limited	2005-06	12.08	-	-	-	-
4	Himachal Backward Classes Finance and Development Corporation	2006-07	7.50	0.90 (2007-08) 1.10 (2008-09)	-	-	-
5	Himachal Pradesh Mahila Vikas Nigam	2007-08	3.82	0.85	-	-	-
6	Himachal Pradesh Minorities Finance and Development Corporation	2007-08	3.89	1.00	-	-	-
7	Himachal Pradesh General Industries Corporation Limited	2007-08	7.16	-	-	-	-
8	Beas Valley Power Cororation Limited	2007-08	125.14	-	-	-	-
9	Himachal Pradesh Power Corporation Limited	2007-08	80.11	241.32	-	-	-
10	Himachal Pradesh Power Transmission Corporation Limited	-	-	3.00	-	-	-
11	Himachal Pradesh State Handicrafts and Handloom corporation Limited	2007-08	8.75	-	-	2.06	-
12	Himachal Pradesh Tourism Development Corporation Limited	2007-08	12.30	-	-	0.65	-
	Total		**290.35**	**248.17**	**-**	**11.30**	**-**

Annexure 5

(Refer paragraph 1.15)

Statement showing financial position of Statutory corporations

(Rupees in crore)

1	Himachal Pradesh State Electricity Board			
	Particulars	**2006-07**	**2007-08**	**2008-09 (Provisional)**
A	**Liabilities**			
	Equity capital	282.11	334.00	372.23
	Loans from Government	20.13	18.40	92.64
	Other long-term loans (including bonds)	2098.30	2281.87	1847.75
	Reserves and surplus	1261.36	1333.86	1530.08
	Current liabilities and provisions	2341.99	2423.12	3049.61
	Total-A	**6003.89**	**6391.25**	**6892.31**
B	**Assets**			
	Gross fixed assets	3556.07	3564.76	4271.34
	Less: Depreciation	464.98	552.91	649.56
	Net fixed assets	3091.09	3011.85	3621.78
	Capital works-in-progress	1108.16	1098.53	997.79
	Deferred cost	81.92	104.81	135.72
	Current assets	784.64	1091.80	779.56
	Investments	695.18	815.66	1121.04
	Miscellaneous expenditure	5.62	5.93	6.06
	Deficits	237.28	262.67	230.36
	Total-B	**6003.89**	**6391.25**	**6892.31**
C	**Capital employed#**	**2641.90**	**2779.06**	**2349.52**
2	**Himachal Road Transport Corporation**			
	Particulars	**2006-07**	**2007-08**	**2008-09 (Provisional)**
A	**Liabilities**			
	Capital (including capital loan & equity capital)	277.11	308.11	339.60
	Borrowings (Government) (Others)	- 159.96	- 141.73	- 140.01
	Funds=	66.14	51.71	38.29

\# Capital employed represents net fixed assets (including works-in-progress) plus working capital. While working out working capital the element of deferred cost and investments are excluded from current assets.

= Excluding depreciation funds.

	Trade dues and other current liabilities (including provisions)	93.81	142.52	155.74
	Total-A	**597.02**	**644.07**	**673.64**
B	Assets			
	Gross block	177.80	199.12	214.93
	Less: Depreciation	119.30	123.74	128.24
	Net fixed assets	58.50	75.38	86.69
	Capital works-in-progress (including cost of chassis)	2.00	3.68	2.11
	Investments	-	-	-
	Current assets, loans and advances	98.57	86.97	72.61
	Accumulated losses	437.95	478.04	512.23
	Total-B	**597.02**	**644.07**	**673.64**
C	**Capital employed***	**65.26**	**23.51**	**5.67**
3	**Himachal Pradesh Financial Corporation**			
	Particulars	**2006-07**	**2007-08**	**2008-09**
A	**Liabilities**			
	Paid-up capital(including share application money)	28.57	28.57	48.57
	Reserve funds and other reserves and surplus	4.97	4.97	4.97
	Borrowings:	-	-	-
	Bonds and debentures	102.70	101.32	91.06
	Fixed deposits	-	-	-
	Industrial Development Bank of India and Small Industries Development Bank of India	85.89	87.85	76.10
	Reserve Bank of India	-	-	-
	Loan towards share capital: (a) State Government (b) Industrial Development Bank of India	-	-	-
	Others (including State Government)	7.29	6.90	8.38
	Other liabilities and provisions	79.66	73.20	71.84
	Total-A	**309.08**	**302.81**	**300.92**

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

B	Assets			
	Cash and Bank balances	12.91	31.82	12.20
	Investments	0.01	0.01	20.05
	Loans and Advances	190.08	172.12	163.71
	Net fixed assets	1.09	1.00	0.96
	Dividend deficit account	0.79	0.79	0.79
	Other assets	1.95	1.34	1.16
	Profit and loss account	102.25	95.73	102.05
	Total-B	**309.08**	**302.81**	**300.92**
C	Capital employed@	222.47	229.52	229.35

@ Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, loans in lieu of capital, seed money, debentures, reserves (other than those which have been funded specifically and backed by investments outside), bonds, deposits and borrowings (including refinance).

Annexure 6

(Refer paragraph 1.15)

Statement showing working results of Statutory corporations

(Rupees in crore)

1	Himachal Pradesh State Electricity Board			
	Particulars	2006-07	2007-08	2008-09 (Provisional)
1	(a) Revenue receipts (b) Subsidy/Subvention from Government Total	1962.19 96.08 2058.27	2352.48 - 2352.48	2966.04 0.02 2966.06
2	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest	1784.34	2135.45	2645.21
3	Gross surplus (+)/deficit (-) for the year (1-2)	273.93	217.03	320.85
4	Adjustments relating to previous years	(-)76.70	(+)23.05	(-)19.31
5	Final gross surplus(+)/deficit(-) for the year (3+4)	197.23	240.08	301.54
6	Appropriations:			
	(a) Depreciation (less capitalised)	57.14	87.99	96.96
	(b) Interest on Government loans	2.33	2.12	1.97
	(c) Interest on others, bonds, advances etc. and finance charges	233.01	248.34	245.67
	(d) Total interest on loans and finance charges (b+c)	235.34	250.46	247.64
	(e) Less: Interest capitalised	97.13	72.99	75.39
	(f) Net interest charged to revenue (d-e)	138.21	177.47	172.25
	(g) Total appropriations (a+f)	195.35	265.46	269.21
7	Surplus(+)/deficit(-) before accounting for subsidy from State Government {5-6 (g)-1(b)}	(-)94.20	(-)25.38	(+)32.31

8	Net surplus(+)/deficit(-) {5-6(g)}	1.88	(-)25.38	(+)32.33
9	Total return on capital employed*	140.09	152.09	204.56
10	Percentage of return on capital employed	5.30	5.46	8.71
2	**Himachal Road Transport Corporation**			
	Particulars	**2006-07**	**2007-08**	**2008-09 (Provisional)**
	Operating (a) Revenue	301.65	323.48	371.00
	(b) Expenditure	331.57	358.14	397.33
	(c) Surplus(+)/Deficit(-)	(-)29.92	(-)34.66	(-)26.33
	Non-operating (a) Revenue	1.82	1.24	1.18
	(b) Expenditure	4.50	6.68	9.03
	(c) Surplus(+)/Deficit(-)	(-)2.68	(-)5.44	(-)7.85
	(a) Revenue	303.47	324.72	372.18
	(b) Expenditure	336.07	364.82	406.26
	(c) Net profit (+)/Loss (-)	(-)32.60	(-)40.10	(-)34.18
	Interest on capital and loans	4.50	6.68	9.03
	Total return on Capital employed	(-)28.10	(-)33.42	(-)25.15
	Percentage of return on capital employed	-	-	-

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

3	Himachal Pradesh Financial Corporation			
	Particulars	2006-07	2007-08	2008-09
1	Income (a) Interest on Loans (b) Other income	 15.48 0.27	 18.22 9.49	 16.49 0.15
	Total-1	15.75	27.71	16.64
2	Expenses (a) Interest on long-term and short-term loans (b) Other expenses	 14.51 13.91	 16.26 4.71	 15.93 4.87
	(c) Provision for non-performing assets	-	-	2.16
	Total-2	28.42	20.97	22.96
3	Profit(+)/loss (-) before tax (1-2)	(-)12.67	6.74	(-)6.32
4	Provision for tax	-	-	-
	Profit(+)/Loss(-) after tax (3-4)	(-)12.67	6.74	(-)6.32
5	Other appropriations (special reserve for the purpose of Section 36 (I) (viii) of the Income Tax Act, 1961 and general reserve)	-	-	-
6	Amount available for dividend	-	-	-
7	Dividend paid/payable	-	-	-
8	Total return on Capital employed@	1.84	23.00	9.61
9	Percentage of return on Capital employed	0.83	10.02	4.19

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

Annexure 7

(Refer paragraph 2.9)

Statement showing operational performance of Himachal Road Transport Corporation

(Rs. in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Average number of vehicles held	1745	1737	1816	1916	1949
Average number of vehicles on road	1718	1719	1799	1896	1923
Percentage of utilisation of vehicles	98.45	98.96	99.06	98.96	98.67
Number of employees	8706	8552	8484	8595	8413
Employee vehicle ratio	4.99:1	4.92:1	4.67:1	4.49:1	4.32:1
Number of routes operated at the end of the year	1832	1849	1874	1926	1975
Route kilometres (in lakh)	1451.60	1483.49	1540.75	1576.64	1583.76
Kilometres operated (in lakh)					
Gross	1450.41	1495.14	1546.57	1601.42	1618.62
Effective	1425.95	1470.42	1521.29	1576.69	1592.59
Dead	24.46	24.72	25.28	24.73	26.03
Percentage of dead kilometres to gross kilometres	1.69	1.65	1.63	1.54	1.61
Average kilometres covered per bus per day	224	232	230	225	224
Average revenue per kilometre (Rs.)	19.69	20.65	21.97	22.37	25.19
Average expenditure per kilometre (Rs.)	21.92	23.25	24.11	24.92	27.34
Loss (-)/Profit (+) per kilometre (Rs.)	(-)2.23	(-)2.60	(-)2.14	(-)2.55	(-)2.15
Number of operating depots	23	23	23	23	23
Average number of break-down per lakh kilometres	2.58	2.48	2.17	1.79	1.65
Average number of accidents per lakh kilometres	0.10	0.08	0.08	0.10	0.05
Passenger kilometre operated (in crore)	397.46	431.20	463.96	484.47	454.29
Occupancy ratio (Load Factor)	60.59	63.75	69.31	69.83	64.83
Kilometres obtained per litre of Diesel Oil	3.64	3.65	3.70	3.71	3.67

Annexure 8

(Refer paragraph 3.11.4)

Statement showing installed capacity, designed potential, targets fixed for generation of power and achievements there against in respect of projects operated by the Board during 2004-09

Name of project	Installed capacity (MW)	Design ed potential per annum (MUs)	Designed potential for 2004-09 (MUs)	Targets fixed for 2004-09 (MUs)	Achievements for 2004-09 (MUs)	Shortfall (-)/ Excess(+)		Total Shortfall (-) / Excess(+) (MUs)
						Due to low fixation of targets with reference to designed potential (MUs)	Due to non-achievement of targets fixed (MUs)	
Bhaba	120	637	3185	2869	2725.42	(-)316	(-)143.58	(-)459.58
Bassi	60	346	1730	1253	1313.72	(-)477	(+)60.72	(-)416.28
Giri	60	289.55	1447.75	926	938.16	(-)521.75	(+)12.16	(-)509.59
Ghanvi	22.50	74.26	371.30	415	363.14	(+)43.70	(-)51.86	(-)8.16
Andhra	16.95	87.30	436.50	306	314.59	(-)130.50	(+)8.59	(-)121.91
Baner	12	60.67	303.35	196	212.39	(-)107.35	(+)16.39	(-)90.96
Gaj	10.5	38.31	190.55	203	234.15	(+)12.45	(+)31.15	(+)43.60
Binwa	6	29.25	146.25	150	155.06	(+)3.75	(+)5.06	(+)8.81
Thirot	4.5	8.75	43.75	43.75	33.25	Nil	(-)10.50	(-)10.50
Gumma	3	18.11	90.55	48.80	40.95	(-)41.75	(-)7.85	(-)49.60
Holi	3	26.20	131	72.31	33.86	(-)58.69	(-)38.45	(-)97.14
Nogli	2.50	14.7	73.50	28.16*	37.00	(-)45.34	(+)8.84	(-)36.50
Rongtong	2	8.72	43.60	5.58*	8.14	(-)38.02	(+)2.56	(-)35.46
Sal-II	2	12.52	62.60	19.26*	26.61	(-)43.34	(+)7.35	(-)35.99
Chaba	1.75	7.67	38.35	Not fixed	34.98	Nil	(-)3.37	(-)3.37
Rukti	1.50	9.18	45.90	Not fixed	6.28	Nil	(-)39.62	(-)39.62
Chamba	0.45	NA	NA	Not fixed	3.97	Nil	(+)3.97	(+)3.97
Killar	0.30	NA	NA	Not fixed	5.22	Nil	(+)5.22	(+)5.22
Larji	126	586.82	1760.46	1662*	1416.13	(-)98.46	(-)245.87	(-)344.33
Khauli	12	49.94	144	134*	95.08	(-)10	(-)38.92	(-)48.92
Total			10244.41	8331.86	7998.10	1828.30	418.01	2246.31

* Targets for the three years.

Annexure 9
(Refer paragraph 3.11.6)

Statement showing generation loss due to maintenance in peak season

Name of Project	Generation loss (In MUs)	Amount of loss (Rs. in crore)	Brief particulars
Holi	1.33	0.33	Unit No. I of the project was inoperative from 21 October 2006 due to less water discharge. Instead of taking up the annual maintenance during lean period, the Board completed the work of maintenance during peak season (February 2007 to 7 May 2007) when sufficient water was available for generation. This resulted in generation loss of 1.33 MUs valued at Rs. 0.33 crore during 1 April 2007 to 7 May 2007.
Holi	6.05	1.51	There was shortfall of 6.05 MUs valued at Rs. 1.51 crore in generation during 2005-06 due to modification of machines by the contractor during peak seasons from 29 March 2005 to 6 May 2005 and 6 August 2005 to 18 September 2005, which should had been planned during lean season. The Board failed to ask the contractor to perform the job during lean season resulting in generation loss to the above extent.
Holi	4.43	1.11	Machine No. II of the project was under shut down from 25 October 2007 due to less discharge of water. The Board did not take up the annual maintenance during the lean season which runs up to the month of February. The process of award of work was lying with the higher authorities for approval. The maintenance work was completed during April 2008 to 11 August 2008 when sufficient water was available for generation. This resulted in generation loss of 4.43 MUs valued at Rs. 1.11 crore during April 2008 to August 2008 which could have been avoided.
Total	11.81	2.95	

Annexure 10

(Refer paragraph 3.11.6)

Statement showing generation loss due to non-availability of auxiliary power, excessive tripping, non/improper maintenance, delay in repair/maintenance, delay in taking decision for repair, etc.

Sl. No.	Name of power hosue/project	Period/number of days/hours of generation loss	Genera-tion loss (In MUs)	Loss (Rs. in crore)	Remarks
1.	Ghanvi	April 2004 to March 2008	0.84	0.21	Ghanvi and Gumma power houses remained off the bar for 123 and 199 hours respectively due to non-availability of auxiliary power/non-operation of diesel generating set for maintaining the pressure and excitation system.
2.	Gumma	November 2005 to August 2008	0.18	0.07	
		3 June 2007 to March 2009	6.87	2.55	Since the date of commissioning (September 2000), both the units of project were taking almost half an hour to stop at its own in case of load throw conditions as no braking system was provided on the machines causing frequent damage to thrust pads. During June 2007, machine No. II broke down. The repair work was awarded (March 2008) to BHEL (manufacturer) at a cost of Rs. 82.51 lakh without provision of braking system. Non-installation of braking system would again create problem of damage to the machine and loss of generation of power in future. As the repair had not been done so far (March 2009), the machine was off the bar since 3 June 2007 resulting in generation loss of 6.87 MUs valued at Rs. 2.55 crore.
3	Gaj	April 2004 to December 2008	2.52	0.88	Power generation was stopped for 867.50 hours due to excessive tripping which ranged between 71 to 120 in a year on the feeders provided to evacuate the power.
		July 2008	1.59	0.59	The decision of Design wing (September 2007) to provide wire crates on the up-stream side of trench weir was not implemented resulting in damage to the intake in July 2008.
		166 hours during four years up to December 2007 and April 2006 to September 2008	1.42	0.51	Excitation power* required for running of machines is automatically regulated by Auto Voltage Regulator (AVR) through Static Voltage Regulator (SVR) card installed in the control panel of the machine. Due to frequent fault in AVR/SVR cards, the machine No. I of project remained off the bar for 166 hours during the last four years ended December 2007 resulting in generation loss of 0.93 MUs valued at Rs. 0.34 crore. After replacement (January 2008) of cards at a cost of Rs. 1.49 lakh, the machine did not face such problem. The generation loss of 0.49 MUs valued at Rs. 0.17 crore was also suffered during April 2006 to September 2008 due to same problem in machine No. II and III. The replacement of defective cards in those machines was still awaited (March 2009).

* Power initially required to start the machines.

4.	Binwa	March and April 2007	1.23	0.31	One unit remained off the bar due to delay in repair of spare runner. The repair due for completion on 22 February 2007 was actually completed on 15 April 2007.
5	Khauli	April 2007 to November 2008	0.62	0.15	Leakage of water at fore bay and trench weir noticed during February 2007 had not been rectified so far (March 2009).
6	Giri	Eight days in August 2006	6.35	2.35	The unit transformer of Machine No. I got damaged the very next day after repair from November 2005 to August 2006. The machine remained off the bar for eight days resulting in generation loss of 6.35 MUs valued at Rs. 2.35 crore. The damage was due to failure of paper insulation of upper portion of Blue phase of HV bushing. The IR value of transformer and break down value of transformer oil were also on lower side. It happened because during maintenance of transformer in the last four years, paper insulation was never checked.
			16.63	6.15	For repair of defect noticed (November 2005) in oil tank of unit No. I of power house, the Board took almost 84 days from 11 January 2006 to 4 April 2006 to complete the codal formalities for deciding allotment of work to BHEL against offer received (January 2006) with repair period of 120 days. As such, the repair work could not be completed prior to the start of peak season i.e. 15 June and the work was completed after the peak season was almost over. This resulted in generation loss of 16.63 MUs valued at Rs. 6.15 crore.
7	Bhaba	15 April 2007 to 13 May 2007	8.82	2.21	The work of repair of Main Inlet Valve (MIV) of machine No I of power house was completed by BHEL in peak season on 14 May 2007 against the stipulated completion date of 15 April 2007 resulting in generation loss of 8.82 MUs (difference of generation loss during peak and lean season) valued at Rs. 2.21 crore. This loss could not be recovered from the firm as no clause in this regard existed in the job order.
		37 hours	1.48	0.37	One runner for the project was supplied by the BHEL in March 2008 against the stipulated date of July 2007. As it was not fabricated as per approved drawings, it had to be modified and could be put to use (August 2008) by taking shut down for 37 hours in peak season resulting in generation loss of 1.48 MUs valued at Rs. 0.37 crore which could not be recovered from the firm due to non-inclusion of any clause to this effect in the job order.
8	Bhaba & Ghanvi	44 and 90 days	62.93	15.73	The job work of capital maintenance of machine No. I of Bhaba power house and rectification of problem in machine No. II of Ghanvi power house was completed by BHEL after a delay of 44 and 90 days respectively resulting in generation loss of 62.93 MUs valued at Rs. 15.73 crore. The firm escaped from the levy of penalty for the generation loss as there was no provision in the job order/letter of intent for recovery of generation loss. The revenue loss after deducting liquidated damages of Rs. 0.16 crore recovered from BHEL for delay in repair worked out to Rs. 15.57 crore.
	Total		**111.48**	**32.08**	

Annexure 11

(Refer paragraph 3.12)

List of paras involving recovery of money

(Amount in Rs. lakh)

Himachal Pradesh State Electricity Board					
Sl. No.	**Name of auditee unit**	**Para**	**Para No & Year of IR**	**Amount**	**Remarks**
1.	Electrical Sub-Division, Namhol	Theft of power- short receipt of revenue	1 of 1997-2000	3.41	Amount has been placed in sundry charges register but the recovery was awaited (October 2009).
2.	Electrical Sub-Division II, Bilaspur	Short receipt due to slow metering	5 of 1999-2002	1.06	Amount has been placed in sundry charges register but the recovery was awaited (October 2009).
3.	Electrical Sub-Division, Sidhpur	Non-raising of bills for defective meters on average consumption after replacement	3 of 1999-2002	5.25	Amount has been placed in sundry charges register but the recovery was awaited (October 2009).
4.	Electrical Sub-Division, Sabathu	Wrong categorisation of consumer- short recovery of revenue	3 of 1997-2000	2.32	Amount has been placed in sundry charges register but the recovery was awaited (October 2009).
5.	Electrical Sub-Division, Nahan-I	Non-application of tariff for medium supply, levy of small industrial tariff- loss of revenue.	2 of 1998-2001	1.29	Amount has been placed in sundry charges register but the recovery was awaited (October 2009).
6.	Electrical Sub-Division, Nalagarh-I	Short recovery of demand charges	11(a), (b) of 2001-03	0.88	Amount has been placed in sundry charges register but the recovery was awaited (October 2009).
7.	Electrical Sub-Division, Sainj	Non-recovery of Advance Consumption Deposit	1 of 1999-2002	0.16	Amount has been placed in sundry charges register but the recovery was awaited (October 2009).
8.	Operation Circle, Rohru	Loss of revenue due to incorrect billing	1 of 2002-03	12.46	Amount has been placed in sundry charges register but the recovery was awaited (October 2009).
9.	Electrical Sub-Division, Katrain	Non-levy of average consumption charges- short receipt thereof	3 of 2000-03	0.96	Out of total short receipt of Rs. 1.03 lakh, the recovery of Rs. 0.96 lakh was awaited (October 2009).
10	Electrical Sub-Division – I, Mandi	Short recovery of Advance Consumption Deposit	3 of 2000-03	1.12	Out of Rs. 2.03 lakh, recovery of Rs.1.12 lakh was awaited (October 2009).

11	Electrical Sub-Division – I, Mandi	Short receipt of meter rent	6(a) (b) of 2000-03	0.20 0.13	(a) Out of Rs. 0.64 lakh, recovery of amount of Rs.0.20 lakh was awaited (October 2009). (b) Out of 0.15 lakh, recovery of amount of Rs.0.13 lakh was awaited (October 2009).
12	Electrical Sub-Division, Taboo	Non-recovery of items entered in sundry charges register	5 of 1998-2001	0.56	Out of Rs. 0.57 lakh, recovery of Rs. 0.56 lakh was awaited (October 2009).
13	Electrical Sub-Division, Amb	Non-realisation of street light charges	4 of 1996-1999	0.41	The amount was still recoverable (October 2009).
14	Electrical Sub-Division, Sarkhaghat	Short receipt due to less calculation of energy charges in power theft cases	2 of 2000-03	0.84	The amount was still recoverable (October 2009).
15	Resident Engineer, Giri	Non-recovery of rent -loss of revenue	5 of 1998-99	2.68	The amount was still recoverable (October 2009).
16	Parvati Investigation Division–II, Bhunter	(a) Non-recovery of interest on balance amount of Leave Travel Concession advance (b) Excess payment of Leave Travel Concession	4(a) (b) of 1996-97	0.03	The amount was still recoverable (October 2009).
17	Hydel Investigation Division, Shimla	Non-recovery of hiring charges of vehicles deputed on election duty	4 (b) of 2000-01	1.61	The amount was still recoverable (October 2009).
18	Chairman Office, Shimla	Non-realisation of vehicle charges from Election Department	4 of 2001-02	0.24	The amount was still recoverable (October 2009).
19.	Electrical Sub-Division, Solan-I	Non-assessment of power consumption in the case of theft of power	2 of 1999-2002	10.37	The amount was still recoverable (October 2009).
20.	Electrical Sub-Division, Solan-I	Non-receipt of Advance Consumption Deposit and Electricity Duty	4 of 1999-2002	2.01	The amount was still recoverable (October 2009).
21.	Chief Engineer ,System Planning	Non-submission of claim for recovery of out turn charges of vehicle from the State Government	2 of 2002-03	1.05	Instead of recovering the amount, the same was charged to office contingency.

Himachal Pradesh State Forest Corporation Limited					
1	Payment of undue amount to the private party-Non-recovery there of		1 (B) of 2002-03	44.26	The Company has not furnished any reply so far (October 2009).
2	Non-adjustment/recovery of work advances given to contractors		33 of 2002-03	1.63	Out of an amount of Rs. 27.59 lakh an amount of Rs. 24.21 lakh had been recovered, case for recovery of Rs. 1.75 lakh was in the court and the balance amount of Rs. 1.63 lakh was still recoverable (October 2009).
3	Non-recovery on account of shortage of timber at retail sale depot		35 of 2002-03	6.66	The Company has not furnished any reply so far (October 2009).
Total				**52.55**	
Himachal Pradesh State Tourism Development Corporation Limited					
1	(Himachal Bhawan, New Delhi)	Non-recovery of rent of dormitory being used by Police personnels	6 of 2002-03	2.77	The amount was still recoverable (October 2009).
2	(Himachal Bhawan, New Delhi)	Non-recovery of rent of accommodation provided to two Companies	2 of 2002-03	29.52	The amount was still recoverable (October 2009).
3	(Himachal Bhawan, New Delhi)	Non-receipt of electricity consumption charges from Resident Commissioner, New Delhi	7 of 2002-03	2.35	The amount was still recoverable (October 2009).
Total				**34.64**	
Grand Total				**811.45**	

Annexure 12

(Refer paragraph 3.13)

List of paras involving deficiencies

(Amount in Rs. lakh)

Himachal Pradesh State Electricity Board					
Sl. No.	Name of auditee unit	Para	Para No & Year of IR	Amount	Remarks
1	2	3	4	5	6
1	Electrical Division, Kaza	Non-handing over of charge/material at site (MAS) account by the junior Engineers transferred to other units.	10 of 1995-96	1.88	Compliance was awaited (October 2009).
2	Electrical Division, Kaza	Non-returning of damaged transformers to store before sending them to Maintenance & Testing (M&T) laboratory at Solan.	8 of 1998-99	1.03	Compliance was awaited (October 2009). Challans vide which the transformers were sent to the laboratory were not available on record.
3	Electrical Division, Kaza	The work was awarded without the approval of rates by the competent authority	4 of 1999-2000	2.50	Compliance was awaited (October 2009).
4	Electrical Division, Kaza	Against 800 Kg copper scrap estimated to be recovered, only 208 kg copper scrap was actually recovered.	5 of 1999-2000	1.16	The matter had not been investigated so far (October 2009).
5	Electrical Division, Kaza	Para relates to hiring of taxi without approval of the competent authority.	7 of 1999-2000	0.76	Regularisation of expenditure on hiring taxi was awaited (October 2009).
6	Electrical Division, Anni	Non-handing over of charge by Junior engineers on transfer to other.	3 of 2003-04	11.22	The compliance was awaited (October 2009).
7	Electrical Division, Theog	The para is regarding excess expenditure incurred over the sanctioned	5 (a)of 2003-04	8.05	Regularisation of expenditure was awaited (October 2009).
		The para is regarding incurring of expenditure on works not sanctioned by the competent authority	5 (b) of 2003-04	23.37	Regularisation of expenditure was awaited (October 2009).
8	Electrical Division, Kaza	Expenditure on operation and maintenance of Rongtong power house during 1996-97 and 1998-99 to 2001-2002 amounting to Rs. 211.48 lakh was awaiting sanction of the competent authority	4 of 2003-04	211.48	Regularisation of expenditure was awaited (October 2009).

9	Electrical Division, Kaza	Loss sustained due to flood on 22 May 2002 was awaiting write off sanction	9 of 2003-04	4.51	Sanction to write off the losses was awaited (October 2009).
10	Electrical Division, Shahpur	Value of material stolen had not been written off.	4 & 6 of 2003-04	0.92 0.94	Sanction to write off the losses was awaited (October 2009).
11	Electrical Division, Dalhousie	Potential loss of revenue due to short drawl of power	1 of 2003-04	25.67	The reply of the Chief Engineer (Comml) was awaited (October 2009).
12	Electrical Division, Nahan.	The departmental truck met with an accident while the driver was under the influence of liquor.	5 of 2000-01		Action against the driver was awaited (October 2009).
13	Electrical Division, Solan	Loss due to damage of 33 KV VCBs	2 of 2002-03	1.44	Failure to repair the damaged VCBs for such a long time had not been investigated.
14	Electric Division, Rajgarh	Non-closing of works of closed schemes resulting in their non-capitalisation	5 of 2003-04	17.47	Closing of schemes was awaited (October 2009).
15	Electric Division, Keylong	Non-receipt/non-providing of potential transformers (PTs)	9 of 1997-98	0.38	Delay in receipt of PTs and resultant loss to the Board, if any, had not been investigated (October 2009).
16	Electric Division, Keylong	Supply orders were placed by officers who had no financial powers to do so.	2 of 2000-01	14.75	Sanction of the competent authority was still awaited (October 2009).
17	Larji Construction Division No-II, Larji	Extension for completion of work was granted by the Chief Engineer though he was not authorized.	5 of 1999-2000	-	The approval of the Board was awaited (October 2009).
18	Survey & Investigation (S&I) Circle, Bhabanagar	Idle investment on survey and investigation of closed schemes- non-recovery thereof.	3 of 1999-2000	253.89	Action to recover the expenditure was under process. Actual recovery was awaited (October 2009).
19	S&I circle, Mandi	The expenditure incurred on survey and investigation work of Sarwari was rendered unfruitful.	2 of 1999-2000	26.14	Reply was awaited (October 2009).
20	Director Design, UHL-III, Mandi	Drawal of Power Finance corporation Loan without requirement - avoidable payment of interest.	1 of 2000-01	4.25	Reply was awaited (October 2009).
21	Renuka Investigation Division, Dadahu	Blockade of Board's funds due to non-disposal of material	4 of 2001-02	3.40	Reply was awaited (October 2009).
22	Hydel Investigation Division, Shimla	Excess expenditure incurred on the awarded work was awaiting regularisation.	3 of 2002-03	8.31	Approval of the competent authority was awaited (October 2009).
23	Bhaba Construction Division (BCD-I), Bhabanagar	Avoidable expenditure on river training and switchyard works	3 of 2002-03	105.23	The report had been submitted to the Board for approval which was awaited (October 2009).
24	Larji Construction Circle II (LCC-II), Sarabai	Avoidable extra expenditure due to lack of care by the contractor.	1 of 2003-04	275.82	The action against the contractor as per the terms and conditions of the agreement was awaited (October 2009).

25	LCC-II, Sarabai	Undue favour to contractor -extra expenditure	4 of 2003-04	45.47	The action against the contractor as per the terms and conditions of the agreement was awaited (October 2009).
26	Hydel Investigation Division (HID), Reckong-Peo	Wasteful expenditure on System Improvement Scheme of Baspa, Stage-I	1 of 2003-04	14.56	The reply was awaited (October 2009).
27	Chief Engineer (System Operation), Shimla	Deployment of staff against surplus posts resulted in unfruitful expenditure on their pay and allowances	1 of 2003-04	49.32	The deployment of staff according to the requirement was awaited (October 2009).
28	Chief Engineer (Operation) South, Shimla	Purchase/procurement without requirement.	2 of 2001-02	274.66	Reply was awaited (October 2009).
29	Chief Engineer (Operation) North, Dharamshala	Non-disposal of Bharmour Power House- Blockade of Board's funds	3 of 2002-03	4.55	Reply was awaited (October 2009).
30	Chief Engineer (Operation) Central Zone, Mandi	Suspected misappropriation of cash	7 of 1997-98	1.36	Disciplinary action against the erring Officers/officials was waited (October 2009).
31	Chief Engineer, (Project), Shimla	Non-adjustment/utilisation of advance- avoidable payment of interest	1 of 2000-01	119.73	The comments of the Board were awaited (October 2009).
32	Chief Engineer, (Project), Shimla	**Short receipt of capital subsidy**	5 of 2000-01	959.86	Reply was awaited (October 2009).
33	Chief Engineer (Material Management), Shimla	Excessive purchase of Boiler Quality (BQ) plats.	7 (a) of 2001-02	11.76	The reply of Chief Engineer (Design), Sundernager was awaited (October 2009).
		Non-utilisation of BQ plats	7 (b) of 2001-02	-----	The reply of Chief Engineer (Design), Sundernager was awaited (October 2009).
		Avoidable payment of transportation charges.	7 (c) of 2001-02	1.96	The reply of Chief Engineer (Design), Sundernager was awaited (October 2009).
		Non-disposal of condemned material	7 (d) of 2001-02	111.37	Disposal of the material was awaited (October 2009).
34	Chief Engineer (MM), Shimla	Irregular/unauthorised expenditure on hiring of taxi	9 of 2001-02	0.84	Reply was awaited (October 2009).
35	Chief Engineer (Generation), Sundernagar	Irregular payment of arbitration fee	4 of 2001-02	0.28	The fee had not been regularised as per the instructions of the State Government.
36	Chief Engineer (System Planning), Shimla	Non-availing of interest rebate.	1 of 1999-2000	15.32	Reply was awaited (October 2009).

37	Chief Engineer (P&M), Shimla	Loss due to out of court settlement.	1 of 2000-01	161.87	Reply was awaited (October 2009).
38	Chief Accounts Officer, HPSEB, Shimla	Avoidable payment of commitment charges.	7 of 2002-03	14.27	Reply was awaited (October 2009).
39	Chief Accounts Officer, HPSEB, Shimla	Non-availing of grants	8 of 2002-03	45.77	There was delay in communication of allotment of funds, reasons for which had not been investigated (October 2009).
40	Chief Accounts Officer, HPSEB, Shimla	Delay in recovery of dues against the sale of power	13 (a) of 2002-03	1212.57	Compliance was awaited (October 2009).
41	Chief Accounts Officer, HPSEB, Shimla	Incorrect calculation of purchase rate of power	1 of 2003-04	817.55	The reply furnished was not specific to the Audit observation.
42	Chief Accounts Officer, HPSEB, Shimla	Award of higher rates – extra payment	3 of 2003-04	59.41	The reply of Store Purchase Committee was awaited (October 2009).
43	Chief Accounts Officer, HPSEB, Shimla	Sale of power below cost of supply resulting in loss of revenue.	5 of 2003-04	2210.00	Selling of power below the cost of purchase had not been investigated (October 2009).
44	Chief Accounts Officer, HPSEB, Shimla	Short recovery of transmission charges	6 of 2003-04	297.58	Reply was awaited (October 2009).
45	Chief Accounts Officer, HPSEB, Shimla	Injudicious award of rates - extra payment	8 of 2003-04	16.06	Reply was awaited (October 2009).
46	Chief Accounts Officer, HPSEB, Shimla	Undue favour to the supplier	11 of 2003-04	19.84	Reply was awaited (October 2009).
47	Chief Accounts Officer, HPSEB, Shimla	Undue favour to the supplier	14 of 2003-04	25.73	Reply was awaited (October 2009).
48	Chief Accounts Officer, HPSEB, Shimla	Undue favour to supplier	15 of 2003-04	4.17	Reply was awaited (October 2009).
49	Chief Accounts Officer, HPSEB, Shimla	Non-inclusion of income tax in tariff petition	17 of 2003-04	2068.00	Reply was awaited (October 2009).
50	Transmission and Construction (T & C), Tutu	Non-installation/utilisation of Capacitor Bank	1 of 2001-02	112.20	Specific reply was not furnished (October 2009).
51	T&C, Tutu	Non-levy of compensation for delay in execution of civil works	2 of 2002-03	2.16	Reasons for not levying penalty as per the terms and conditions of the agreement were not stated (October 2009).
52	T&C, Bilaspur	Un-authorised purchase of material	6 of 1998-99.	3.67	The sanction of competent authority was awaited (October 2009).

68	T&C Division, Una	Unauthorised expenditure	3 of 2003-04	9.61	Regularisation of expenditure was awaited (October 2009).
69	T&C, Division Jassure	Unfruitful expenditure on idle staff	5 of 2003-04	812.00	Re-deployment of staff was awaited (October 2009).
70	Resident Engineer Bhaba Power House, Bhabanagar	Avoidable generation loss.	1 of 2002-04	795.69	Comments of Transmission Wing were awaited (October 2009).
71	Resident Engineer Bhaba Power House, Bhabanagar	Loss due to uneconomical outturn rates	4 of 2002-04	6.31	Approval of Chief Engineer (Generation) was awaited (October 2009).
72	Resident Engineer Ghanvi Power House Division Jeori	Short receipt of grant from Ministry of Non-conventional Energy Sources	1 of 2002-04	143.76	Reply was awaited (October 2009).
73	Maintenance & Testing (M&T) Division, Solan	Irregular purchase of T&P items	4 of 2002-03	0.45	Regularisation of expenditure was awaited (October 2009).
74	Maintenance & Testing (M&T) Division, Solan	Short receipt of revenue due to incorrect calculation	11 of 2002-03	0.43	Final reply was awaited (October 2009).
75	State Load Dispatch Centre, Totu	Irregular expenditure on raising infrastructure	5 of 2002-03	--	Regularisation of expenditure was awaited (October 2009).
76	Rajiv Gandhi Gramin Vidyutikaran Yojna (RGGVY), Kasumpti	Excess expenditure incurred on closed Rural Electrification Schemes	2 of 2002-03	291.26	Regularisation of expenditure was awaited (October 2009).
77	Khauli construction Division, Shahpur	Undue benefit to the contractor.	2 of 1999-2000	10.50	To the point reply was awaited (October 2009).
78	Khauli construction Division, Shahpur	Para relates to awarding of higher rates to the contractor for extra items of work.	4 of 2002-03	2.78	To the point reply was awaited (October 2009).
79	Khauli construction Division, Shahpur	Loss due to under utilisation of machinery	8 of 2002-03	32.93	Transfer of machinery to needy unit was awaited (October 2009).
80	Electrical Division, Bilaspur	The Junior Engineers had not handed over the charge at the time of their transfer	9 of 1999-2000	17.20	The whereabouts of the officials concerned were still being traced out (October 2009).
81	Electrical Division, Bilaspur	Non-maintenance of Tools and Plant accounts	3 of 2000-01	15.20	The reply furnished was not specific to the audit observation.
82	Electrical Division, Bilaspur	Non-repair of transformer damaged during warranty period	6 (a) of 2002-03	0.44	Repair of transformer was awaited (October 2009).
83	SLDC, Totu	Infructuous expenditure	1 of 2003-04	26.40	The details regarding use of equipment were not furnished to Audit.
84	RGGVY, Kasumpti	Avoidable expenditure	1 of 2003-04	246.54	The reply to justify the avoidable extra expenditure was awaited (October 2009).

53	220 KV Sub-Station Division, Kunihar	Idle Power Line Carrier Communication equipment due to non-allotment of required frequency	1 (b) of 2001-02	---	Final compliance was awaited. (October 2009).
54	400 KV Sub-Station Division, Nalagarh	Damage to survey equipment	1 of 2001-02	5.16	Necessary action in the matter was awaited (October 2009).
55	400 KV Sub-Station Division, Nalagarh	Non-condemnation of vehicle Non condemnation of surplus material	7 (a) of 2001-02 7 (b) of 2001-02	------ 1.50	Condemnation of vehicle was awaited (October 2009). Condemnation of material was awaited (October 2009).
56	Resident Engineer (Gire), Girinagar	Damaged Lower Voltage windings of power transformers	6 of 2000-01	8.36	Sanction of the competent authority to write off the loss was awaited (October 2009).
57	Maintenance & Testing Division, Sunder-nagar	Un-authorised purchase of material	1 (a) of 2000-01	1.00	Approval of the competent authority was awaited (October 2009).
58	Maintenance & Testing Circle, Bilaspur	Un-authorised purchase of material	4 of 2001-02	1.95	Approval of the competent authority was awaited (October 2009).
59	Resident Engineer, Bhabanagar	Avoidable expenditure	1 of 2000-01	50.12	The decision of Whole Time Member of the Board was awaited (October 2009).
60	Resident Engineer, Bhabanagar	Generation loss due to dumping of debris at the intakes site	3 of 2000-01	78.92	Specific reply to audit observation was not furnished (October 2009).
61	Resident Engineer, Gaj Graroh	Non-preparation of completion report of schemes	6 of 2001-02	109.38	Completion reports of schemes were awaited (October 2009).
62	Superintending Engineer (Generation Circle), Nahan	Unfruitful expenditure on plugging of leakage of Giri barrage	1 of 2000-01	15.00	Comments of the Member (Technical) were awaited (October 2009)
63	Electrical Division, Parwanoo	Non-accountal of store material/non-production of MAS account	10 (b) of 2001-02	5.28	Reply was awaited (October 2009).
64	Electrical Division, Parwanoo	Failure to change the name of company (consumers) after amalgamation - non-recovery of cost share	3 of 2002-03	48.40	Reply was awaited (October 2009).
65	T&C, Jassure	Non-revision of scheme-unauthorised expenditure	2 of 2002-03	743.13	The revision of scheme was awaited (October 2009).
66	T&C, Una	Irregular expenditure due to non-closure of scheme	4 of 2001-02	2245.72	Closing of scheme was awaited (October 2009).
67	220 KV Sub-Station Division, Jeuri	Unauthorised purchase of items	4 of 2002-04	1.05	Ex-post-facto sanction of the competent authority was not obtained (October 2009).

85	RGGVY, Kasumpti	Avoidable interest charges	3 of 2003-04	17.53	The reply of the Finance Wing was awaited (October 2009).
86	RGGVY, Kasumpti	Non-drawal of full loan amount	4 of 2003-04	2.88	To the point reply was not furnished (October 2009).
87	Hydel Investigation Division, Rohru	Unjustified expenditure on staff without work	1 of 2003-04	229.89	The approval of competent authority was awaited (October 2009).
88	Hydel Investigation Division, Rohru	Idle machinery	3 of 2003-04	7.82	transfer of machinery to needed unit was awaited (October 2009).
89	Hydel Investigation Division, Rohru	Incurring of excess/unauthorised expenditure against budget provision.	4 of 2003-04	30.93	The approval of competent authority was awaited (October 2009).
90	The Chief Engineer (System Operation), Shimla	Loss of revenue due to defective agreement	16 of 1997-98	849.37	The reply of the Chief Engineer concerned was awaited (October 2009).
91	The Chief Engineer (System Operation), Shimla	Loss of revenue due to defective agreement	3 of 2003-04	--	The reply of the Chief Engineer concerned was awaited (October 2009).
92	The Chief Engineer (System Operation), Shimla	Purchase of power from National Power Corporation Limited- loss of rebate	12 of 1998-99	--	The reply of Chief Engineer (System Planning) was awaited (October 2009).
93	The Chief Engineer (System Operation), Shimla	Purchase of power from National Power Corporation Limited- loss of rebate	2 of 2003-04	--	The reply of Chief Engineer (System Planning) was awaited (October 2009).
	Total			16551.35	
Agro Industrial Packaging India Limited					
1	Agro Industrial Packaging India Limited	Irregular regularisation of daily waged workers-irregular expenditure on pay and allowances	3 of 2003-04	45.27	Regularisation by the Service Committee was awaited (October 2009).
	Total			45.27	
Himachal Pradesh State Forest Corporation Limited					
1	Director (North), Dharamshala	Non-receipt/reconciliation of funds transferred amongst different units of the Company	32 of 2002-03	15.35	The Company had not reconciled the matter with the banks concerned so far (August 2009).
	Total			15.35	
	Grant Total			16611.97	

Annexure 13

(Refer paragraph 3.14.3)

Statement showing the department wise outstanding Inspection Reports (IRs) and paragraphs

Sl. No.	Name of Department	No. of PSUs	No. of outstanding I.Rs.	No. of outstanding paragraphs	Years from which outstanding
1	Horticulture	3	14	66	1998-99
2	Industries	7	20	49	2002-03
3	Forest	1	5	27	2001-02
4	Pubic Works	1	1	4	2008-09
5	Welfare	3	10	21	2002-03
6	Food and Supplies	1	3	14	2003-04
7	Tourism and Civil Aviation	1	4	17	2005-06
8	MPP and Power	3	821	3,526	1996-97
9	Transport	1	108	371	1992-93
	Total	21	986	4,095	

Annexure 14

(Refer paragraph 3.14.3)

Statement showing the department wise draft paragraphs/reviews replies to which are awaited

Sl. No	Name of Department	No. of draft paragraphs	No of reviews	Period of issue
1	MPP & Power	5	Nil	April, May and July 2009
2	Food & Supplies	1	-	April 2009
3	Transport	-	1	August 2009
4	Industries	1	-	July 2009
5	Finance	3	-	September, October and November 2009
	Total	**10**	**1**	