विधानसभा को प्रस्तुत की गई दिनांक :
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REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2004

COMMERCIAL
GOVERNMENT OF HARYANA

http://cagindia.org/states/haryana/2004

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Preface

Government commercial enterprises, the accounts of which are subject to audit by the Comptroller and Auditor General of India, 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 and has been prepared for submission to the Government of Haryana under Section 19A of the Comptroller and Auditor General's (CAG) (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 Comptroller and Auditor General of India (Civil)-Government of Haryana.

3. Audit of the accounts of Government companies is conducted by Comptroller and Auditor General of India under the provisions of Section 619 of the Companies Act, 1956.

4. In respect of Haryana Warehousing Corporation, CAG 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 CAG. As per State Financial Corporations (Amendment) Act, 2000, CAG has the right to conduct the audit of accounts of Haryana Financial Corporation in addition to the audit conducted by Chartered Accountants appointed by the Corporation out of the panel of auditors approved by the Reserve Bank of India. In respect of Haryana Electricity Regulatory Commission, CAG is the sole auditor. The Audit Reports on the annual accounts of all these corporations/Commission are forwarded separately to the State Government.

5. The cases mentioned in this Report are those, which came to notice in the course of audit during the year, 2003-04 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 2003-04 have also been included, wherever necessary.

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OVERVIEW

1. Overview of Government companies and Statutory corporations

As on 31 March 2004, the State had 29 Public Sector Undertakings (PSUs) comprising 27 Government companies and two Statutory corporations as against 30 PSUs comprising 28 Government companies and two Statutory corporations as on 31 March 2003. Out of 27 Government companies, 19 were working and eight were non-working Government companies. Both the Statutory corporations were working corporations.

(Paragraph 1.1)

The total investment in working PSUs increased from Rs. 8,900.86 crore as on 31 March 2003 to Rs. 9,373.98 crore as on 31 March 2004. The total investment in non-working PSUs increased from Rs. 56.25 crore to Rs. 67.45 crore during the same period.

(Paragraphs 1.2 and 1.16)

The budgetary support from the State Government in the form of capital, loans and grants/subsidies disbursed to the working PSUs increased from Rs. 1,043.32 crore in 2002-03 to Rs. 1,222.29 crore in 2003-04. The State Government guaranteed loans aggregating Rs. 1,448.90 crore to eight PSUs (all working) during 2003-04. The total amount of outstanding loans guaranteed by the State Government to all PSUs was Rs. 5,756.31 crore as on 31 March 2004.

(Paragraph 1.5)

Out of 19 working Government companies and two working Statutory corporations, only five working companies and one Statutory corporation had finalised their accounts for the year 2003-04 by 30 September 2004. The accounts of 14 working Government companies and one working Statutory corporation were in arrears for period ranging from one to six years.

(Paragraph 1.6)

According to the latest finalised accounts, 14 working PSUs (13 Government companies and one Statutory corporation) earned aggregate profit of Rs. 50.33 crore. Against this, five working PSUs (four Government companies and one Statutory corporation) incurred aggregate loss of Rs. 10.12 crore as per their latest finalised accounts. Of the loss incurring working Government companies, one Company had accumulated loss aggregating Rs. 9.47 crore, which was more than 39 times of its paid-up capital of Rs. 24.04 lakh.

(Paragraphs 1.7 and 1.9)

Even after completion of nine years of their existence, the individual turnover of four working and two non-working Government companies had been less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Further, two non-working Government companies, had been incurring losses for five consecutive years as per their latest finalised accounts, leading to negative net worth. As such, the Government may either improve the performance of these eight Government companies or consider their closure.

(Paragraph 1.34)

2. Reviews relating to Government companies

2.1 Haryana Agro Industries Corporation Limited

Haryana Agro Industries Corporation Limited was incorporated in 1967 as a joint venture of the State Government and Government of India with the object to promote agro based industries and provide farmers with agricultural inputs and assist them in farm mechanisation. Sale of wheat and paddy constituted major component of its turnover. The Company could not maintain proper health of the wheat stock, raise bills in time and reconcile accounts with Food Corporation of India resulting in huge losses. The capacity utilisation of its manufacturing plants was very poor. Even after 37 years of its incorporation, the Company has failed to develop an independent market for its products and was depending upon the patronage of the State Government. Some of the important points noticed in the review are as under:

During 2001-04, five farmers service centres (FSCs) of the Company kept fund between Rs. 0.50 lakh and rupees eight crore in their non-operating current accounts for the periods ranging between five and 228 days against the instructions to transfer the fund to main office's account twice a week. Delayed transfer of fund by FSCs from non-operating current accounts resulted in loss of interest of Rs. 42.05 lakh.

(Paragraph 2.1.9)

The Company procured wheat below permissible limit of lustre, which was rejected by Food Corporation of India. Resultantly, the Company had to auction the wheat at a loss of Rs. 2.88 crore.

(Paragraph 2.1.12)

The Company did not recover Rs.2.65 crore towards expenditure incurred during 1998-2003 for transporting paddy to the millers from the mandis within distance of eight kms and beyond, which was recoverable from the millers (Rs. 93.24 lakh) and Food Corporation of India (Rs. 1.72 crore) as per agreement with the millers and Government of India's instructions respectively.

(Paragraph 2.1.20)

The capacity utilisation of pesticide and insecticide plant, Shahabad, cattle feed plant, Jind and agro engineering workshop, Nilokheri was very low due to inadequate marketing infrastructure and dependence on Government orders.

(Paragraph 2.1.23)

Excess purchase of pesticide and its subsequent disposal at reduced rate resulted in loss of Rs. 30. 54 lakh.

(Paragraph 2.1.28)

2.2 Haryana Vidyut Prasaran Nigam Limited

Erection, augmentation and maintenance of high tension lines and sub-stations

The main function of the Company was to transmit power purchased from Haryana Power Generation Corporation Limited and Central Pool to distribution companies through its transmission network consisting of high tension lines and sub-stations. The Company could not achieve its targets for laying transmission lines and addition in transformation capacity. Delay in implementation of transmission schemes/works resulted in cost overruns and non-accrual of envisaged benefits. Construction of sub-stations without assessing actual requirement resulted in blocking of investment. The maintenance and upkeep of the system was marred by deficiencies, which rendered the costly equipments susceptible to a greater risk of damage. Some of the important points noticed in the review are as under:

The State Government did not initiate action to promote private sector participation in power sector companies as envisaged in the reforms programme. As such the dependence of the Company on borrowed funds to finance its transmission works had increased interest burden from Rs. 201.79 crore in 1999-2000 to Rs. 277.61 crore in 2002-03.

(Paragraph 2.2.7)

Of the 28 transmission schemes got financed from financial institutions during 1999-2004, 23 schemes involving creation/augmentation of 51 sub-stations and related link lines were scheduled for completion up to March 2004. Only 12 schemes could be completed by March 2004, which not only increased interest burden during construction but also resulted in non-accrual of envisaged financial benefits of Rs. 89.76 crore per annum on account of reduction in transmission losses.

(Paragraph 2.2.8)

Shortfall of shunt capacitors in the system during 1999-2004 resulted in non-reduction of transmission losses to the extent of 1,122.85 million units valued at Rs. 224.57 crore. The Company also had to pay Rs. 4.22 crore as penalty on account of excess drawal of reactive power from the power grid during April-September 2003.

(Paragraph 2.2.16)

Due to failure of the protection system, one power transformer (100 mega volt ampere) was damaged at 220 kilo volt sub-station, Madanpur, which resulted in estimated loss of Rs. 2.19 crore.

(Paragraph 2.2.23)

3. Transaction audit observations

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

- *Fraud amounting to Rs. 16.10 lakh in one case.*

  (Paragraph 3.5)

- *Unproductive expenditure of Rs.1.42 crore in one case.*

  (Paragraph 3.6)

- *Blocking up of fund and loss of interest amounting to Rs. 1.12 crore in two cases.*

  (Paragraphs 3.7 and 3.14)

- *Extra expenditure amounting to Rs. 6.58 crore in one case.*

  (Paragraph 3.9)

- *Avoidable loss amounting to Rs.2.28 crore in two cases.*

  (Paragraphs 3.12 and 3.19)

- *Loss of revenue of Rs. 89.59 crore in three cases.*

  (Paragraphs 3.8, 3.11 and 3.13)

- *Excess payment of Rs. 1.49 crore in two cases.*

  (Paragraphs 3.2 and 3.4)

- *Non-recovery of dues amounting to Rs. 4.89 crore in five cases.*

  (Paragraphs 3.1, 3.10, 3.16,3.17 and 3.18)

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

Haryana State Industrial Development Corporation Limited

The Company suffered loss of Rs. 39.95 lakh due to contribution to employees provident fund in excess of the limits prescribed under the Employees' Provident Funds Scheme, 1952.

(Paragraph 3.2)

Haryana Roadways Engineering Corporation Limited

The Company made excess payment of Sales Tax of Rs. 1.09 crore on purchase of bus chassis and therefore suffered loss of interest of Rs. 42.51 lakh.

(Paragraph 3.4)

Haryana Vidyut Prasaran Nigam Limited

Defective remote controlled load management scheme coupled with non-implementation of the scheme as per terms of the contract rendered the expenditure of Rs. 1.42 crore infructuous.

(Paragraph 3.6)

Uttar Haryana Bijli Vitran Nigam Limited

Laxity on the part of the Company to enforce the codal provisions for recovery of its dues followed by implementation of the waiver scheme without devising mechanism to ensure that the beneficiaries would be regular in payments thereafter, led to avoidable loss of Rs. 88.52 crore.

(Paragraph 3.8)

Dakshin Haryana Bijli Vitran Nigam Limited

Non implementation of the safety measures recommended by the Chief Engineer and improper storage of highly inflammable material caused avoidable loss of Rs. 1.93 crore due to fire in transformer repair workshop, Hisar.

(Paragraph 3.12)

Haryana Power Generation Corporation Limited

Failure of the Company to synchronise the installation of the fire protection system with the commissioning of Unit VI at Tau Devi Lal Thermal Power Station, Panipat resulted in loss of Rs.80.36 lakh.

(Paragraph 3.14)

Haryana Financial Corporation

Faulty appraisal procedure caused acceptance of false collateral security not having marketable title, resulting in non-recovery of Rs. 1.25 crore.

(Paragraph 3.18)

Chapter-I

1. Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2004, there were 27 Government companies (19 working companies and eight non-working* companies) and two Statutory corporations (both working) as against 28 Government companies (19 working and nine non-working companies) and two Statutory corporations as on 31 March 2003 under the control of the State Government. The name of one non-working company (Haryana Bus Stand Corporation Limited) was struck off (11 September 2003) from the Register of companies under Section 560(5) of the Companies Act, 1956. In addition, the State had formed Haryana Electricity Regulatory Commission whose audit is also being conducted by Comptroller and Auditor General of India (CAG). The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the CAG as per provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of the Statutory corporations are as shown below:

Sl. No.	Name of the corporation	Authority for the audit by the CAG	Audit arrangement
1.	Haryana Financial Corporation	Section 37(6) of the State Financial Corporations Act, 1951.	Audit by Chartered Accountants and supplementary audit by CAG
2.	Haryana Warehousing Corporation	Section 31(8) of the State Warehousing Corporations Act, 1962.	Audit by Chartered Accountants and supplementary audit by CAG

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

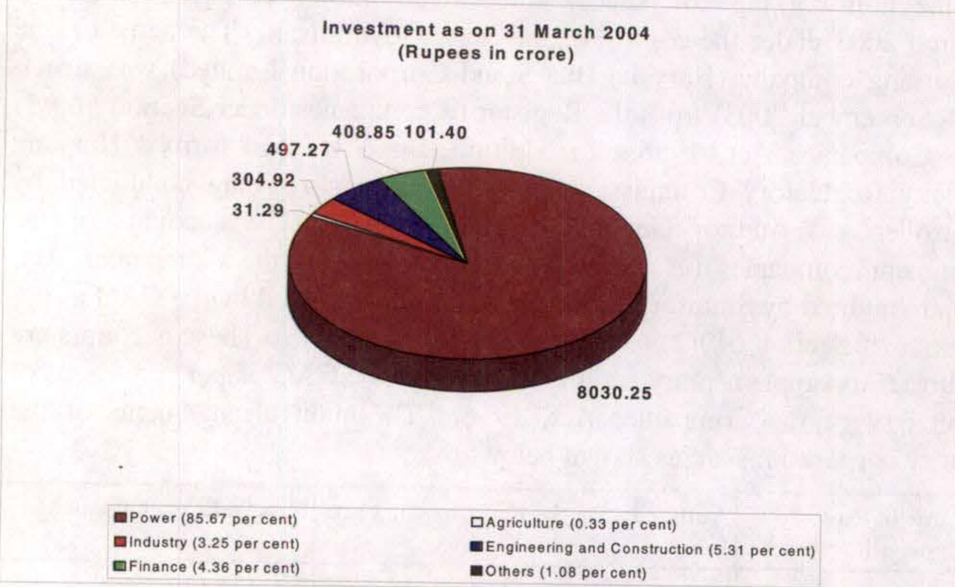
1.2 As on 31 March 2004, the total investment in 21 working PSUs (19 Government companies and two Statutory corporations) was

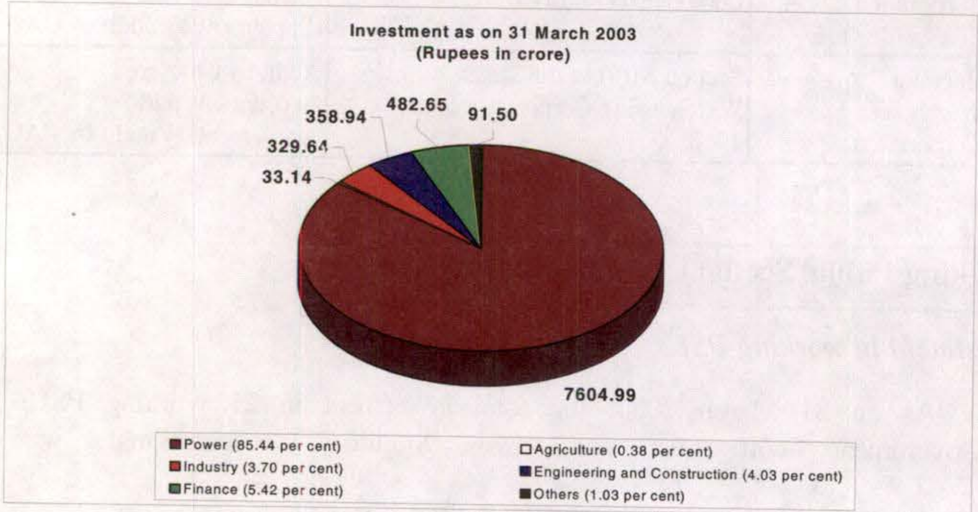
* Non-working companies are those, which are under process of liquidation/closure/ merger etc.

Rs. 9,373.98 crore[^] equity: Rs. 2,121.82 crore; long-term[**] loans: Rs. 6,911.89 crore and share application money: Rs. 340.27 crore) as against 21 working PSUs (19 Government companies and two Statutory corporations) with a total investment of Rs. 8,900.86 crore (equity: Rs. 2,052.23 crore, long-term loans: Rs. 6,576.58 crore and share application money: Rs. 272.05 crore) as on 31 March 2003. The analysis of investment in working PSUs is given in the following paragraphs.

Sector wise investment in working Government companies and Statutory corporations

The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2004 and 31 March 2003 are indicated below in the pie charts:





^ Reconciliation of figures with Finance Accounts is pending.

** Long-term loans mentioned in para 1.2, 1.3 and 1.4 are excluding interest accrued and due on such loans.

Working Government companies

1.3 The total investment in working Government companies at the end of March 2003 and March 2004 was as follows:

(Amount: Rupees in crore)

Year	Number of working Government companies	Equity	Share application money	Long-term loans	Total
2002-03	19	2,015.46	272.05	6,114.16	8,401.67
2003-04	19	2,085.06	340.27	6,523.86	8,949.19

As on 31 March 2004, the total investment of working Government companies comprised 27.10 *per cent* equity capital and 72.90 *per cent* loans compared to 27.23 and 72.77 *per cent,* respectively as on 31 March 2003.

The summarised position of Government investment in working Government companies in the form of equity and loans is detailed in **Annexure 1.**

Due to increase in long-term loans of engineering, construction and power sectors, the debt equity ratio of working Government companies as a whole increased from 2.68:1 in 2002-03 to 2.69:1 in 2003-04.

Working Statutory corporations

1.4 The total investment in two working Statutory corporations at the end of March 2003 and March 2004 was as follows:

(Rupees in crore)

Name of the corporation	2002-03		2003-04	
	Capital	Long-term loans	Capital	Long-term loans
Haryana Financial Corporation	30.92	451.73	30.92	377.93
Haryana Warehousing Corporation	5.84	10.69	5.84	10.10
Total	**36.76**	**462.42**	**36.76**	**388.03**

The summarised position of Government investment in working Statutory corporations in the form of equity and loans is detailed in **Annexure 1**.

Due to decrease in long-term loans of both corporations, the debt equity ratio as a whole decreased from 12.58:1 in 2002-03 to 10.55:1 in 2003-04.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.5 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government to working Government companies and working Statutory corporations are given in **Annexure 1** and **3.**

The State Government did not provide financial support in the form of equity capital, loans and grants/subsidies to Statutory corporations during 2001-04. The budgetary outgo* in the form of equity capital, loans and grants/subsidies from the State Government to working Government companies during 2001-04 are given below:

(Amount: Rupees in crore)

Particulars	2001-02		2002-03		2003-04	
	No. of companies	Amount	No. of companies	Amount	No. of companies	Amount
Equity capital	10	58.55	6	147.98	10	130.19
Loans	4	72.04	3	40.99	3	87.79
Grants/Subsidy towards						
1.Projects/ Programmes/ Schemes	5	95.65	2	2.84	7	77.74
2.Others	5	852.58	6	851.51	6	926.57
Total grants/ subsidy		948.23		854.35		1,004.31
Total outgo		**1,078.82**		**1,043.32**		**1,222.29**

During the year 2003-04, the Government had guaranteed loans aggregating Rs. 1,448.90 crore obtained by seven working Government companies (Rs. 923.90 crore) and one working Statutory corporation (Rs. 525.00 crore). At the end of the year, guarantees amounting to Rs. 5,756.31 crore against 12 working Government companies (Rs. 5,515.50 crore) and two working Statutory corporations (Rs. 240.81 crore) were outstanding. The guarantee commission paid/payable to Government by eight Government companies and one Statutory corporation during the year was Rs. 15.25 crore and Rs. 65.62 lakh, respectively.

Finalisation of accounts by working PSUs

1.6 Out of 19 working Government companies and two Statutory corporations, only five companies and one Statutory corporation had finalised

* Reconciliation of figures with Finance Accounts is pending.

their accounts for the year 2003-04 by 30 September 2004. During the period from October 2003 to September 2004, 11 working Government companies finalised 12 accounts for previous years. Similarly, one corporation finalised one account for previous year during this period.

The accounts of 14 working Government companies and one Statutory corporation involving 36 accounts were in arrears for period ranging from one to six years as on 30 September 2004 as detailed below:

Sl. No.	No. of working companies/corporations		Period for which accounts were in arrears	Number of years for which accounts were in arrears	Reference to Serial No. of Annexure 2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
1.	1	-	1998-99 to 2003-04	6	A8	-
2.	1	-	1999-2000 to 2003-04	5	A13	-
3.	2	-	2000-01 to 2003-04	4	A12, A15	-
4	5	1	2002-03 to 2003-04	2	A5, A6, A10, A14, A16	B1
5	5	-	2003-04	1	A1, A11, A17, A18, A19	-

Reasons for delay in finalisation of accounts of working PSUs in general and of six PSUs, whose accounts were in arrears for two years or more, have been discussed in detail in paragraph 3.20 of Chapter III.

Financial position and working results of working PSUs

1.7 The summarised financial results of working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Annexure 2.** Besides, statements showing financial position and working results of individual working Statutory corporations for the latest three years are given in **Annexure 4** and **5**, respectively.

According to the latest finalised accounts of 19 working Government companies and two working Statutory corporations, four companies and one Statutory corporation had incurred an aggregate loss of Rs. 3.25 crore and Rs. 6.87 crore, respectively. Thirteen companies and one corporation earned an aggregate profit of Rs.36.41 crore and Rs.13.92 crore, respectively. One company (Sl. No. A10 of **Annexure 2**) did not prepare profit and loss account as it capitalised excess of expenditure over income and another company (Sl. No. A16 of **Annexure 2**) neither showed profit nor loss, as its total income was equal to expenditure.

Working Government companies

Profit earning working Government companies and dividend

1.8 Four Government companies (Sl. No. A2, A3, A4 and A7 of **Annexure 2**) finalised their accounts for the year 2003-04 up to 30 September 2004 and earned aggregate profit of Rs. 6.37 crore. Similarly, out of 11 Government companies, which finalised their accounts for previous years by 30 September 2004, seven[$] companies earned an aggregate profit of Rs.27.89 crore, while six companies earned profit for two or more successive years. The State Government had formulated (October 2003) a dividend policy under which all PSUs are required to pay a minimum return of four *per cent* on the paid up share capital contributed by the State Government. Only one Company (Sl. No. A3 of Annexure 2) had declared dividend of Rs. 21.44 lakh (including dividend tax of Rs. 2.43 lakh) during the year 2003-04 which worked out to 0.02 *per cent* on total equity investment of Rs. 1,421.64 crore by the State Government in working Government companies.

Loss incurring working Government companies

1.9 Of the four loss incurring working Government companies, one[#] company had accumulated loss of Rs. 9.47 crore which was more than 39 times of its paid-up capital of Rs.24.04 lakh.

Working Statutory corporations

Profit earning Statutory corporation and dividend

1.10 Haryana Warehousing Corporation had finalised its accounts for 2003-04 and earned profit of Rs.13.92 crore. It declared dividend of Rs. 1.32 crore. The dividend as percentage of total share capital worked out to 22.60 *per cent.*

Loss incurring Statutory corporation

1.11 Haryana Financial Corporation finalised its accounts for 2001-02 and suffered a loss of Rs. 6.87 crore. The Corporation had accumulated loss of Rs. 91.66 crore, which was, more than two times of its paid-up capital of Rs.31.80 crore.

Operational performance of working Statutory corporations

1.12 The operational performance of the working Statutory corporations is given in **Annexure 6**. In Haryana Financial Corporation, the overdue amount of loans had increased from Rs. 890.39 crore in 2001-02 to Rs. 1,249.44 crore in 2003-04. The percentage of overdue loans to total outstanding loans also increased from 42.83 to 58.05 during this period.

Return on capital employed

1.13 As per the latest finalised accounts (up to September 2004), the capital

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$ Sl. No. A7,8,12,14,17,18 and 19 of Annexure 2.

\# Sl. No. A9 of Annexure 2.

employed* worked out to Rs. 6,289.28 crore in 19 working Government companies and total return** thereon amounted to Rs. 653.34 crore (10.39 *per cent*) as compared to total return of Rs. 322.02 crore (5.54 *per cent*) on capital employed of Rs. 5,809.98 crore in previous year (accounts finalised up to September 2003). Similarly, the capital employed and total return thereon in case of two working Statutory corporations as per latest finalised accounts (up to September 2004) worked out to Rs. 895.98 crore and Rs. 69.73 crore (7.78 *per cent*), respectively as against capital employed of Rs. 1,138.68 crore and the total return of Rs. 86.58 crore (7.60 *per cent*) thereon for previous year (accounts finalised up to September 2003). The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in **Annexure 2**.

Reforms in power sector

Status of implementation of Memorandum Of Understanding between the State Government and the Central Government

1.14 Memorandum of Understanding (MOU) was signed on 13 February 2001 between the Ministry of Power, Government of India (GOI) and the Department of Power, Government of Haryana (State Government) as a joint commitment for implementation of reforms programme in power sector with identified milestones. Status of implementation of reforms programme against each commitment made in the MOU is detailed below:

Sl No.	Commitment as per MOU	Targeted completion schedule	Status (As on 31 March 2004)
	Commitments made by the State Government		
1.	Reduction in transmission and distribution (T&D) losses	T&D losses set at 40.76 *per cent* by HERC during 2000-01 were proposed to be brought down by 5 *per cent* each year (25.76 *per cent* by 2003-04).	36.38 *per cent*
2.	100 *per cent* metering of all distribution feeders	31 March 2001	Completed in March 2001
3.	100 *per cent* metering of all consumers	31 December 2001	Metering of all consumers except agriculture (2.20 lakh) has been completed.

* Capital employed represents net fixed assets (including capital work-in-progress) plus working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

** For calculating total return on capital employed, interest on borrowed funds has been added to net profit/subtracted from the loss as disclosed in the profit and loss account.

Sl No.	Commitment as per MOU	Targeted completion schedule	Status (As on 31 March 2004)
4.	Securitise outstanding dues of Central Public Sector Undertakings	Outstanding dues were to be securitised and current dues were not to exceed two months billing.	Regular payments were being made since October 2001 after securitisation of old dues.
5.	Haryana Electricity Regulatory Commission (HERC)		
	Establishment of HERC	-	Already established in August 1998
	Implementation of tariff orders issued by HERC during 2002-04	-	Implemented
	Commitments made by the GOI		
6.	Supply of additional power	Not fixed	During 2003-04, additional power ranging between 25 and 26 *per cent* out of unallocated quota was given.
	General		
7.	Monitoring of MOU	Quarterly	Being monitored regularly

State Electricity Regulatory Commission

1.15 Haryana Electricity Regulatory Commission (Commission) was formed on 17 August 1998 under the Haryana Electricity Reforms Act, 1997 (Act) with the object of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. The Commission is a body corporate and comprises three members including a Chairman, who are appointed by the State Government. As per Section 8(3) of the Act, all expenditure of the Commission is to be charged to the Consolidated Fund of the State. The audit of accounts of the Commission has been entrusted to CAG under Section 19(3) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 for the period 1998-2004. The Commission had finalised its accounts up to 2003-04. During 2003-04, the Commission issued eight orders (six on annual revenue requirements and two on others) against eight orders (two on annual revenue requirements and six on others) during 2002-03.

Non-working PSUs

Investment in non-working PSUs

1.16 As on 31 March 2004, the total investment# in eight non-working PSUs (all Government companies) was Rs. 67.45 crore (equity: Rs. 23.97 crore;

\# Reconciliation of figures with Finance Accounts is pending.

long-term loans: Rs. 43.41 crore and share application money: Rs. 7.05 lakh) as against total investment of Rs. 56.25 crore (equity: Rs. 23.99 crore; long-term loans: Rs. 32.19 crore and share application money: Rs. 7.05 lakh) as on 31 March 2003 in nine non-working Government companies. The summarised position of Government investment in non-working Government companies in the form of equity and loans is detailed in **Annexure 1**.

The classification of the non-working PSUs was as under:

(Amount: Rupees in crore)

Sl. No.	Status of non-working PSUs	Number of companies	Investment	
			Equity	Long-term loans
1.	Under liquidation#	2	6.85	3.69
2.	Others (non-working)$	6	17.19	39.72
	Total	**8**	**24.04**	**43.41**

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.17 The State Government did not release any funds to non-working companies during the year 2003-04. At the end of the year, guarantees amounting to Rs. 31.84 crore against two non-working Government companies were outstanding as against the same amount as on 31 March 2003.

Total establishment expenditure of non-working PSUs

1.18 The year wise details of total expenditure of non-working Government companies and the sources of financing them during last three years up to 2003-04 are given below:

(Amount: Rupees in lakh)

Year	Number of Government companies	Total establish-ment expenditure	Financed by		
			Disposal of investment/assets	Government Loans	Others
2001-02	1@	0.39	-	-	0.39
2002-03	3*	49.96	31.85	-	18.11
2003-04	4**	31.73	29.36	0.12	2.25

Haryana Dairy Development Corporation Limited from 28 February 2001 and Haryana Concast Limited from 11 November 1999.

$ Sl. No. C2, 3, 4, 6, 7 and 8 of Annexure 2.

@ Sl.No. C3 of Anneuxre 2.

* Sl.No. C2, C6 and C8 of Annexure 2.

** Sl.No. C2, C3, C6 and C8 of Annexure 2.

Finalisation of accounts by non-working PSUs

1.19 Out of eight non-working Government companies, one company (Sl. No. C2 of **Annexure 2)** finalised its accounts for 1998-2000 during October 2003 to September 2004. The accounts of six non-working companies were in arrears for one to four years as on 30 September 2004 and two^ companies were under liquidation as seen from **Annexure 2**.

Financial position and working results of non-working PSUs

1.20 The summarised financial results of non-working Government companies as per their latest finalised accounts are given in **Annexure 2.**

The net worth of eight non-working companies against their paid-up capital of Rs. 29.61 crore was (-) Rs. 137.57 crore. These companies suffered cash loss of Rs. 20.59 crore and their accumulated loss worked out to Rs. 167.19 crore.

Status of placement of Separate Audit Reports of Statutory corporations and Haryana Electricity Regulatory Commission in the Legislature

1.21 The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations and Haryana Electricity Regulatory Commission (HERC), issued by the CAG, in the Legislature by the Government:

Sl. No.	Name of Statutory corporation/ Regulatory Commission	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Haryana Warehousing Corporation	2001-02	2002-03	3 February 2004	SAR for 2002-03 is under print.
2.	Haryana Electricity Regulatory Commission	2001-02	2002-03	12 May 2004	Hindi version of Audit Report was sent to the State Government by HERC on 10 August 2004.
			2003-04	-	Accounts received in September 2004. SAR under finalisation.

^ Sl.No. C1and 5 of Anneuxre 2.

Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

1.22 The State Government did not undertake the exercise of disinvestment, privatisation and restructuring of any of its PSUs during 2003-04.

Results of audit of accounts of PSUs by Comptroller and Auditor General of India

1.23 During the period from October 2003 to September 2004, the accounts of 16 Government companies (15 working and one non-working) and two Statutory corporations were selected for review. Accounts of Dakshin Haryana Bijli Vitran Nigam Limited were revised considering audit observations of the CAG (decrease in profit and increase in liabilities by Rs. 43.21 lakh). The net impact of important audit observations as a result of review of the accounts of the PSUs was as follows:

Sl No.	Details	Number of Accounts		Amount (Rupees in crore)	
		Government companies	Statutory corporations	Government companies	Statutory corporations
1.	Decrease in profit	4	1	14.60	38.57
2.	Increase in loss	3	-	4.71	-
3.	Non disclosure of material facts	2	-	2.64	-
4.	Errors of classification	1	-	2.62	-

Some of the major errors and omissions noticed during October 2003 to September 2004 in the course of review of annual accounts of these PSUs are mentioned below:

Errors and omissions in case of Government companies

Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited (1998-99)

1.24 Non-provision of loans written off and doubtful recovery of loans resulted in overstatement of loans and advances and understatement of accumulated loss by Rs. 2.33 crore.

1.25 Non-provision of gratuity and leave encashment had resulted in understatement of provisions and accumulated loss by Rs. 44.45 lakh.

Haryana State Minor Irrigation and Tubewells Corporation Limited (1998-99, 1999-2000)

1.26 Non-provision of penal interest had resulted in understatement of current liabilities and loss by Rs. 60.03 lakh.

Haryana Women Development Corporation Limited (2001-02)

1.27 Non-provision of gratuity and leave encashment had resulted in understatement of current liabilities and loss by Rs. 55.86 lakh.

Haryana Roadways Engineering Corporation Limited (2001-02)

1.28 Non-provision of gratuity and leave encashment had resulted in understatement of provisions and overstatement of profit by Rs. 73.63 lakh.

Uttar Haryana Bijli Vitran Nigam Limited (2002-03)

1.29 Excess accounting of rebate on transmission and bulk supply tariff by Rs. 12.77 crore and short provision of penal interest by Rs. 11.77 lakh had resulted in overstatement of profit by Rs. 12.89 crore.

Haryana State Industrial Development Corporation Limited (2003-04)

1.30 Non-provision of permanent diminution in the value of investments had resulted in overstatement of investments and profit by Rs. 90.94 lakh.

Errors and omissions in case of Statutory corporations

Haryana Warehousing Corporation (2002-03)

1.31 Inclusion of incidentals recoverable from Food Corporation of India as per provisional rate (Rs. 107.88 per quintal) against the actual expenditure (Rs. 97.50 per quintal) had resulted in overstatement of income and profit by Rs. 3.58 crore.

1.32 Inclusion of storage charges and interest of Rs. 5.21 crore and Rs. 29.78 crore, respectively as income on undelivered stock in violation of Accounting Standard-2 of the Institute of Chartered Accountants of India had resulted in overstatement of profit by Rs. 34.99 crore.

Internal audit/internal control

1.33 The Statutory Auditors (Chartered Accountants) are to furnish a detailed report upon various aspects including the internal control/internal audit systems in the companies audited in accordance with the directions issued by the Comptroller and Auditor General of India to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major recommendations made/comments made by

Statutory Auditors on possible improvement in the internal audit/internal control system in respect of State Government companies is indicated below:

Sl. No.	Nature of comment made by Statutory Auditors	Number of the companies where recommendations were made	Reference to serial number of the companies as per Annexure 2
1.	Non preparation of periodical trial balances	1	A1
2.	Absence of system of monitoring and timely recovery of outstanding dues	4	A1, A9, A18, A19
3.	Non-preparation of segment-wise profit and loss account	1	A9
4.	Non-fixation of minimum/maximum limits of store and spares and economic order quantity for procurement of stores	3	A1, A18, A19
5.	Absence of internal audit system commensurate with the nature and size of business of the company	4	A1, A9, A18, A19
6.	Non-framing of policy for determination of slow and non-moving items	1	A18
7.	Absence of norms for employment of manpower	2	A18, A19

Recommendations for closure of PSUs

1.34 Even after completion of nine to 39 years of their existence, the individual turnover of six Government companies (four* working and two** non-working) had been less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Two*** Government companies (both non-working) had been incurring losses for five consecutive years (as per their latest finalised accounts) leading to negative net worth.

In view of poor turnover and continuous losses, the Government may either improve the performance of above eight Government companies or consider their closure.

Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

1.35 The status of Audit Reports (Commercial) and their reviews and

* Sl. No. A7, 12, 13 and 14 of Annexure 2.

** Sl. No. C3 and 4 of Annexure 2.

*** Sl. No. C2 and 8 of Annexure 2.

paragraphs pending for discussion as on 30 September 2004 is as under:

Period of Audit Report	Number of reviews/paragraphs			
	Appeared in Audit Report		Pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1999-2000	3	18	1	-
2000-01	4	16	4	13
2001-02	2	14	2	14
2002-03	3	19	3	19

During the year 2003-04, the COPU completed discussion of nine paras in respect of Audit Reports for the year 1999-2000. The COPU also discussed three paragraphs of Audit Report for the year 2000-01. Audit Report (Commercial) for the year 2002-03 was placed before the State Legislature on 13 February 2004.

619-B Companies

1.36 There was no company under Section 619-B of the Companies Act, 1956.

Chapter-II

2. Reviews relating to Government companies

2.1 Haryana Agro Industries Corporation Limited

Highlights

Haryana Agro Industries Corporation Limited was incorporated in 1967 with the object to promote agro based industries, provide farmers with agricultural inputs and assist them in farm mechanisation.

(Paragraph 2.1.1)

During 2001-04, five farmers service centres (FSCs) of the Company kept fund between Rs. 0.50 lakh and rupees eight crore in their non-operating current accounts for periods ranging between five and 228 days against the instructions to transfer the fund to main office's account twice a week. Delayed transfer of fund by FSCs from the non-operating current accounts resulted in loss of interest of Rs. 42.05 lakh.

(Paragraph 2.1.9)

The Company procured wheat below the permissible limit of lustre, which was rejected by Food Corporation of India. Resultantly, the Company had to auction the wheat at a loss of Rs. 2.88 crore.

(Paragraph 2.1.12)

Due to improper storage and non-delivery of wheat on 'first in first out' basis, the quality of wheat deteriorated and Food Corporation of India rejected 2,80,063 quintal wheat for crop years 1998-2002. Resultantly, the Company disposed of 24,953 quintal wheat at a loss of Rs. 1.55 crore. Remaining 2,55,110 quintal wheat valuing Rs. 26.95 crore was awaiting disposal.

(Paragraph 2.1.13)

During 2002-04, the Company suffered revenue loss of Rs. 71.98 lakh in four farmers service centres due to non-receipt of incidental charges from Food Corporation of India on the wheat gain in excess of the norms.

(Paragraph 2.1.15)

The Company was required to raise bills immediately on delivery of wheat to Food Corporation of India. Due to delay in raising the bills, the Company lost interest of Rs. 54.07 lakh.

(Paragraph 2.1.16)

The Company did not recover Rs. 2.65 crore towards expenditure incurred during 1998-2003 for transporting paddy to the millers from the mandis within distance of eight Kms and beyond, which was recoverable from the millers (Rs. 93.24 lakh) and Food Corporation of India (Rs. 1.72 crore) as per agreement with the millers and Government of India's instructions respectively.

(Paragraph 2.1.20)

The capacity utilisation of pesticide and insecticide plant, Shahabad, cattle feed plant, Jind and agro engineering workshop, Nilokheri was very low due to inadequate marketing infrastructure and dependence on Government orders.

(Paragraph 2.1.23)

Excess purchase of pesticide and its subsequent disposal at reduced rate resulted in loss of Rs. 30. 54 lakh.

(Paragraph 2.1.28)

Introduction

2.1.1 Haryana Agro Industries Corporation Limited (Company) was incorporated in 1967 under the Companies Act, 1956 as a joint venture of the State Government and Government of India (GOI) with the object to promote agro based industries, provide farmers with agricultural inputs and assist them in farm mechanisation.

Objectives

2.1.2 The main objects of the Company, as envisaged in its Memorandum of Association, are to:

- undertake, assist, aid, finance and promote agro industries such as poultry, dairy, land development, seed and other agro based industries;
- manufacture agricultural implements, agricultural machinery and equipments required for these industries;

- acquire, purchase, give or sell implements, machinery, equipments, appliances, tools etc; and
- transact and carry on all kinds of agency business of any other concern.

Present activities

2.1.3 The Company was running four plants* for manufacturing cattle feed, agricultural implements, chemicals and food and beverages. Food and beverages plant at Murthal was closed in April 1998. The Company was also trading in fertilisers, tractors and other agricultural implements through its network of 18 farmers service centres (FSCs) and 12 sale centres in the State. In addition to the Company's normal activities, the State Government under rehabilitation plan for the Company restored the activity of procurement of wheat and paddy for the Central Pool to the Company from 1988 and 1997, respectively.

Organisational set up

2.1.4 The management of the Company is vested in a Board of Directors (BOD) consisting of not less than two and not more than twelve directors including a Chairman and a Managing Director (MD). As on 31 March 2003, there were eleven directors (eight officials and three non-officials). Out of eight official directors, two directors were nominees of the GOI and the remaining six were ex-officio nominees of the State Government including the MD. The MD was the Chief Executive of the Company and was assisted in day-to-day work by three Deputy General Managers, a Chief Accounts Officer and a Company Secretary.

During 1999 to 2004, the State Government appointed five MDs including three MDs whose tenure ranged between three and eight months thereby impeding the pursuit of a firm, stable and consistent approach in management.

Scope of Audit

2.1.5 The working of the Company was last reviewed in the Report of the Comptroller and Auditor General of India for the year 1997-98 (Commercial) Government of Haryana.

The Committee on Public Undertakings (COPU) discussed the review and their recommendations are contained in 48th Report presented to the State Legislature on 15 March 2001. The Company furnished (September 2003) action taken notes on the recommendations to the COPU.

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* At Jind, Murthal, Nilokheri and Shahbad.

The present review conducted during October 2003 to February 2004 covers the performance of the Company for the last five years ending March 2004.

Audit findings as a result of test check of the records of head office, all four plants and nine* out of 18 FSCs and eight** out of 12 sale centres were referred to the Government/Company in May 2004 with a specific request for attending the meeting of Audit Review Committee for State Public Sector Enterprises (ARCPSE) so that viewpoint of Government/management was taken into account before finalising the review. The meeting of ARCPSE was held on 29 June 2004, which was attended by Financial Commissioner and Principal Secretary, Agriculture Department and Managing Director of the Company.

Funding

Share capital

2.1.6 The authorised capital of the Company was Rs. 10 crore. Against this the paid-up capital as on 31 March 2003 was Rs. 4.14 crore, subscribed by the State Government (Rs. 2.54 crore) and GOI (Rs. 1.60 crore).

Borrowings

2.1.7 To meet its working capital requirements, the Company obtained loans/deposits from the State Government, banks and Haryana Agro Research and Development Centre. As on 31 March 2003, loans/deposits of Rs. 130.89 crore were outstanding. The Company also availed of cash credit facility from banks for procurement of wheat, paddy and fertilizers. Rs. 438.66 crore was outstanding against cash credit, as on 31 March 2003.

Financial position and working results

2.1.8 The financial position and working results of the Company for the last five years ending March 2003 are given in **Annexure 7**.

Review of the working results revealed that sale of wheat and paddy to total sales during the last five years ending March 2003 ranged between 61.02 and 91.42 *per cent*. The profit during 1999-2000 and 2000-01 was attributable to receipt of final incidentals on wheat relating to 1997-98 and 1998-99. The Company's profit of Rs. 21.71 lakh for the year 2000-01 turned into loss of Rs.1.12 crore in 2001-02 due to non-receipt of final incidentals on wheat during that year.

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* Ambala, Fatehabad, Hisar, Jind, Kaithal, Karnal, Kurukshetra, Palwal and Sirsa.

** Ballabhgarh, Hansi, Kurukshetra, Ladwa, Naraingarh, Nilokheri, Shahabad and Tohana.

The reserves and surplus of Rs.19 crore as on 31 March 2003, need to be seen in the light of non-provisions for estimated loss of Rs.3.12 crore due to damaged condition of stock of wheat, not accepted by FCI[#], deferred tax liability of Rs.1.04[@] crore as required under Accounting Standard 22 and doubtful investment of Rs.5.56[$] crore.

Loss of interest due to delayed transfer of fund

2.1.9 The Company is maintaining cash credit account with Union Bank of India and State Bank of India at Chandigarh besides current accounts in Punjab National Bank, Central Bank of India and Haryana State Co-operative Bank. The field offices are maintaining current accounts with branches of these banks.

As per the Company's instructions (February 1994, reiterated in December 2003) to banks, the fund was to be transferred from the branches of the banks in the field units to their banks at Chandigarh twice a week if exceeding Rs. 0.50 lakh or once a week in case of lesser amount. Field offices were required to pursue the banks for transfer of fund to minimise interest payment.

Delay in transfer of fund by five FSCs resulted in loss of interest of Rs. 42.05 lakh.

Scrutiny of bank statements of five[*] FSCs for the period 2001-04 revealed that FSCs kept fund between Rs. 0.50 lakh and rupees eight crore in the non-operating current accounts for the period ranging between five and 228 days whereas there were heavy outstanding in cash credit accounts of the Company. This resulted in loss of interest of Rs. 42.05[**] lakh to the Company.

The management stated (June 2004) that there was no balance in the banks as per cash book but in the bank statements amounts were lying in credit, as the cheques issued to *arthias* were not presented to the banks.

The reply was not tenable as the amount of delayed transfer of fund and loss of interest was worked out on the basis of bank balances as reflected in the cash book of non-operating current accounts (collection accounts) and cheques issued by the Company were not to be encashed from these accounts. During deliberations in the ARCPSE meeting, MD of the Company assured to take corrective measures.

Appraisal of activities

2.1.10 The Company had been preparing budgets annually for the manufacturing plants and FSCs.

\# Note I(IX) of notes on accounts.

@ Note 18 and 20 of notes on accounts.

$ Note B-5 of Statutory Auditors' report.

* Fatehabad, Hisar, Jind, Palwal and Sirsa.

** Worked out at an average cash credit rate of interest of 11 *per cent* during 2001-04.

The table below indicates unit wise* budgeted vis-à-vis actual profit/loss during the last five years ending March 2003:

(Amount: Rupees in lakh)

Name of the unit	1998-99		1999-2000		2000-01		2001-02		2002-03	
	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
Farmers service centres	193.60 (-)	278.49 (-)	199.60 (-)	387.64 (-)	259.60 (-)	61.97	235.40 (-)	3.11	108.50 (-)	150.25 (-)
Cattle feed plant, Jind	0.51	14.44	6.53	19.26 (-)	6.15	33.39	2.40	69.00	2.50	26.84
Haryana agro fertilisers and chemical plant, Shahabad	8.69	33.69 (-)	6.65	6.53 (-)	5.65	1.24 (-)	3.53	16.70	2.00	21.21
Agro engineering workshop, Nilokheri	0.47	20.95 (-)	1.90	16.98 (-)	20.00 (-)	4.18	3.50	11.57	4.00	6.95

Audit observed that there was huge variation in the budgeted and the actual profit/loss and the Company had never analysed the reasons for the same and taken corrective measures.

Wheat procurement

2.1.11 The State Government declared (1988) the Company as one of the agencies for procurement of wheat for the Central Pool under the Minimum Support Price (MSP) Scheme. The Company procures wheat from various mandis allotted by the State Government for Central Pool and delivers it to Food Corporation of India (FCI).

During last five years ending March 2003, the Company procured 2.40, 2.98, 3.91, 6.84 and 5.79 lakh MT wheat respectively.

FCI accepts the wheat of specified quality and makes payment of carry over charges for the period wheat remained in the custody of the Company. The Company failed to maintain the quality of the wheat due to poor storage and also failed to raise the bills of wheat, incidentals and carry over charges and reconcile its accounts with FCI in time.

Loss due to procurement of sub-standard wheat

Procurement of wheat below permissible limits of lustre resulted in loss of Rs. 2.88 crore.

2.1.12 Due to unexpected rains during marketing season of 2001-02, GOI on the request of the State Government, allowed the Company to procure wheat with permissible lustre lost grains to the maximum extent of 50 *per cent.* FCI rejected 5,080 MT (value: Rs. 5.06 crore) wheat, as the lustre lost grains were more than 50 *per cent.* Resultantly, the Company had to auction the wheat at Rs. 2.18 crore. Thus, violation of the GOI instructions resulted in loss of Rs. 2.88 crore to the Company.

* No separate budgets were prepared for wheat, paddy and fertilisers.

While admitting the audit observation during ARCPSE meeting, the management/Government stated (June 2004) that the matter had been taken up with FCI to reimburse the loss.

Loss due to improper storage of the stocks

2.1.13 Wheat stocks are required to be delivered to FCI on 'first in first out' basis. The Company is required to maintain health of the stock till its delivery to FCI for which it receives carry over charges. FCI rejected 2,80,063 quintal wheat being unfit for human consumption pertaining to the crop years 1998-2002.

Audit observed that wheat got deteriorated owing to improper storage and non-delivery of the wheat on 'first in first out' basis. The Company auctioned 18,983 quintal wheat at a loss of Rs. 1.07* crore in December 2003 and transferred 5,970 quintal wheat during September 2002 and October 2003 to its cattle feed plant at a loss of Rs. 48.30** lakh. Remaining 2,55,110 quintal wheat valuing Rs. 26.95 crore was awaiting disposal (June 2004).

Due to deterioration in quality of wheat the Company suffered loss of Rs. 1.55 crore.

Thus, failure of the Company to deliver wheat to FCI on 'first in first out' basis coupled with improper storage of stock had resulted in loss of Rs. 1.55 crore.

While accepting audit observation, the management stated (July 2004) that the GOI had agreed (May 2004) for reimbursement of loss. Audit observed that the GOI had agreed to compensate the loss to be incurred on the undisposed quantity after ascertaining the reasons for deterioration in quality of wheat and there was no mention of reimbursement of the loss on the wheat already auctioned, as pointed out in the para.

2.1.14 During the crop year 2001-02, the FSC of the Company at Fatehabad purchased 1,40,311 quintal wheat. Out of 1,40,311 quintal wheat, FSC delivered 1,33,207 quintal wheat against the standard weight*** of 1,33,993 quintal wheat. This resulted in shortage of 786 quintal wheat. During 2001-02, FCI relaxed the norm of moisture gain from 700 gm to 350 gm per quintal as moisture content was high at the time of procurement by the Company due to rains during harvesting season (April-May). With this norm, the actual shortage worked out to 1255# quintal (469 quintal for moisture gain and 786 quintal for shortage in standard weight) valuing Rs.11.04 lakh.

Remaining 6,318 quintal (1,40,311 – 1,33,393 quintal) wheat was rejected by FCI as it was found unfit for human consumption. District Manager reported (November 2002) that the wheat got deteriorated due to improper storage. Out of 6,340$ quintal (by adding moisture gain of 22 quintal), 4,689 quintal

* Realisable value: Rs. 2.02 crore – Actual realisation of Rs. 0.95 crore.

** Realisable value: Rs. 63.30 lakh – Actual transfer value of Rs. 15 lakh.

*** Quantity of wheat for which payment was made to the farmers.

\# 1,33,993 quintals X 350 gram = 469 quintals + 786 quintals = 1255 quintals.

$ (6318 quintals X 350 gram) + 6318 quintals = 6340 quintals

Poor upkeep and shortage of wheat resulted in loss of Rs. 58.23 lakh.

sub-standard wheat was auctioned for Rs. 16.04 lakh against FCI rate of Rs. 46.76 lakh at a loss of Rs. 30.72 lakh, leaving shortage of 1,651 quintal valuing Rs. 16.47 lakh. Thus, the Company suffered loss of Rs. 58.23 lakh (Rs.11.04 lakh + Rs.30.72 lakh + Rs.16.47 lakh) due to poor upkeep and shortage of wheat.

The management, while admitting the loss, stated (June 2004) that matter had been taken up with the GOI/FCI for reimbursement of difference on 4,689 quintal sub-standard wheat. As regards shortage in weight, the management stated that action had been initiated against the defaulting official for recovery of loss. Amount had not been recovered so far (July 2004).

Loss of revenue due to non-receipt of incidental charges

2.1.15 FCI makes payment of the cost of wheat and incidentals at the time of taking delivery. If the wheat procured during the year is taken by FCI after 30 June, the Company gets cost of wheat, incidentals and carry over charges at the specified rates.

Wheat stored after the month of June gains weight due to moisture. State Government had fixed the norm of moisture gain, which ranged between 700 and 1400 gm per quintal depending upon the duration of storage. FCI was making the payments of the cost of wheat and incidentals on the actual quantity received. From the year 2000-01, FCI fixed its own norms of moisture gain. As per these norms, FCI was to take gain of 1000 and 700 gram per quintal on the wheat stored in the covered godowns and open plinths, respectively while taking delivery of wheat from the Company. FCI was to make full payment of incidentals for the quantity gained in weight in excess of standard weight after adjustment of prescribed gain.

The Company suffered revenue loss of Rs. 71.98 lakh in four FSCs due to non-receipt of incidentals from FCI.

Audit observed (December 2003) that in four* out of nine FSCs, test checked in audit, FCI was not making payment of incidental charges on the wheat gained in excess of norm of FCI whereas remaining five FSCs** were getting the payment. These four FSCs had not raised the matter with FCI. Loss of revenue in these FSCs* due to non-receipt of incidental charges on the wheat gained in excess of the norm during 2002-04 was Rs. 71.98 lakh.

In ARCPSE meeting the management/Government stated (June 2004) that as per procedure no incidentals were admissible on the gain and FCI mistakenly allowed incidentals on wheat gain in some stations.

The reply was not tenable in view of the fact that head office of the Company circulated minutes of the meeting of Assistant Managers (Accounts) of FCI held in September 2003, wherein it was clearly indicated that incidentals on the gain in addition to the prescribed percentage were to be paid to procuring agencies.

* Fatehabad, Hisar, Kaithal and Kurukshetra.

** Ambala, Jind, Karnal, Palwal and Sirsa.

Delay in raising bills

2.1.16 The Company delivers wheat stock on demand to FCI, which reimburses the cost of wheat along with incidentals on receipt of bills. The Company was required to raise bills immediately on delivery of wheat to FCI for expeditious receipt of payments so as to minimise interest on cash credit. In five[$] out of nine FSCs test checked in audit, there were delays ranging between 11 and 103 days in raising the bills. Delayed raising of bills resulted in loss of interest of Rs. 54.07 lakh[@] during April 2002 to November 2003 after allowing margin of ten days for preparing the bills.

The Company lost interest of Rs. 54.07 lakh due to delay in raising the bills with FCI.

While admitting the audit observation during ARCPSE meeting, the management/ Government stated (June 2004) that the delay was due to late receipt of documents from FCI and matter was being taken up with them.

Loss due to shortage of wheat

2.1.17 Test check of bills for delivery of wheat to FCI during 2002-03 revealed that the weight of wheat in bags delivered to FCI was less than the standard weight filled at the time of procurement by the Company for which payments had been made to the farmers. The Company delivered 9,66,970 quintal wheat to FCI in 84 consignments from various storage points against the standard weight of 9,79,347 quintal during the above period, resulting in short delivery of 12,377 quintal wheat valuing Rs. 1.11 crore.

Short delivery of wheat resulted in loss of Rs. 1.11 crore.

The management stated (July 2004) that except Tohana mandi there was no shortage in the standard weight of wheat in any crop year. The reply was not tenable as apart from Tohana mandi, there were shortages in other consignments despatched from various mandis pointed out in the para, which were not to be squared up with other consignments.

Excess consumption of gunny bags

2.1.18 Wheat bags stored in open are prone to damage due to long storage, which required replacement at the time of delivery of wheat to FCI. The State Government had fixed (January 1987) and reiterated (March 1997) the norm for excess consumption of gunny bags at the rate of 1.5 *per cent* of total bags utilised for delivery of wheat to FCI. COPU also recommended (March 2001) that norms for the consumption of gunny bags as fixed by the State Government be adhered to.

Audit scrutiny revealed that during 1999-2003, the Company delivered wheat in 102.73 lakh gunny bags and consumed additional 4.87 lakh gunny bags against which the Company was entitled for only 1.54 lakh additional gunny bags (1.5 *per cent*) to replace the damaged bags. This had resulted in excess consumption of 3.33 lakh bags costing Rs.66.65 lakh.

$ Fatehabad, Hisar, Jind, Palwal and Sirsa.

@ Calculated at average cash credit interest rate of 11 *per cent* applicable during the period covered under the Report.

The management stated (June 2004) that due to long storage of wheat the percentage of consumption was higher. During discussion in ARCPSE meeting the management agreed to take up the matter with the State Government for review of norm.

Paddy procurement

2.1.19 The State Government had allocated nine *per cent* share (of the total paddy procurement by different agencies in the State) in the procurement of paddy to the Company. Procurement during the last five years up to 2002-03 was 0.03, 0.16, 1.33, 1.40 and 1.83 lakh MT respectively. The Company enters into agreements with the millers for timely milling of paddy and delivery of rice to FCI.

Non-recovery of transportation charges

2.1.20 As per directions of the GOI, transportation charges on lifting of paddy and rice for distances beyond eight Kms from procurement/storage point to the rice mills and from rice mills to the delivery point are reimbursable to the procuring agency. Transportation charges within eight Kms are to be borne by the millers.

Accordingly, clause 16 of the agreement executed with the millers stipulated that all expenditure including labour, transportation and any other incidental expenditure etc. incurred in connection with the lifting of paddy from the storage points or any other place and delivery of rice shall be borne by the millers and payable by Government in case paddy is delivered beyond eight Kms. With this in view the State Government instructed the procuring agencies to store the paddy after procurement in the premises of the rice millers who were to mill the paddy.

The Company suffered loss of Rs. 2.65 crore on the transportation of paddy due to non-recovery from millers/FCI.

Scrutiny of the records of nine* FSCs revealed that the Company incurred expenditure of Rs. 2.65 crore during 1998-2003 for transporting paddy to the millers from the mandis within distance of 8 Kms and beyond, which was recoverable from the millers (Rs. 93.24 lakh) and FCI (Rs. 1.72 crore) as per agreement with the millers and GOI's instructions, respectively.

Thus, due to non-recovery of transportation charges from millers and FCI, the Company suffered loss of Rs. 2.65 crore on the transportation of paddy.

The management stated (June 2004) that transportation charges up to eight Kms and beyond eight Kms were to be borne by the millers and FCI respectively only when paddy was to be delivered by the Company from its storage point. The reply was not tenable as clause 16 of the agreement with the millers provided that all expenditure including labour, transportation and other incidental expenditure on lifting of paddy from the storage point or any

* Ambala, Fatehabad, Hisar, Jind, Kaithal, Karnal, Kurukshetra, Palwal and Sirsa.

other place were to be borne by the millers and transportation charges beyond eight Kms were payable by the FCI.

Non-imposing of penalty

2.1.21 As per clause 9 (iii) of the standard agreement with the millers for milling of paddy, the miller was to ensure milling of paddy and delivery of rice as per the predetermined schedule. If the miller failed to adhere to the schedule, he was liable to pay interest at the rate of cash credit of Reserve Bank of India prevailing for the period of default on the price fixed by the GOI from the date it became payable till the date of actual realisation.

Non-invoking of the interest clause of standard agreement for delay in milling resulted in loss of Rs. 63.47 lakh.

Audit observed that five* FSCs did not charge interest of Rs. 63.47 lakh from the millers for not milling the paddy as per schedule during 1998-2003. The management stated (June 2004) that since the date for acceptance of rice was extended by the GOI, interest was not charged from the millers. The reply was not tenable as the interest was to be charged from the millers for delayed milling as per agreement with them.

Farmers service centres

2.1.22 As on 31 March 2003, the Company was having 18 farmers service centres (FSCs) at district headquarters of the State for sale of fertilisers, tractors, pesticides and agricultural inputs.

The table below indicates the activity wise budgeted turnover and profit/loss of FSCs vis-à-vis actual performance there against during 1998-2003:

(Rupees in crore)

Particulars	1998-99		1999-2000		2000-01		2001-02		2002-03	
	Budget-ed	Actual	Budget-ed	Actual	Budget-ed	Actual	Budget-ed	Actual	Budget-ed	Actual
Sale of fertilisers	44.55	26.55 (60)	37.60	25.35 (67)	41.30	43.72 (106)	52.84	27.76 (53)	51.75	44.33 (86)
Sale of tractors	17.50	11.45 (65)	15.00	6.51 (43)	15.13	3.35 (22)	12.50	1.31 (10)	8.50	2.00 (24)
Sale of agriculture inputs	10.00	9.75 (98)	10.50	11.78 (112)	12.15	12.17 (100)	14.95	11.88 (79)	15.00	14.01 (93)
Profit (+)/ loss (-)	1.94 (-)	2.78 (-)	2.00 (-)	3.88 (-)	2.60 (-)	0.62	2.35 (-)	0.03	1.09 (-)	1.50 (-)

Note:- Figures in brackets are percentage of actual sale to budgeted sale.

It would be observed from the above that the actual sale of tractors came down from Rs. 11.45 crore in 1998-99 to rupees two crore in 2002-03.

The management attributed (June 2004) low sale of tractors to non-receipt of subsidy from State Government. The Company sustained losses from activities of FSCs during 1998-2003. It showed profit during 2000-01 and 2001-02 due to allocation of salary expenses to head office.

* Fatehabad, Jind, Kaithal, Palwal and Sirsa.

Manufacturing plants

2.1.23 The table below indicates the capacity utilisation of the manufacturing plants during the last five years up to 2002-03:

Sl. No	Name of unit	Installed capacity	Year wise production				
			1998-99	1999-2000	2000-01	2001-02	2002-03
1	Pesticide and insecticide plant, Shahabad	Liquid formulation (litres) 6,00,000	66,779 (11.13)	88,924 (14.82)	53,731 (8.96)	1,10,090 (18.35)	44,462 (7.41)
		Powder (MT) 5,960	59 (0.99)	352 (5.91)	83 (1.39)	85 (1.43)	30 (0.50)
2	Cattle feed plant, Jind	(MT) 30,000	8,745 (29.15)	8,113 (27.04)	6,266 (20.89)	8,593 (28.64)	7,984 (26.61)
3	Agro engineering workshop, Nilokheri	Jobs worth Rs.150 lakh per annum	Rs.9 lakh (6)	Rs.42 lakh (28)	Rs.33 lakh (22)	Rs.57 lakh (38)	Rs.116 lakh (77)

Note: Figures in brackets indicate percentage of utilisation.

Capacity utilisation of the plants was very low during all the years. Audit observed that the plants were dependent on the patronage of the State Government for supply of its products. Even after more than three decades, the Company had not developed market for its products to compete in the open market. Performance of individual plants is discussed hereunder:

- **Pesticide and insecticide plant, Shahabad:** Despite low capacity utilisation, the plant earned profit during 2001-02 and 2002-03. Audit observed that profit was due to income of godowns constructed in the plant. Regarding low capacity utilisation the management stated (June 2004) that with the coming of multinational companies, the demand for its products had declined. The reply was not tenable as absence of an organised marketing wing and outdated plant and machinery contributed to low capacity utilisation.

- **Cattle feed plant, Jind:** The capacity utilisation of the plant ranged between 21 and 29 *per cent* during the last five years ending March 2003. Regarding low capacity utilisation, the management stated (June 2004) that feed was produced as per demand, which was poor due to existence of large number of small units in private sector. Audit observed that poor quality of feed and lack of organised market were the main reasons for poor capacity utilisation.

- **Agro engineering workshop, Nilokheri:** The capacity of workshop was fixed in 1968-69 to undertake jobs such as manufacturing agriculture implements, fabricate water tankers, trucks and bus bodies worth Rs. 1.50 crore per annum. The workshop, however, confined itself to undertake jobs under the subsidy schemes of the State Government. The management admitted (June 2004) that low capacity utilisation was due to dependence on Government orders under various subsidy schemes.

Murthal plant

2.1.24 The Company had a plant at Murthal for processing food and beverages. As it was running in losses the State Government decided (September 1997) to sell the plant. The Company instead of selling the running plant, closed (April 1998) it by getting the electric connection permanently disconnected and transferred surplus staff to other units.

The Company got assessed (August 1998) the value of plant and machinery at Rs. 44.47 lakh. Instead of selling the plant and machinery, the Company started exploring various options to run the plant, which did not materialise. In May 2002 the Company constituted a committee to reassess the value of plant and machinery. The committee assessed (September 2002) the value at Rs. 15.03 lakh. The Company had not been able to dispose of plant and machinery even at the depleted value of Rs. 15.03 lakh so far (June 2004) as it had become obsolete.

Thus, due to indecision on the part of the management, the condition and value of the plant had deteriorated.

Purchases

2.1.25 The Company has no purchase manual. The Company procures gunny bags and fertilisers through Director Supply and Disposal (DS&D) Haryana/Director General Supplies and Disposal (DGS&D) and other raw materials for its plants through various purchase committees.

Excess purchase of gunny bales

2.1.26 The Government of Haryana decided (October 2002) to float open tenders for purchase through DS&D, Haryana for Rabi-2003 crop. The Company assessed the requirement of 19,800 bales of 50 Kg for the estimated procurement of 4.95 lakh MT wheat. The Company placed (October 2002) an indent with DS&D, Haryana through Director Food and Supply (DF&S), Haryana for 18,000 gunny bales. The balance quantity was to be arranged locally. The indent was revised from 18,000 to 23,840 and to 28,000 bales in November and December 2002, respectively at the instance of State Government. After finalising the rate, DS&D Haryana placed (December 2002) supply order with Aditya Translink Private Limited, Kolkata. The Company got the entire delivery of 28,000 gunny bales up to April 2003 at a cost of Rs. 23.81 crore.

During Rabi-2003, the Company procured 4.87 lakh MT wheat and used 19,480 gunny bales. Audit observed that average procurement of wheat based on the last four years' procurement worked out to 4.88 lakh MT and the original assessment of gunny bales was realistic.

Thus, upward revision of indent in November and December 2002 was unrealistic which resulted in excess purchase of 8,200 bales valuing Rs. 6.98 crore. Resultantly, the Company suffered loss of interest of Rs. 38.38 lakh* on the blocked amount for six months.

Loss due to delay in reconciliation of accounts

2.1.27 The Company procures gunny bales from DGS&D through DF&S Haryana by sending indent along with full payment in advance for each crop year based on provisional rates subject to their subsequent adjustment. Since the advance payment is released for each crop on provisional basis, reconciliation of accounts at the end of each crop would help the Company to adjust the excess payments towards advance payment for next crop.

Audit observed that the Company was not reconciling its accounts before releasing advance payment from Rabi 1997 to Kharif 2001. Delay in reconciliation resulted in excess advance payment each year, which increased from Rs. 48.99 lakh in 1997 to Rs. 2.37 crore in Kharif 2000. The Company lost interest of Rs. 47.17 lakh$ on the excess advance payments.

The management stated (July 2004) that the reconciliation was completed up to Kharif 2002 and it was in progress for the remaining period.

Loss due to excess purchase

2.1.28 In view of long storage of wheat, the State Government in consultation with FCI and State procuring agencies decided (June 2002) to use Deltamethrin (pesticide), which was more effective and economical. Its specified dose was to be sprayed quarterly in July, October, January and April each year. Accordingly, the High Powered Purchase Committee approved the proposal of DS&D for rate contract for one year from 19 June 2002 to 18 June 2003 with Aventis Corp. Science India Limited, New Delhi at the rate of Rs. 885 per Kg inclusive of all taxes.

The Company was having stocks of wheat of 11.03 lakh MT in July 2002. As per prescribed dose the annual requirement for four sprays on this quantity was assessed at 8.310 MT despite the fact that spray period for first dose was already over.

The Company placed (August 2002) the order for 10 MT pesticide valuing Rs. 88.50 lakh and got delivery of entire quantity by September 2002. It consumed only 1.82 MT up to May 2003 leaving a balance of 8.18 MT valuing Rs. 72.39 lakh. The Company decided (May 2003) to sell five MT to other procuring agencies at the prevailing rate. All the procuring agencies were requested (May 2003) to lift this pesticide from the Company as shelf life was up to June 2004. In the meantime rate contract for the year 2003-04

* Computed at the average cash credit interest rate of 11 *per cent* during the period of Audit Report.

$ Computed at the average cash credit interest rate of 11 *per cent* during the period of Audit Report.

was finalised (October 2003) at Rs. 525 per Kg and the Company had to sell (December 2003) 5.5 MT to other wheat procuring agencies at the reduced rate resulting in loss of Rs. 20.91 lakh.

Excess purchase of pesticide resulted in loss of Rs. 30.54 lakh.

Further, the Company lost Rs. 9.63 lakh on the self-consumed quantity (2.68 MT) during 2003-04 in comparison with the prevailing market rates. Thus, excess purchase resulted in loss of Rs. 30.54 lakh.

The management stated (June 2004) that purchase of 10 MT of pesticide was based on past experience and there was only one supplier and it could not utilise the pesticide as per schedule. The management further stated that it was taking action against the staff for not complying with the instructions and causing loss to the Company. Further outcome was awaited (July 2004).

Internal audit and internal control

2.1.29 The State Government issued (May 1981) instructions for introduction of uniform internal audit system in all State Public Sector Undertakings (PSUs). In 2002, the State Government formulated and circulated guidelines for conducting internal audit.

As per instructions, the work of internal audit in PSUs, where Internal Audit cell did not exist, was to be entrusted to a firm of Chartered Accountants (CAs) clearly defining the scope of work. The report of internal auditors was to be placed before the BODs.

The internal audit of the Company was conducted by various firms of CAs up to 2001-02.

Audit observed the following:

- Appointment letters issued to the firm of CAs did not specify duties and scope of internal audit.
- The Company did not place the reports of CAs before BODs.
- The internal audit of the Company for the year 2002-03 was not conducted.
- The Company was not having any audit and accounts manual specifying duties/responsibilities at each level.
- In field offices, despite large number of financial transactions, the system of cash management was not effective.
- All the monetary transactions viz. raising of bills, recovery of dues, writing the cash book and deposit in the banks were assigned to assistant accountants without adequate supervision.

- Internal control procedures were not commensurate with the size and activities of the Company as per Statutory Auditors report for the year 2002-03.

The management stated (June 2004) that the preparation of accounts manual was under process.

Conclusion

The Company was incorporated for promoting agro based industries and rendering services to the farmers. Sale of wheat and paddy constituted major component of its turnover. The Company could not maintain proper health of the wheat stock, raise bills in time and reconcile accounts with FCI resulting in huge losses. Its manufacturing plants were grossly under-utilised. Even after 37 years of its incorporation, the Company has failed to develop an independent market for its products and was depending upon the patronage of the State Government. The Company was not having accounts manual specifying duties/responsibilities at each level and its system of cash management was weak.

The Company needs to make concerted efforts to improve its marketing strategy so as to maintain its existence, provide adequate storage and strengthen its internal control mechanism.

The matter was referred to the Government in May 2004; the reply had not been received (September 2004).

2.2 Haryana Vidyut Prasaran Nigam Limited

Erection, augmentation and maintenance of high tension lines and sub-stations

Highlights

The main function of Haryana Vidyut Prasaran Nigam Limited was to transmit power purchased from Haryana Power Generation Corporation Limited and Central Pool to distribution companies through its transmission network consisting of high tension lines and sub-stations.

(Paragraph 2.2.1)

The State Government did not initiate action to promote private sector participation in power sector companies, as envisaged in the reforms programme. As such the dependence of the Company on borrowed funds to finance its transmission works had increased interest burden from Rs. 201.79 crore in 1999-2000 to Rs. 277.61 crore in 2002-03.

(Paragraph 2.2.7)

Of the 28 transmission schemes got financed from financial institutions during 1999-2004, 23 schemes involving creation/augmentation of 51 sub-stations and related link lines were scheduled for completion up to March 2004. Only 12 schemes could be completed by March 2004, which not only increased interest burden during construction but also resulted in non-accrual of envisaged financial benefits of Rs. 89.76 crore per annum on account of reduction in transmission losses.

(Paragraph 2.2.8)

Construction of 132 KV sub-station at Sector 27-28, Hisar without assessing its actual requirement led to blocking of funds of Rs. 75.55 lakh on civil works and Rs. 1.20 crore on electrical works, which resulted in loss of interest of Rs. 78.94 lakh.

(Paragraph 2.2.10)

Shortfall of shunt capacitors in the system during 1999-2004 resulted in non-reduction of transmission losses to the extent of 1,122.85 million units valued at Rs. 224.57 crore. The Company also had to pay Rs. 4.22 crore as penalty on account of excess drawal of reactive power from the power grid during April-September 2003.

(Paragraph 2.2.16)

Inadequate and non-operational protection systems at sub-stations put the costly equipments at a greater risk of damage.

(Paragraph 2.2.20)

Due to failure of the protection system, one power transformer (100 mega volt ampere) was damaged at 220 kilo volt sub-station, Madanpur, which resulted in estimated loss of Rs. 2.19 crore.

(Paragraph 2.2.24)

Introduction

2.2.1 On unbundling of the erstwhile Haryana State Electricity Board (HSEB) on 14 August 1998, generation of power in the State of Haryana was entrusted to Haryana Power Generation Corporation Limited (HPGCL) and its transmission and distribution to Haryana Vidyut Prasaran Nigam Limited (Company). The distribution function was subsequently transferred (July 1999) to two distribution companies viz. Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL).

The main function of Haryana Vidyut Prasaran Nigam Limited (Company) was to transmit power purchased from HPGCL and Central Pool, apart from its own generation from shared projects, to distribution companies through its transmission network consisting of HT lines and sub-stations having design voltage of 220, 132 and 66 KV.

Organisational set up

2.2.2 The management of the Company is vested in a Board of Directors (BOD) comprising a Chairman, a Managing Director (MD), two whole time directors and five part time directors. The MD is the Chief Executive of the Company. The transmission works in the Company are planned by Chief Engineer (Planning). Construction, operation and maintenance of lines and sub-stations are supervised by two Chief Engineers (Construction, Operation and Maintenance), Panchkula and Hisar under the control of Director (Technical). They are assisted by six Superintending Engineers at circle level. The procurement of material for transmission works and award of contracts for their execution on turnkey basis is looked after by the Chief Engineer (Design and Procurement), under the control of Director (Projects).

As on 31 March 2004, the Company had 21 divisional offices under six circle offices for construction and maintenance of works at the field level besides one power transformer repair workshop at Ballabhgarh and one steel structure workshop at Panipat. There were 208 sub-stations having transformation capacity of 12,014 MVA and 5,961.51 circuit kilometers (kms) of lines under the control of the Company.

Scope of Audit

2.2.3 Construction of transmission lines and sub-stations in the erstwhile HSEB was last reviewed in the Report of the Comptroller and Auditor General of India for the year 1985-86 (Commercial), Government of Haryana. Recommendations of the Committee on Public Undertakings are contained in its 34th Report presented to the State Legislature on 12 March 1993.

The present review, conducted during October 2003 to March 2004, covers construction and maintenance of sub-stations and high tension (HT) lines of the Company for the last five years ending March 2004.

Audit findings as a result of test check of records of Chief Engineer (Planning) and Chief Engineer (Design and Procurement) at the Company's head office and two Chief Engineers (Construction, Operation and Maintenance) along with three* (11 divisional offices) out of six circle offices in the field for 1999-2004, were reported (May 2004) to the Government/Company with a specific request for attending the meeting of the Audit Review Committee for State Public Sector Enterprises (ARCPSE) so that the viewpoint of the Government/management was taken into account before finalising the review. The meeting of ARCPSE was held on 20 August 2004 which was attended by the Financial Commissioner and Principal Secretary to Government of Haryana, Power Department and the MD of the Company.

Transmission network

2.2.4 The Company has two sources of power viz. own generation in shared projects and purchase from HPGCL/Central Pool. Power generated by HPGCL at Tau Devi Lal Thermal Power Station (TDLTPS), Panipat is transmitted through 220 KV lines, while power generated at Faridabad Thermal Power Station and Yamunanagar Hydel Power Station is injected in the system through 66 KV lines of the Company. Power purchased from central pool and own generation from shared projects is pumped into the State through 400/220 KV inter-state lines and sub-stations of Power Grid Corporation of India Limited (PGCIL) and Bhakra Beas Management Board (BBMB). PGCIL has three 400 KV sub-stations in the State at Abdullapur, Hisar and Samaypur. BBMB has two 400 KV sub-stations at Bhiwani and Panipat, besides eight 220 KV sub-stations at other locations in the State.

* Hisar, Karnal and Panchkula.

The Company transmits power so received through its network of 220, 132 and 66 KV sub-stations to the distribution companies (UHBVNL and DHBVNL) for distribution to end consumers. A map showing transmission network of the Company (220 KV and above) is shown at **Annexure 8**.

Growth of transmission system

2.2.5 The table below indicates the transmission system built up vis-à-vis power availability during 1999-2004:

Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04 (Provisional)
Generation/purchase (MUs)					
Own generation*	3,648.57	3,200.99	3,038.42	3,350.62	3,700.89
Purchase	11,957.86	13,654.43	14,808.80	16,088.77	17,062.35
Total energy available for sale (MUs)	**15,606.43**	**16,855.42**	**17,847.22**	**19,439.39**	**20,763.24**
Energy sold	13,086.97	15,712.39	16,566.85	18,336.96	19,813.06
Transmission losses	2,519.46	1,143.03	1,280.37	1,102.43	950.18
Percentage of losses	16.14**	6.78	7.17	5.67	4.58
Transmission lines (circuit kms) (At the end of each year)	5,029.3	5,153.5	5,313.6	5,459.7	5,961.51
Transformation capacity (MVA***)					
132 & 66KV	5,635	5,850	6,097	6,504	7,104
220 KV	3,260	3,310	3,510	4,010	4,910

The transmission losses during years 2000-04 ranged between 4.58 and 7.17 *per cent.* As the losses were above the norm of 2 to 4 *per cent* fixed by Central Electricity Authority (CEA), the Company suffered loss of Rs. 281.68 crore on account of energy loss of 1,479.79 MUs (in excess of four *per cent*) in these years. Due to strengthening of transmission system by addition of 132 and 66 KV sub-stations, the Company was able to reduce transmission losses to the level of 4.58 *per cent* during 2003-04.

Targets and actuals

Physical targets and achievements

2.2.6 The Company had been drawing up transmission programme by fixing the physical targets for erection of new sub-stations and lines besides augmentation of existing sub-stations and lines. The programme of erection/augmentation was approved on the basis of feasibility reports formulated after receiving the techno-economic justification from the distribution companies. The targets and achievements in physical terms during 1999-2004 are given in **Annexure 9**.

The Company could not achieve targets for laying transmission lines and addition in transformation capacity.

It would be seen from the **Annexure 9** that the Company had not achieved the targets for laying of transmission lines and addition in transformation capacity

* Own generation represents the Company's share in BBMB and Inderprastha Power Generation Company Limited.

** Includes distribution losses up to June 1999.

*** Mega Volt Ampere (MVA).

in any of the five years. The percentage of shortfall ranged between four and 62 in respect of transformation capacity and between 62 and 85 in respect of transmission lines. The shortfall was due to delay in execution of works.

The management stated (June 2004) that only need-based works were executed keeping in view the system requirements and availability of fund. The reply was not tenable in view of the fact that transmission programme was based on techno-economic justification given by the distribution companies and fund sanctioned by financial institutions could not be utilised as per schedule due to delay in execution of works. During ARCPSE meeting (August 2004), the management attributed the non-achievement of targets to the problem of 'right of way' and assured that more realistic and achievable targets would be fixed in future.

Financial outlay and actual expenditure

2.2.7 The Company prepared annual budget for capital expenditure for execution of various works including transmission depending upon the physical targets fixed in the annual plans formulated by the Company.

The table below indicates the budgeted (original/revised estimates) and actual expenditure on transmission works during 1999-2004:

(Rupees in crore)

Year	Budgeted estimates				Total revised estimates (allocation) (3+5)	Actual expenditure	Variation with reference to revised estimates (*per cent*) (7-6)
	Plan*		Non-plan**				
	Original estimates	Revised estimates/ (allocation)	Original estimates	Revised estimates/ (allocation)			
1	2	3	4	5	6	7	8
1999-2000	212.20	222.65 (184.99)	4.00	19.35 (19.00)	242.00 (203.99)	102.92	(-) 139.08 (57.47)
2000-01	289.55	104.61 (84.77)	19.40	19.40 (33.23)	124.01 (118.00)	91.06	(-) 32.95 (26.57)
2001-02	199.32	10.75 (15.29)	40.00	81.59 (46.83)	92.34 (62.12)	109.13	(+) 16.79 (18.18)
2002-03	12.00	2.10 (0)	190.04	199.01 (153.80)	201.11 (153.80)	207.97	(+) 6.86 (3.41)
2003-04	11.50	2.00 (2.00)	290.29	236.39 (106.21)	238.39 (108.21)	147.01	(-)91.38 (38.33)

It could be seen from the above table that:

- actual expenditure was low ranging from 26.57 to 57.47 *per cent* as compared to the revised estimates during 1999-2001 and 2003-04. Audit analysis revealed that this was mainly due to delay in execution of works as discussed in succeeding paragraphs (2.2.8, 2.2.9, 2.2.14 and 2.2.15);
- budget estimates were unrealistic as the actual expenditure compared to revised estimates varied from (+) 18.18 to (-) 57.47 *per cent* during 1999-2004.

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* In the form of equity capital/World Bank loan.

** In the form of loans from financial institutions.

Over dependence on borrowings for funding transmission works increased interest burden.

- as a sequel to power sector reform programme, the State Government reduced contribution for funding the transmission projects. But it did not initiate action to promote private sector participation in power sector companies, as envisaged in the reform programme. As such, large investment programme to rehabilitate and expand the transmission and distribution system did not take place. The Company was left with no other option except resorting to borrowing from financial institutions to finance its transmission projects. The loan drawal for transmission works increased from Rs. 19 crore in 1999-2000 to Rs. 106.21 crore in 2003-04. This resulted in increased interest burden on the Company from Rs. 201.79 crore in 1999-2000 to Rs. 277.61 crore in 2002-03.

During ARCPSE meeting (August 2004), management stated that more realistic budget would be prepared in future.

Transmission schemes

2.2.8 During 1999-2004, the Company got financed 28 transmission schemes from PFC*, REC** and NABARD***. Of these, 23 schemes involving erection/ augmentation of 51 sub-stations (43 new sub-stations and augmentation of eight sub-stations) along with related link lines were slated to be completed during September 2001 to March 2004. Targets and achievements under these schemes are detailed below:

Source of finance (Number of schemes)	Estimated cost	Loan sanctioned	Loan drawn	Number of sub-stations covered under the scheme (capacity in MVA)					
				220 KV		132 KV		66 KV	
	(Rupees in crore)			Target	Actual	Target	Actual	Target	Actual
PFC (12)	359.52	251.63	217.30	10 (1,500)	9 (1,150)	20 (526)	14 (362)	6 (96)	4 (52)
REC (8)	38.06	35.25	30.13	Nil	Nil	3 (48)	2 (32)	5 (80)	4 (56)
NABARD (3)	27.31	21.93	15.70	1 (100)	1 (100)	3 (48)	2 (32)	3 (48)	1 (16)
Total (23)	424.89	308.81	263.13	11 (1,600)	10 (1,250)	26 (622)	18 (426)	14 (224)	9 (124)

Out of 23 transmission schemes, the Company could complete only 12 within the target date and could create additional transformation capacity of 1,800 MVA (74 *per cent*) against the target of 2,446 MVA.

The Company could utilise only 85 *per cent* of the available loan fund although the completion period was over. Only 12 out of the 23 schemes had been completed up to March 2004. Due to delay in completion of schemes, projected reduction in transmission losses, which would have resulted in financial benefits of Rs. 89.76 crore per annum, could not be achieved. Due to slow pace of work, the Company could erect 30 against the target of 43 new sub-stations and augment seven against the target of eight sub-stations. As a result, 1,800 MVA (74 *per cent)* additional transformation capacity (against the target of 2,446 MVA) could be created. The Company could erect 821 circuit kms (57 *per cent*) of transmission lines against target of 1,433 circuit kms of lines.

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* Power Finance Corporation Limited.

** Rural Electrification Corporation.

*** National Bank for Agriculture and Rural Development.

In one of the schemes, PFC sanctioned (November 2001) a loan of Rs. 26.67 crore for completion of 220 KV sub-station at Jorian (Yamunanagar) and erection of two new 66 KV sub-stations at Gulab Nagar and Talakaur, besides augmentation of 66 KV sub-stations at Bilaspur and Sadhaura. The Company was to execute these works departmentally. Audit observed that although first and second 100 MVA 220/66 KV transformers were energised at 220 KV sub-station, Yamunanagar in July 2002 and January 2003 respectively, yet the erection of new 66 KV sub-stations as well as envisaged transmission lines were not completed (June 2004). Delay in completion of subsidiary works had, thus, postponed the accrual of projected financial benefits. Besides, this has also resulted in under utilisation of 220 KV sub-station valuing Rs. 17.90 crore.

Delay in execution of turnkey projects

2.2.9 The Company awarded 30 turnkey contracts valuing Rs. 198.54 crore during March 2001 to February 2002 for supply, erection and commissioning of 29 sub-stations and associated lines in eight* districts. These transmission works, scheduled to be completed in 15/18 months i.e. by June 2003, were aimed at improving the quality and availability of power in these areas.

No turnkey contract was completed within scheduled time.

Audit noticed that no turnkey contract was completed within the scheduled time. As of March 2004, while works under only four schemes were completed with delay ranging from three to 11 months, the remaining four schemes were behind schedule with delay ranging between 10 and 17 months.

The management attributed (June 2004) the delay in completion of projects to lengthy procedure for acquisition of land, difficulty in handing over clear site to contractors on time, delay in obtaining forest clearance, shifting of existing HT/low tension (LT) lines, railway clearance etc. The reply was not convincing because the management failed to utilise the period of seven to 11 months available between sanction of schemes and award of contracts. A few such instances are given below where the Company initiated action only after the award of contracts:

- land at Fatehabad was made available after 10 months;
- the Company shifted its own structures and lines at Mohindergarh after a period of 10 months;
- part of land at Rania was made available to the contractor after nine months;
- land at Cheeka was acquired after 14 months and at Maharishi Dayanand University, Rohtak, land was made available after 12 months; and
- the Company shifted 11 KV lines at 66 KV sub-station Dukheri after a period of seven months.

* Ambala, Bhiwani, Fatehabad, Kaithal, Mohindergarh, Rohtak, Sirsa and Sonepat.

Thus, the Company was deprived of projected financial benefits of Rs. 105.13 crore on account of non-reduction in line losses due to delayed completion of works. Besides, consumers of these areas suffered on account of low voltage and poor availability of power for longer periods.

Erection and augmentation of sub-stations

132 KV sub-station at Hisar

2.2.10 With a view to meet growing demand of electricity and to supply quality power to industrial consumers of Hisar, HSEB approved (December 1992) a proposal to create a 132 KV sub-station in Sector 27-28 Industrial Estate, Hisar with one transformer of 10/16 MVA capacity having 132/11 KV rating. Civil works at the proposed sub-station were completed during 1993-94 for Rs. 31.20 lakh. Payment of Rs. 44.35 lakh towards cost of land was made in March/June 1998. The electrical works commenced in 1994-95 were scheduled to be completed by March 1995, which were not completed due to change of priority of the sub-station.

After a gap of five years, the Company decided (July 1999) to install one transformer of 10/16 MVA capacity having 132/33 KV rating (instead of 132/11 KV) transformer to feed the load of proposed 33 KV sub-stations at Mangali and Haryana Urban Development Authority (HUDA) complex, Hisar. Remaining electrical works at the sub-station were completed and the transformer was commissioned (August 2001) at the sub-station at a total electrical cost of Rs. 1.20 crore.

Audit observed that since the date of its commissioning (August 2001), the transformer remained energised on "no load" and the installed capacity of the sub-station remained untapped till 26 February 2004, when 6.3 MVA load of 33 KV sub-station, Mangali was put on the transformer.

Construction of sub-station without assessing its actual requirement resulted in blocking of fund of Rs. 1.96 crore and loss of interest of Rs. 78.94 lakh.

Thus, construction of sub-station without assessing its actual requirement resulted in blocking of Rs. 31.20 lakh from March 1995 on civil works, Rs. 44.35 lakh from June 1998 on cost of land, and Rs.1.20 crore on electrical works from August 2001, which resulted in loss of interest of Rs.78.94* lakh up to January 2004.

The management stated (June 2004) that the priority for the sub-station was lowered due to closure of steel industry (prospective consumers from the sub-station) owing to decontrol of steel. The contention of the management was not tenable as the proposal to create sub-station was meant for all industries located in the vicinity.

132 KV sub-station at Matlauda

2.2.11 The planning wing of the Company observed (January 2000) that upgradation of 33 KV sub-station to 132 KV level at Matlauda was not

* Worked out at 10 *per cent* i.e. minimum borrowing rate from financial institutions.

possible until a 220 KV sub-station was created at Safidon as the existing 132 KV TDLTPS-Safidon line was already over loaded.

Accordingly, the scheme for construction of 220 KV sub-station at Safidon and its associate transmission works, which, *inter alia*, included erection of 132 KV sub-station at Matlauda with two transformers (132/11 and 132/33 KV) was prepared and submitted (August 2001) to PFC. The Company, however, decided (May 2002) to take up construction of the 132 KV sub-station at Matlauda departmentally by delinking it from other works under the scheme. The sub-station was energised with one 132/11 KV transformer in July 2003 by making LILO* of 132 KV TDLTPS-Safidon line for feeding this sub-station. An expenditure of Rs. 3.23 crore was incurred on the erection of the sub-station including LILO arrangement (cost Rs. 90.38 lakh). The scheme including 132 KV sub-station at Matlauda was scheduled for completion by September 2004.

Audit observed that 132/11 KV transformer installed at the sub-station could not be fully loaded as only three (out of six) 11 KV feeders were being operated and that too in groups (alternately) due to feeding constraints. Remaining three 11 KV feeders were being fed from existing 33 KV sub-station which was to be dismantled after upgradation of this sub-station.

Injudicious decision to prepone erection of sub-station resulted in only partial utilisation of sub-station costing Rs.3.23 crore.

Thus, injudicious decision to prepone the construction of 132 KV sub-station at Matlauda by overlooking the feeding constraints had resulted in only partial# utilisation of the sub-station (costing Rs. 3.23 crore).

The management stated (June 2004) that due to heavy load demand and low voltage problems in the area there was great resentment among agricultural consumers and in order to remove this resentment, the Company decided to go ahead with the construction of the sub-station, which resulted in saving in line losses and better voltage. Reply was not tenable in view of the fact that only three out of six feeders were being fed from the newly created sub-station and other three feeders were being fed from existing 33 KV sub-station. As such the claim regarding saving in line losses did not hold good.

132 KV sub-station at Assakhera

2.2.12 A 33 KV sub-station at Assakhera (with installed capacity of one transformer of 5 MVA capacity having 33/11 KV rating) was being fed from 132 KV sub-station Dabwali over a 40 Km long Dabwali – Ganga - Assakhera line. Planning wing of the Company observed (April 2002) that the sub-station at Assakhera faced problem of low voltage due to its lengthy feeding line. The low voltage could be controlled by erecting a separate 33 KV Dabwali-Assakhera line (23 Kms) at an estimated cost of Rs. 60.49 lakh, yet the Company decided (April 2002) to control the low voltage by upgrading the sub-station to 132 KV level at an estimated cost of Rs. 4.61 crore.

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* Loop in loop out (It is an arrangement for feeding a new sub-station from an existing transmission line).

\# Average utilisation was 39 *per cent* during August 2003 to January 2004.

The Company adopted uneconomical option to overcome the problem of low voltage at Assakhera and incurred extra expenditure of rupees four crore.

For this, a scheme involving construction of 132 KV sub-station Assakhera with one transformer of 16/20 MVA capacity having 132/33 KV rating, 132 KV single circuit Dabwali-Assakhera line and one 132 KV bay at Dabwali sub-station was got sanctioned (September 2003) from NABARD for loan assistance of Rs. 4.14 crore. The works scheduled to be completed by September 2005 were under progress (June 2004). Thus, uneconomical manner of solving the problem of low voltage resulted in additional investment of rupees four crore.

The management stated (June 2004) that with the construction of 132 KV sub-station at Assakhera, the existing line losses of 10.88 lakh units (LUs) per annum would be reduced to 1.53 LUs per annum. In case direct 33 KV line from Dabwali to Assakhera was constructed, the line losses would be reduced to 5.93 LUs per annum and that upgradation of 33 KV sub-station to 132 KV level was a long term solution to cater to increase in load demand.

The reply was not tenable because additional saving in line losses of 4.40 LUs (5.93–1.53) per annum (value Rs 9.11 lakh) by constructing 132 KV sub-station instead of direct 33 KV line was not adequate to meet interest burden of Rs. 32 lakh per annum on extra investment of rupees four crore leaving aside operation and maintenance expenses and depreciation. Further maximum demand recorded at 33 KV sub-station during 2001-02 was four MVA (against installed capacity of five MVA) and load growth in the area was 4.5 *per cent* per annum. According to planning criteria adopted by the Company, upgradation from 33 to 132 KV level was considered only when the load exceeded 12.5 MVA.

Non recovery of cost of sub-stations from HUDA

2.2.13 The Company issued (November 2000) instructions which, *inter alia*, required that HUDA and other Government agencies would provide land free of cost for new sub-stations and pay expenditure incurred on erection of sub-stations and lines to the Company for electrification of urban/industrial estates developed by them.

Audit observed that the Company constructed two 66 KV sub-stations (Sector 34 and Sector 56) at Gurgaon in HUDA urban estate at a cost of Rs. 6.57 crore during 2001-02. Against this, the Company recovered Rs. 80 lakh by December 2001. Balance Rs. 5.77 crore along with cost of switch house building and allied civil works and feeding line (not intimated by the Company) had not been recovered so far (June 2004) from HUDA. The 66 KV sub-station at Sector 34, Gurgaon was further augmented during 2002-03 by providing one additional transformer at a cost of Rs. 1.20 crore, which had also not been recovered (June 2004). Non-recovery of Rs. 6.97 crore had resulted in interest loss of Rs. 1.27* crore up to March 2004 and recurring interest loss of Rs 69.70** lakh per annum.

* Calculated at 10 *per cent* being the minimum borrowing rate of interest from financial institutions on Rs.5.77 crore for 2002-04 (Rs. 1.15 crore) and on Rs. 1.20 crore for 2003-04 (Rs.12 lakh).

** Calculated at 10 *per cent* on Rs.6.97 crore for one year.

On being pointed out in audit, the management took up (June 2004) the matter with HUDA for depositing the cost. The recovery was still awaited (July 2004).

Erection of transmission lines

Delay in completion of lines

2.2.14 In order to evacuate and transfer power from the gas based power plant, Faridabad to Rewari/Dadri areas and for providing relief to heavily loaded Samaypur-Badshahpur line, the Company awarded (March 2000) the work for construction of 220 KV double circuit Palli - Badshahpur line to Tata Projects Limited on supply-cum-erection basis (cost Rs. 4.22 crore) with loan assistance from PFC. The Company was to supply towers for the line. As per terms and conditions of the contract, erection work was to be completed within 15 months (June 2001) of placement of order subject to the condition that the Company would make available towers as and when required by the contractor.

Audit observed that although the scheduled completion period expired in June 2001, yet the line had not been commissioned so far (June 2004). Reasons for delay in completion of the work were as under:

- of the 84 towers required for construction of the line, the Company could supply 50 towers (cost Rs. 1.01 crore) to the contractor during March-August 2001 by procuring from BBMB. The contractor was paid Rs. 4.13 crore during the period from April 2000 to January 2002 for erection of 50 towers and stub setting at 80 locations. The remaining 34 towers could not be supplied by the Company as galvanising plant of its own workshop was closed in February 2000. Due to non-supply of balance towers, the work on the line remained suspended during January 2002 - May 2003. Though the process of selecting the contractor for galvanising could be completed within a reasonable period of six months, the Company took two and a half years in selecting the contractor. The contract for galvanisation was awarded in October 2002 and remaining towers were supplied during June-December 2003; and

- though land under tower location No. 63 to 66 had already been acquired (January 1999) by the State Government for construction of Jail complex, this aspect was not kept in view while finalising (September 2000) the route plan of the line. The route of the line from these towers had to be revised (June 2003) and the Company incurred extra expenditure of Rs. 38.03 lakh on dismantling of already erected towers and their relocation at alternate sites.

Failure of the Company to supply towers resulted in blocking of funds of Rs. 5.14 crore and loss of interest of Rs. 1.50 crore.

The management stated (June 2004) that the line was almost complete and it was likely to be commissioned shortly.

Thus, delay in completion of the line resulted in extra burden of interest of Rs.1.50[#] crore during construction up to March 2004. The delay had also resulted in non-accrual of projected financial benefits of Rs. 1.81 crore per annum by savings in line losses.

2.2.15 With a view to feed 132 KV sub-stations at Chandoli and Chhajpur from TDLTPS (presently fed from BBMB Sewah sub-station), the erstwhile HSEB proposed (1994-95) to erect a 14.8 Km long 132 KV double circuit line at an estimated cost of rupees two crore from TDLTPS to Chandoli which was scheduled for completion during 1995-96. Another estimate for making double bus bar arrangement with bays at 132 KV sub-station Chandoli (estimated cost: Rs. 1.09 crore) was sanctioned (May 1997) by the Chief Engineer (Construction and O&M) Panchkula with scheduled completion within three months (August 1997). The bus bar was required for energisation of the line.

Audit observed that TDLTPS- Chandoli line could not be completed and energised so far (September 2004) despite incurring expenditure of Rs. 4.24 crore on it during December 1995 to December 2003, although bus bar arrangement at 132 KV sub-station Chandoli was completed (September 2002) at a cost of Rs. 2.67 crore. Reasons for delay in completion of the line, as identified in audit, were as under:

- detailed route plan approved (April 1992) by the erstwhile HSEB had to be revised time and again (October 1993, May 1995, July 1997 and May 1998) due to disputes over route of the line; and

- problematic areas en-route the line were not identified during survey of the line. As a result, some land owners of Khukhrana village obstructed (December 2001) erection of six towers and erection work could be resumed (May 2003) after acquiring about one acre patch of additional land.

Delay in completion of line and bays resulted in cost over run of Rs. 3.82 crore besides loss of interest of Rs. 40.05 lakh on blocked funds.

Delay in completion of the line (eight years) and bus bar (five years) resulted in cost overrun of Rs. 2.24 crore and Rs. 1.58 crore respectively. Besides, Rs. 2.67 crore incurred on erection of 132 KV bus bar with bays was lying blocked since September 2002 due to non-completion of TDLTPS–Chandoli line, resulting in loss of interest of Rs. 40.05 lakh (calculated at 10 *per cent* per annum for 18 months from October 2002 to March 2004).

The management stated (June 2004) that the route of line had to be revised as HUDA and railway authorities planned their works later on and some affected land owners requested to review the route. Accordingly, alternative route plan was prepared.

Calculated on the blocked funds of Rs. 5.14 crore (Rs.1.01 crore + Rs.4.13 crore) during April 2000 to January 2002 at 13 *per cent* rate of interest.

Deficiency in addition of shunt capacitors

2.2.16 Haryana being an agricultural State, bulk portion of power is supplied to agricultural sector and agro based industries. These loads are highly inductive in nature i.e. consume more reactive@ power due to which voltage level remains quite low. The low voltage causes over loading of transmission lines and transformers and results in increase in system losses. To minimise the reactive power flow in the system, Northern Region Electricity Board@@ (NREB) had been emphasising on installation of shunt capacitor banks in the transmission system.

The table below indicates the availability vis-à-vis requirement of shunt capacitors based on studies conducted by NREB at the end of the year during 1999-2004:

Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04
	(Capacity in MVAR*)				
Requirement	2,520	3,080	3,080#	2,992	3,111
Capacitors installed at the year end	1,470	1,830	2,547	2,880	3,269
Addition since previous year	-	360	717	333	389
Capacitors available**	1,250	1,555	2,165	2,448	2,779
Shortfall	1,270	1,525	915	544	332

Shortfall in installation of shunt capacitors resulted in non-reduction of transmission loses to the extent of 1,122.85 MUs valued at Rs. 224.57 crore.

It would be seen from the table that shortfall in the available shunt capacitors ranged between 332 and 1,525 MVAR during 1999-2004. This resulted in non-reduction of transmission losses to the extent of 1,122.85 MUs valued at Rs. 224.57 crore. Audit observed that these losses could have been avoided by spending Rs. 22.79 crore on installation of shunt capacitors in the year of requirement. Besides, the Company had to pay Rs. 4.22 crore as penalty to NREB for excess drawal of reactive power from the power grid during April-September 2003.

The management stated (June 2004) that time available between declaration of requirement and target date of commissioning was insufficient to carry out activities involving identification of rating, location, arrangement of funds, purchase of equipments and testing and commissioning.

The reply was not tenable as installation of shunt capacitors was a continuous process and the Company should have made efforts in advance without waiting for directions of NREB keeping in view the cost-benefit analysis.

@ Reactive power is part of current flow in the system to be used by electro-magnetic circuits of motors, transformers etc.

@@ A body to control and regulate the Northern grid.

* Mega Volt Ampere Rating.

\# As no study was carried out by NREB, requirement of last year has been taken as requirement for the year.

** 85 *per cent* of capacitors installed are treated as available as per norms of NREB.

Utilisation of lines

Idle transmission lines

Healthy towers valuing Rs. 81.70 lakh on idle line had not been dismantled.

2.2.17 Dadri-Bhiwani 132 KV line became idle after commissioning of 220 KV sub-station at Bhiwani in the year 1990. This line had 121 towers (estimated cost Rs. 81.70 lakh) along with relevant accessories in good condition. The Company did not take any action to dismantle towers and use them on ongoing works though a number of 132 KV lines were erected by the Company. It was only in June 2003 that the Company decided that the material of Dadri-Bhiwani line after dismantling would be used in erecting 132 KV Dabwali-Assakhera single circuit line. However, it subsequently decided (September 2003) to use new towers for this line. Thus, healthy towers of 132 KV Dadri-Bhiwani line valuing Rs. 81.70 lakh remained erected till date (June 2004) without any utility. During ARCPSE meeting (August 2004) the management assured to issue instructions for use of material of redundant lines within the shortest possible time.

2.2.18 Similarly, Khera-Yamunanagar (15 Kms) portion of 66 KV Khera-Ladwa line became (August 2002) idle after feeding arrangement of 66 KV sub-station Ladwa was made from newly created 220 KV sub-station at Yamunanagar. No action had been taken so far (June 2004) to dismantle the idle line valuing Rs. 17.43 lakh.

The management stated (June 2004) that the line had been retained for emergency use. The reply was not tenable as decision of the competent authority to this effect was not made available to Audit.

Maintenance of sub-stations and lines

Poor maintenance of sub-stations and lines

2.2.19 The Company issued (June 1999) guidelines for preventive maintenance of sub-station equipments and associated protection and control system. Under these guidelines, the staff deployed at sub-stations and lines is required to exercise periodical checks for healthy maintenance of transmission system. The position of maintenance carried out was recorded in the maintenance register placed at respective sub-stations.

The Metering and Protection (M&P) wing of the Company conducted maintenance audit of each sub-station on yearly basis and pointed out the deficiencies to Sub Station Engineer (SSE) and Executive Engineer concerned who were required to comply with the observations immediately.

A test check of records revealed that in 66 sub-stations checked by M&P in north zone during March 2003 to January 2004, 394 observations pointed out in previous checkings were not attended to by the Operation and Maintenance (O&M) wing even after a lapse of one year.

Similarly in south zone, 77 out of 106 observations of serious nature were not attended to and their pendency ranged between one and 13 months.

Non rectification of deficiencies rendered the costly equipments to a greater risk of damage.

Further analysis revealed that such observations included low insulation resistance value of transformers, dehydration of transformer oil/on load tap changer (OLTC) required, change of high set elements/relays required, OLTC panel not operating, lightening arresters to be provided/repaired, sluggish/old oil circuit breakers requiring replacement, etc. Non rectification of deficiencies rendered the costly equipments to a greater risk of damage.

The management stated (June 2004) that observations pointed out by M&P wing were attended on priority and wherever required, the matter was referred to concerned authority for compliance. The fact, however, remained that there was abnormal delay in rectification of deficiencies of high risk nature for more than one year.

Inadequate protection system

2.2.20 For proper and efficient running of transmission system, it is necessary that all the systems including protection system are functional which could save the costly equipments from damage in case of any fault in the system. The Company conducted (May 2003) a survey on the protection system in the north zone and the results thereof are tabulated below:

Name of equipment	Number of cases checked	Non-operational/ absence of equipment	Equipment in operation	Percentage of equipment in operation
Distance protection schemes	192	131	61	32
Bus bar protection schemes	19	17	2	11
Bus couplers	33	30	3	9

Inadequate and non-operational protection system at sub-stations put the costly equipments at a greater risk of damage.

It is evident that position of protection system at sub-stations of the Company was far from satisfactory and had put the costly equipments at a greater risk of damage.

The Company stated (June 2004) that efforts were being made to rectify/replace the defective protection equipments.

Damage to power transformers

2.2.21 The table below indicates the power transformers installed in the system and damaged during 1999-2004:

Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04
Transformers in the system at the beginning of year (220, 132 and 66 KV rating)	374	399	410	426	449
Transformers damaged during the year (220, 132 and 66 KV rating)	14	16	8	13	11

The Company constituted (February 1999) a committee of three officers to investigate cases of damage to power transformers and report to the management within a fortnight of the date of damage. The committee was reconstituted (January 2000) into two different committees for 220 KV and

132/66 KV rating transformers. These committees were again reconstituted (June 2000) and two committees for north and south zones were formed. The Company also formed (December 2000) special committees for investigation of damage to 100 MVA transformers. The reports of the committees were to be submitted to the Director (Technical) for consideration and corrective action.

The Committee investigated only 29 out of 62 cases where damage of transformers had occurred.

Audit noticed that in 21 out of 29 cases the investigation reports were submitted after delay of four to 418 days. In 33 out of 62 cases where damage had occurred during 1999-2004, investigation was not carried out at all.

Thus, the delayed/non-investigation of causes of damage to transformers defeated the very purpose of constitution of committees and top management was deprived of valuable information on this count for taking corrective action.

The management attributed (June 2004) the delayed/non-investigation to non-receipt of required documents/information from the concerned field units; this indicated poor control and monitoring over field offices. During ARCPSE meting (August 2004), the management stated that in 50 *per cent* cases, faults occurred due to over straining of the system and analysis would be carried out for taking remedial action.

2.2.22 Analysis of all the 29 investigation reports revealed that damage of transformers was due to repeated trippings and breakdowns on the outgoing feeders (15 cases), development of internal fault owing to internal design and manufacturing defects (eight cases), lack of maintenance and upkeep of equipment (four cases) and human fault (two cases). As damage in most of the cases was caused due to tripping/breakdowns on the outgoing feeders, the Company had not asked the distribution companies to make good the loss caused due to their fault.

Audit observed that the Company incurred Rs. 5.18 crore on replacement of 16 damaged transformers in three circles test checked in audit and incurred Rs. 1.98 crore on repair of 27 damaged transformers during 1999-2004.

2.2.23 One 10/16 MVA, 132/11 KV transformer at 132 KV sub-station Nangal Chaudhary was damaged on 15 January 2003 due to severe fault on 11 KV SBD* feeder near to the sub-station. The investigation report revealed that the operational staff of DHBVNL gave wrong clearance certificate of the line after tripping though conductors of the feeder were found inter-mingled in one span, which resulted in damage of transformer when switched on again. The Company had to spend Rs. 22.52 lakh for replacement and Rs. 13.68 lakh for repair of the damaged transformer. The investigation report alleged negligence on the part of operational staff of DHBVNL. Thus, the Company had to suffer a loss of Rs. 36.20 lakh. The Company had not taken up the matter with DHBVNL for recovery of loss.

* Sahibajpur distributory.

The management stated (June 2004) that matter had been taken up with DHBVNL for fixing responsibility of the official (s) at fault. No action had been taken so far (June 2004).

2.2.24 One 220/66 KV, 100 MVA power transformer was damaged at 220 KV sub-station Madanpur (Panchkula) on 24 December 2002 due to fire. The investigating Committee identified main reasons for damage of transformer as under:

- non-operation of 220 KV breaker due to blowing of fuse on the direct current circuit, which remained unnoticed till the date of accident;
- bus-bar protection, though installed at the sub-station, was not connected;
- bus coupler breakers on 220 KV and 66 KV sides were defective due to poor supervision of O&M supervisory staff;
- the trip alarm bell placed in the transformer relay alarm circuit was lying damaged since 16 December 2002;
- circuit breakers controlling Shahbad-Panchkula line did not operate; and
- periodical inspection and technical audit of the sub-station conducted by M&P team on 5 September 2002 was casual and not in detail as required under the instructions.

One 100 MVA transformer got damaged due to failure of protection system at a sub-station which resulted in estimated loss of Rs. 2.19 crore.

The Company decided (June 2003) to shift the transformer to power transformer repair workshop, Ballabhgarh for carrying out detailed inspection of core, coils and residual life analysis. The transformer was, however, not shifted till date (June 2004). Replacement cost of the transformer was estimated at Rs. 2.19 crore.

During ARCPSE meeting (August 2004), the management stated that the detailed investigation of damaged transformer would be made and appropriate action would be taken thereafter.

Conclusion

The main function of the Company was to transmit power to distribution companies through its transmission network. The Company could not achieve its targets for laying transmission lines and addition in transformation capacity. Delay in implementation of transmission schemes/works resulted in cost overruns and non-accrual of envisaged benefits to be achieved through reduction in transmission losses. Inadequacy in installation of shunt capacitors contributed towards non-reduction of transmission losses. Construction of sub-stations without assessing actual requirement resulted in blocking of investment. The maintenance and upkeep of the system was marred by deficiencies, which rendered the costly equipments susceptible to a greater risk of damage.

In order to make optimum use of borrowed funds, project planning and their execution need to be improved to implement the transmission schemes within scheduled time. The maintenance and upkeep of the transmission system need to be strengthened in order to avoid damage of costly equipments and to ensure availability of quality power to consumers.

The matter was referred to the Government in May 2004; the reply had not been received (September 2004).

Chapter-III

3. Transaction audit observations relating to Government companies and Statutory corporations

Important audit findings noticed as a result of test check of transactions made by the State Government companies and Statutory corporations are included in this Chapter.

Government companies

Haryana State Industrial Development Corporation Limited

3.1 Non-recovery of loan

The Company's decision to permit the unit to replace the original collateral security with highly inflated collateral security resulted in doubtful recovery of Rs. 49.82 lakh.

The Company sanctioned (January 1996) a bridge loan of Rs. 30 lakh to Jind Textiles Limited (unit) for a period of six months against subsidy to be received from the State Government. The loan could be extended for six months each time subject to maximum of two years. The unit was to provide collateral security of Rs. 33.17 lakh. The unit offered a shop valued at Rs. 30 lakh at auto market, Hisar as collateral security. The Company's approved valuer assessed its value at Rs. 27.64 lakh. The Company disbursed (February 1996) loan of Rs. 25 lakh and cancelled the balance loan.

The Government did not release (November 1998) the subsidy. The Company extended (December 1998) the currency of loan to five years or the period till the subsidy was released by the State Government, whichever was earlier. Due to default in repayment of bridge loan, the Company took over (February 2001) the possession of collateral security. On unit's request (February 2001), the Company handed back (April 2001) the possession of collateral security after receiving the payment of interest (Rs. 8.84 lakh).

The unit requested (July 2001) for replacement of the existing collateral security with ten shops at Uchana Mandi, which were purchased by the unit in the previous month (June 2001) for Rs. 2.84 lakh. The Company accepted (July 2001) the value of these shops at Rs. 25 lakh assessed by the valuer without taking cognizance of the fact that it was purchased (June 2001) for Rs. 2.84 lakh only.

The Company took five post-dated cheques of Rs. 27.12 lakh payable from June 2001 to February 2002. Of these, only one cheque of Rs. 1.13 lakh was honoured (July 2001). The Company took over (March 2002) the possession of the shops due to dishonouring of the cheques and put the collateral security to auction (May 2002) but no bidder came forward. The Company estimated (May 2002) the realisable value of the shops at rupees three lakh as against the assessed value of Rs. 25 lakh, which was yet to be disposed of (July 2004).

The Company accepted the valuation of replaced collateral security (ten shops) at Rs. 25 lakh which was unrealistic as there was implication of nine times increase in market value in just one month. This indicated utter failure of the Company resulting in unjustified replacement of original collateral security (Rs. 30 lakh) with highly inflated collateral security. This resulted in doubtful recovery of Rs. 49.82 lakh including interest of Rs. 27.17 lakh as of March 2004.

The management stated (June 2004) that the concerned officer who had evaluated the property unrealistically was being charge sheeted and possibility of booking the promoter as well as valuer for cheating the Company was being explored. Further developments were awaited in audit (July 2004).

The matter was referred to the Government in May 2004; the reply had not been received (September 2004).

3.2 Excess payment of employers' contribution

The Company suffered loss of Rs. 39.95 lakh due to contribution to employees provident fund in excess of the limits prescribed under the Employees' Provident Funds Scheme, 1952.

The Employees' Provident Funds Scheme, 1952 provides that the contribution payable by the employer under the Scheme shall be 12 *per cent* of the basic wages, dearness allowance and retaining allowance payable to each employee. Under Para 26(A)(2) of the Scheme, where the monthly pay of such an employee exceeds Rs. 5,000, the contribution payable by the employer shall be limited to the amounts payable on a monthly pay of Rs. 5,000 (increased to Rs. 6,500 w.e.f. June 2001). Para 29(2) of the Scheme further provides that in respect of any employee to whom the scheme applies, the contribution payable by him may, if he so desires, be an amount exceeding 12 *per cent* of his basic wages, dearness allowance and retaining allowance subject to the condition that employer shall not be under obligation to pay contribution over and above his contribution payable under the Scheme.

Audit observed (April 2003) that the Company contributed its share at the rate of 12 *per cent* towards the fund during 2001-03 without limiting the monthly pay to Rs. 6,500 (Rs. 5,000 up to May 2001) in contravention of the provisions of Employees' Provident Funds Scheme, 1952. Resultantly, the Company made excess contribution of Rs. 39.95 lakh.

The management and the Government stated (May 2004 and September 2004) that this issue was discussed (January 2004) with the Haryana Bureau of

Public Enterprises and final decision in this regard was awaited (September 2004).

3.3 Undue favour to a Society

Injudicious decision to transfer land free of cost for setting up a memorial in violation of objectives of the Company resulted in an undue benefit of Rs. 1.56 crore to a Society.

The State Government decided (December 2000) to develop 560 acres land belonging to Haryana State Agricultural Marketing Board at Rai (district Sonepat) for small and medium industries to cater to the demand of the industries shifting from Delhi. So the Company took (January 2001) possession of the land for Rs. 27.38 crore.

The Company handed over (October 2001) the possession of land measuring 8,000 sq. yards valuing Rs.1.56 crore to Badh Khalsa Memorial Society (Society) for construction of the memorial in the village Badh Malik and retained ownership with itself.

Audit observed that the Company allotted the plot, earmarked for open space and green belt, to the Society. This has not only violated the objectives of the Company but also resulted in undue benefit of Rs. 1.56 crore to the Society.

The management stated (July 2004) that the Company had not incurred any financial loss, as the land transferred to the memorial was non-saleable area. The reply was not tenable as the other allottees were deprived of the common facilities viz. open space and green belt out of which the plot for the Society was carved out.

The matter was referred to the Government in May 2004; the reply had not been received (September 2004).

Haryana Roadways Engineering Corporation Limited

3.4 Payment of excess Sales Tax

The Company made excess payment of Sales Tax of Rs. 1.09 crore on purchase of bus chassis and therefore suffered loss of interest of Rs. 42.51 lakh.

The Company is a registered dealer under Haryana General Sales Tax Act, 1973 that empowers it to pay Sales Tax at the prescribed rate on goods leviable at the stage of first sale. The Sales Tax was payable at the rate of five *per cent* up to 30 March 2001 and four *per cent* thereafter. The normal rate of Sales Tax on all type of motor vehicles was 12 *per cent.*

The Company purchased (July 2000 to March 2001) 256 chassis from two* suppliers for onward sale to State Transport Department after fabrication of bus bodies. Both the suppliers erroneously raised invoices for Sales Tax at 12 *per cent* as against the applicable rate of five/four *per cent*. The Company failed to detect the error and released the payment (Rs. 1.64 crore) of Sales Tax to the suppliers at 12 *per cent* against the due amount of Rs. 55 lakh. The excess payment worked out to Rs. 1.09 crore.

The Company approached (July/September 2001 and September 2002) the suppliers for refund of Rs. 1.09 crore being excess payment of Sales Tax. The suppliers informed (July 2001 and January 2004) that their claims were lying pending with the Sales Tax Authorities and promised to refund the same to the Company as and when decided by the Sales Tax Authorities. Refund of excess Sales Tax paid had not been received (April 2004).

Thus, failure of the Company to examine the bills before payment resulted in excess payment of Sales Tax of Rs. 1.09 crore besides causing loss of interest of Rs. 42.51 lakh# up to March 2004.

The management stated (May 2004) that the matter regarding payment of Sales Tax at the rate of four or 12 *per cent* would be decided only when the Sales Tax Department finalises the assessment of the sales effected by the manufacturers and the Company during the relevant year.

The reply was not tenable as the Excise and Taxation Department refused to refund the excess Sales Tax and the Company had been making payment of Sales Tax at the rate of four *per cent* with effect from April 2001.

The matter was referred to the Government in May 2004; the reply had not been received (September 2004).

Haryana Land Reclamation and Development Corporation Limited

3.5 Fraudulent sale of fertiliser

Assistant Manager, Stores committed fraud of Rs. 16.10 lakh by sale of fertiliser, contrary to the terms of the standard agreement.

Standard agreement with the dealers for sale of fertiliser, *inter alia*, provided that the Company on the basis of dealer's monthly requirement would allocate the quantity of fertiliser. The Company would deliver fertiliser to a dealer only after getting the payment for the same.

Audit observed (November 2003) that Assistant Manager (AM), Stores of the Company at Palwal without getting monthly requirement and its

* TELCO (151 chassis) and Ashoka Leyland (105 chassis).

\# Worked out at the rate of 13 *per cent* payable on borrowed funds for purchase of bus chassis.

corresponding allocation, delivered fertiliser worth Rs. 13.37 lakh on credit to one of its dealers Yoginder Brothers, Palwal on 1 and 22 September 2003. Meanwhile, Vishnu & Company, Ateli Mandi, another firm, sent (25 September 2003) three bank drafts for Rs. 16.50 lakh as dealership security (Rs. 0.50 lakh) and supply of fertiliser (Rs. 16 lakh) through courier which were received by the Palwal centre on 26 September 2003. The Palwal centre forwarded (27 September 2003) two drafts of Rs. 16 lakh (Rs. 11 lakh and Rs. 5 lakh) to head office for collection. The AM, Stores Palwal, however, wrongly adjusted (29 September 2003) two drafts worth Rs.16 lakh received from Vishnu & Company, Ateli Mandi against the credit sale made (September 2003) to Yoginder Brothers, Palwal.

On noticing the wrong adjustment, Vishnu & Company brought (29 September 2003) the fact to the notice of the Company and intimated the banker to stop the payment against these bank drafts. The Palwal centre further released (1 October 2003) fertiliser worth Rs. 2.73 lakh to Yoginder Brothers, Palwal, obviously equivalent to the amount of Rs. 16 lakh considered to be deposited by him.

Audit noticed that AM, Stores was working at the Palwal centre since July 1988 and made similar irregularities earlier also, in two cases (November 2001 and November 2002) where the amount received was credited to the party other than the depositor. The Company did not take any action against the delinquent official and allowed him to continue there.

Thus, sale of fertiliser on credit without getting dealers' requirement and its corresponding allocation coupled with posting of an official already involved in such irregularities in the past facilitated the occurrence of a fraud of Rs. 16.10 lakh.

The Government/management stated (July/May 2004) that FIR had been lodged against the dealer (Yoginder Brothers, Palwal) for cheating the Company besides suspending (17 February 2004) the AM Stores, Palwal. The recovery of Rs. 16.10 lakh was awaited (July 2004).

Haryana Vidyut Prasaran Nigam Limited

3.6 Infructuous expenditure on remote controlled load management scheme

Defective remote controlled load management scheme coupled with non-implementation of the scheme as per terms of the contract rendered the expenditure of Rs. 1.42 crore infructuous.

Overloading of distribution network leads to heavy line losses and failure of transformers. The overloading of distribution network was due to switching on combined loads of agricultural pump sets, domestic and commercial consumers, etc.

To overcome this problem, the erstwhile Haryana State Electricity Board (Board) framed (October 1997) Remote Controlled Load Management Scheme (Scheme) by which agriculture loads were to be separated from other loads during peak hours. The Scheme covered two 11KV feeders (Kishangarh and Dhola Majra) being fed through distribution network of 220 KV sub-station Shahabad. Total estimated cost of the scheme was Rs. 2.96 crore. The Central Government sanctioned (October1997) a grant of Rs. 2.37 crore and the balance (Rs. 59.31 lakh) was to be met through loan from Rural Electrification Corporation Limited. The Scheme also envisaged annual savings of Rs 1.67 crore on account of reduction in line losses and damage of transformers.

The Company awarded (April 1999) a contract to CMC Limited, New Delhi for erection and commissioning of the Scheme on turnkey basis at a cost of Rs. 2.88 crore. The entire Scheme including bifurcation of load was to be commissioned within six months from the date of order. Thereafter, the Scheme was to remain in the purview of the supplier for a period of two years (one year each for warranty and maintenance).

The material under the Scheme was received between August 1999 and July 2001. The Central Government released (up to March 2002) grant of Rs. 2.22 crore in two instalments for execution of the Scheme and extended the completion period up to March 2002. CMC installed and commissioned the Scheme on 23 April 2002 and the Company released total payments of Rs. 2.35 crore up to June 2002.

As the Scheme was to be operated by Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL), the Board of Directors of the Company (HVPNL) decided (June 2002) to transfer it to UHBVNL on its book balance. UHBVNL declined (August 2003) to take over the Scheme as the load had not been bifurcated and the farmers continued to get their load connected by bypassing remote controlled system. The remote control system was prone to increase in trippings and breakdowns. The Company/Board did not consider this aspect before venturing into the Scheme. Resultantly, the Scheme remained unimplemented.

Audit observed (March 2004) that the computers, printers and data loading devices (Rs. 26.12 lakh) could be put to alternative use, but remote terminal units (Rs. 68.52 lakh) and special type of transformers Rs. 1.01[#] crore could not be used and the expenditure thereon was rendered infructuous.

In reply to Audit enquiry, the management admitted the facts and stated (April 2004) that CMC had been requested through numerous references to repair/maintain the system as per terms of the turnkey contract, but it was not responsive. As a last resort, the Company encashed (April 2004) the bank guarantee of Rs. 27.57 lakh.

Difference between rates of special transformer (Rs.1.41 crore) and ordinary transformer (Rs.40.29 lakh)

Thus, defective remote controlled load management scheme coupled with non-implementation of the scheme as per terms of the contract rendered the expenditure of Rs. 1.42 crore infructuous after adjusting bank guarantee. Besides, the Company was also deprived of envisaged savings of Rs. 3.76 crore up to March 2004.

The matter was referred to the Government and the Company in May 2004; their replies had not been received (September 2004).

3.7 Locking up of fund due to faulty planning

The Company's fund of Rs. 32.14 lakh remained blocked in construction of houses for more than eight years due to faulty planning.

The Company constructed a colony consisting of 17 houses of four categories at 220 KV Sub-station, Industrial Area, Hisar during 1993-94 at a cost of Rs. 32.14 lakh. These houses were handed over to Senior Sub-Station Engineer (SSE), Industrial Area, Hisar in March 1995. The houses were not occupied by the allottees mainly due to non-availability of drinking water. Out of 17 houses, one house was occupied from March 2002 and seven houses from January 2003.

At the time of transfer of these houses in March 1995, the drinking water facility was provided temporarily through a pump fitted in a well. The management did not take steps from April 1995 to September 2001 to overcome the problem of drinking water and test the water of the well though the SSE brought the facts of non-occupation of quarters by staff in the notice of higher authorities from time to time. It was only after the visit of Chief Engineer (Civil) in September 2001 that steps for checking potability of the water were initiated and the water got tested in April 2002 which was found unfit for drinking purpose.

The Company took up the matter with Public Health Department. An estimate of Rs. 2.70 lakh to provide safe drinking water was finalised only in March 2003. The work of laying the pipeline by the Public Health Department was in progress (March 2004).

Thus, the Company's fund of Rs. 32.14 lakh in construction of houses remained blocked due to faulty planning for more than eight years. Apart from non-achievement of the objective of providing housing facilities to its employees, the Company had paid house rent allowance of Rs. 3.17 lakh and could not recover licence fee of Rs. 0.97 lakh.

The matter was referred to the Government and the Company in March 2004; their replies had not been received (September 2004).

Uttar Haryana Bijli Vitran Nigam Limited

3.8 Avoidable loss

Laxity on the part of the Company to enforce the codal provisions for recovery of its dues, followed by implementation of the waiver scheme without devising mechanism to ensure that the beneficiaries would be regular in payments thereafter, led to avoidable loss of Rs. 88.52 crore.

Terms and conditions of supply of energy envisage that the power utility shall render bills to the consumers monthly and the payment would be made by the consumers on demand. If the bill is not paid in full within seven days in case of large supply consumers and 15 days for other category consumers, after the date of presentation, the consumer upon the utility serving him seven days notice in writing of intention of disconnect, shall be liable to have energy to his premises disconnected.

As per projections in the Reforms programme adopted (August 1998) by the erstwhile Haryana State Electricity Board (Board), receivables for sale of power should not be more than three months' sales. Accordingly, the Board while transferring assets to power sector companies in August 1998, decided that receivables (net of provision for bad and doubtful debts) should be kept initially for two months' sales so that by the year end, the distribution companies should not have receivables for more than three months' sales.

Audit observed (August 2003) that the Company did not enforce the above measures resulting in accumulation of dues. The Company failed to achieve the purpose of Reforms programme. Receivables from the consumers rose constantly from 2.48 months' sale of the net recoverables during 1998-99 (as on 14 August 1998) to 5.52 months' sale in 2001-02. As on 31 March 2002, the total recoverables amounted to Rs. 785.94 crore of which Rs. 165.78 crore were outstanding for more than three years.

On a decision (25 April 2002) taken by the State Chief Minister, the Company issued (26 April 2002) a "Final surcharge waiver scheme" for clearing of outstanding dues. The scheme, *inter alia* provided that:

- the arrears of electricity bills of defaulting domestic, non-domestic and agricultural consumers in the rural areas, who were defaulters as on 31 March 2001 and had continued to do so up to 30 April 2002 would be eligible for the scheme.
- seventy-five *per cent* of outstanding amount as on 30 April 2002 would be waived for those consumers who opt to clear the outstanding in one go provided the payment was made by 15 May 2002 (extended up to 31 May 2002).

Before implementing the scheme, the Company did not ensure that a consumer, who had been benefited under the scheme, would pay the bills regularly thereafter. The Company waived dues of Rs. 88.52 crore in respect of 1.07 lakh consumers under the scheme. Details of break-up of the waived amount (Rs. 88.52 crore) into sale of power, surcharge and electricity duty were not supplied to Audit. Analysis in audit revealed that in Kurukshetra circle alone, the Company waived Rs.7.77 crore comprising sale of power (Rs. 6.09 crore) and surcharge (Rs. 1.68 crore).

Implementation of the scheme ended up discouraging consumers who pay their dues regularly and encouraging the defaulters on the pretext of availing benefits under such schemes in future. This was corroborated by the fact that 3,937 consumers in 17* sub-divisions, who had availed the benefit of waiver of Rs. 3.64 crore under the scheme had again become defaulters to the extent of Rs. 1.88 crore up to July 2003.

Thus, laxity on the part of the Company to enforce the codal provisions for recovery of its dues followed by implementation of the waiver scheme without devising mechanism to ensure that the beneficiaries would be regular in payments thereafter, led to avoidable loss of Rs. 88.52 crore.

The matter was referred to the Government and the Company in May 2004; their replies had not been received (September 2004).

3.9 Extra expenditure due to acceptance of delayed supply of single phase electronic meters

Acceptance of delayed supply of 3,82,500 single phase electronic meters by the Company resulted in extra expenditure of Rs. 6.58 crore as compared to lower prevailing market rate for similar type of meters.

On the basis of tenders finalised on 12 October 2002, the Company placed (24 December 2002) purchase orders on seven firms** for the supply of 6,50,000 single phase electronic meters at a negotiated rate of Rs. 600 per meter (inclusive of meter cupboards (MCBs) at Rs. 130 each). Purchase orders stipulated that the firms were to get drawings/samples approved within two months from the date of receipt of orders and thereafter to supply the ordered quantity in four months in equal monthly lots. As such, the firms were to supply the meters in four equal lots during March - June 2003. Terms and conditions of the purchase orders provided that the Company had a right to refuse the supplies in case of failure of the supplier to execute supplies within the contractual delivery period.

Audit observed (August 2003) that six firms failed to execute the supplies in equal monthly lots as specified in the purchase orders. First three lots

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* Jind: 4, Karnal: 5, Kurukshetra: 3, Rohtak circle: 4 and Sonepat: 1.

** 1. Accurate Meters Limited, Delhi 2. Avon Meters, Dera Bassi 3. Bentex Electronics, New Delhi 4. Bentex Linger Switchgear Co., New Delhi 5. Elymer Electronics, New Delhi 6. Modern Instruments, Gaziabad and 7. Semi Conductor Complex Limited, Mohali.

consisting of 1,62,500 meters each due in March, April and May 2003 respectively were actually received during 26 April–13 June 2003 (1,12,500 meters), 20 May–21 June 2003 (1,37,500 meters) and 8–30 June 2003 (1,32,500 meters). The balance 2,09,500 meters were received in time and 58,000 meters were not supplied. While accepting the delayed supplies of 3,82,500 meters at Rs. 470 per meter (Rs. 600 less cost of MCB: Rs. 130), the Company did not ascertain the prevalent market price of the meters.

Audit further observed that Capital Power Systems, Noida which agreed (October 2002) to supply these meters to the Company at Rs. 670 per meter (inclusive of the cost of MCB at Rs.130 each) had offered (March 2003) to supply similar type of meters to Himachal Pradesh State Electricity Board (HPSEB) at Rs. 298 per meter. It is worthwhile to mention that Punjab State Electricity Board had cancelled (May 2003) orders for purchase of 13 lakh meters in view of lower rates finalised by HPSEB.

The management stated (December 2003 and April 2004) that the supplies were accepted within overall delivery period. It was further stated that the meters purchased by the Company had additional tamper proof features unlike the meters of HPSEB. The reply was not tenable because as per conditions of purchase order, the supplier was required to supply the full ordered quantity in four equal monthly lots and in the case of failure, the Company had the right to refuse delayed supplies to avail of the benefit of lower rates in the market. Besides, the meters purchased by HPSEB had also exactly similar specifications relating to tamper proof features.

Thus, acceptance of delayed supply of 3,82,500 single phase electronic meters by the Company at Rs. 470 per meter as compared to the lower prevailing market rate of Rs. 298 per meter resulted in extra expenditure of Rs. 6.58 crore.

The matter was referred to the Government in February 2004; the reply had not been received (September 2004).

3.10 Non-recovery of outstanding dues on account of energy bills

Failure of the Company to enforce the penal measures for non-payment of energy bills coupled with acceptance of part payments contrary to the instructions facilitated the consumers to accumulate outstanding dues of Rs. 45.41 lakh.

Terms and conditions of supply of energy envisage that if large supply consumer fails to pay the bill in full within seven days after the date of presentation, he shall be liable to have energy to his premises disconnected without prejudice to utility's right to recover the amount of the bill as arrears of land revenue. The Sales Manual Instructions (SMI) further provide that where a consumer is billed for some of the dues relating to previous months/years, which were not included in the bills for the relevant period, the benefit of payment in instalments is to be allowed on the express request of the consumer.

During test check of records of Model Town Operation Sub Division, Panipat under Karnal circle of the Company, Audit observed (June 2003) that three large supply consumers of Vardhman group in the name of Vardhman Solvex (Account No. SM[5]-2), Vardhman Oil and Allied Industries (Account No. SM[5]-24) and Vardhman Overseas Private Limited (Account No. SM[5]-21) were getting power supply from the Company. All these consumers defaulted in payment of their regular energy bills from December 1997, February 1998 and June 1999 respectively. The Company instead of taking prompt action to disconnect supply of energy to their premises, allowed to accumulate the outstandings by accepting part payments relating to normal monthly consumption of energy in disregard to SMI of the Company.

As against total energy bills of Rs. 61.07 lakh and Rs. 17. 68 lakh, the Sub Divisional Officer (SDO) accepted part payments of Rs. 47 lakh (between December 1997 and February 1999) and Rs. 11.90 lakh (between February 1998 and February 1999) in respect of Account No. SM[5]-2 and SM[5]-24 respectively. These two connections were permanently disconnected in April 1999. The outstanding of Rs. 20.29 lakh and Rs. 7.97 lakh (including surcharge) relating to these consumers were transferred to the third connection (SM[5]-21) in June 2000 which was already in default since June 1999. SDO also accepted part payments of Rs. 53.54 lakh against energy bills of Rs. 99.67 lakh (including Rs. 28.26 lakh transferred from SM[5]-2 and SM[5]-24) in this account during July 1999 to October 2001. The connection of the consumer was permanently disconnected in October 2001 when the outstandings amount rose to Rs. 45.41 lakh after adjusting security available with the Company. The Company had not taken action against the SDO for accepting part payments and not disconnecting supply of power to the premises of consumers immediately after first default.

Thus, failure of the Company to enforce the penal measures coupled with acceptance of part payments in disregard to the SMI, facilitated the consumers to accumulate outstanding dues of Rs. 45.41 lakh. Further action to recover the amount was awaited (July 2004).

While admitting the facts, the management stated (September 2004) that the case was being processed for recovery as arrears of land revenue. Further developments were awaited (September 2004).

The matter was referred to the Government in March 2004; the reply had not been received (September 2004).

3.11 Inordinate delay in raising the energy bills

Inordinate delay in raising the arrears of energy bills to agricultural consumers resulted in locking up of revenue of Rs. 81.82 lakh besides loss of interest of Rs. 38.79 lakh.

Haryana Vidyut Prasaran Nigam Limited (HVPNL) introduced (May 1998) concessional tariff applicable with effect from (w.e.f.) 1 May 1998 for agricultural pumping supply consumers based on the average depth of tubewells taking block (cluster of villages) as a unit. In order to make true representation of tubewell depth, HVPNL decided (January 1999) that the average depth of the tubewells for the purpose of concessional tariff should be based on a patwar circle instead of block. HVPNL while forwarding the details of patwar circle-wise depth of tubewells, directed (January 1999) its field officers to deliver the revised bills to the affected consumers by 15 February 1999 positively.

Average depth of tubewells in 18 villages of Nilokheri block under Nilokheri sub-division of the Uttar Haryana Bijli Vitran Nigam Limited (Company) was in the depth zone of 100 feet instead of 101 to 150 feet. So higher tariff of Rs. 65 per Brake Horse Power (BHP) w.e.f. May 1998 (revised to Rs. 104 per BHP w.e.f. January 2001) was to be charged. Audit observed (May 2003) that the sub-division did not raise the revised energy bills by 15 February 1999 and continued to charge Rs. 50 per BHP (revised to Rs. 78 w.e.f. January 2001) for depth zone 101 to 150 feet in respect of 1,932 consumers of 18 villages. The sub-division, charged the revised tariff from August 2002 and raised (December 2002) the arrears of energy bills of Rs. 92.32 lakh for May 1998 to July 2002 on these consumers after the delay of 45 months (March 1999 to November 2002). This had caused loss of interest of Rs. 38.79 lakh* from April 1999 to July 2004 on outstanding dues of these bills.

Admitting the facts, the management stated (December 2003) that disciplinary proceeding against the five officers/officials had been initiated (January to September 2003) and recovery of Rs. 10.50 lakh (part payment of Rs. 6.59 lakh from 148 consumers and full payment of Rs. 3.91 lakh from 46 consumers) had been made during May - November 2003. The fact, however, remained that the Company had already been put to loss of interest due to inordinate delay in raising the energy bills, besides non-recovery of balance amount of Rs. 81.82 lakh so far (July 2004). Action against the defaulting officers/officials was yet to be finalised (July 2004).

The matter was referred to the Government in March 2004; the reply had not been received (September 2004).

Dakshin Haryana Bijli Vitran Nigam Limited

3.12 Avoidable loss due to improper storage

Non implementation of the safety measures recommended by the Chief Engineer and improper storage of highly inflammable material caused avoidable loss of Rs. 1.93 crore due to fire in transformer repair workshop, Hisar.

After a fire incident (September 1997) in transformer repair workshop (TRW), Hisar due to short circuiting in LT cable/switch board, the Chief Engineer

* Worked out at 13 *per cent* being the rate applicable to World Bank loan.

(Operation Zone III), Hisar of the erstwhile Haryana State Electricity Board (now Company), *inter alia,* recommended (November 1997) concealed electrical wiring installation of highly sensitive miniature and LT breakers, provision of adequate fire fighting equipments and smoke detectors at strategic points in the TRW. The Chief Engineer also recommended that no oil soaked insulating paper/boards packing be allowed to remain in the TRW.

Audit observed (November 2003) that the management did not take adequate remedial measures to guard against such eventualities in future in the light of the recommendations of the Chief Engineer. On the night of 9-10 July 2003, another fire broke out resulting in complete burning of 26,539 single phase electronic meters valuing Rs. 1.73 crore and 2,944 meter cup boards (MCBs) valuing Rs. 7.36 lakh. The fire incidence also resulted in loss of Rs. 13.04 lakh due to damage of civil and electrical material in workshop.

Investigation Committee (Committee) consisting of the Controller of Stores and Director (Projects) of the Company attributed (July 2003) incidence of fire to electric short circuit and spreading of fire due to presence of transformer oil. The Committee observed that wiring system in the workshop did not conform to specifications required for industrial establishment and fire fighting equipment needed updation. The Committee suggested the storage of such highly inflammable material in a separate store other than workshops or stores with pucca partitions. The Company could not lodge any claim as the material was not insured in view of heavy premium. Responsibility of the officer/officials at fault was not fixed despite exhaustive guidelines issued by the Chief Engineer in November 1997.

Thus, inaction of the management to implement the recommendations of November 1997, followed by storage of highly inflammable materials in workshop caused an avoidable loss of Rs. 1.93 crore on account of damaged material (meters and MCBs: Rs. 1.80 crore and other material: Rs. 13.04 lakh).

The management stated (May 2004) that remedial measures including installation of conduit pipes and highly sensitive miniature breakers and provision of proper fire extinguishers were taken. The reply was not acceptable in view of the aforesaid report (July 2003) of the Investigation Committee.

The matter was referred to the Government in March 2004; the reply had not been received (September 2004).

3.13 Undue benefit to a consumer

Settlement of an energy theft case in violation of the Company's out of court settlement scheme resulted in undue benefit of Rs. 24.65 lakh to a consumer.

The Company introduced (October 2002) a scheme for out of court settlement of cases for consumers whose disputes were pending as on 31 July 2002. The Company clarified (May 2003) that the scheme was not applicable in the cases, which were decided by any court/arbitrator in favour of the Company.

Audit observed (February 2004) that the Company imposed (August 1998) penalty of Rs. 37.79 lakh on Rajgarhia Oil Mills (the consumer) under Model Town sub-division, Hisar for committing theft of energy.

Instead of paying the penalty, the consumer filed (September 1998) a civil suit in a lower court at Hisar, which was decided (October 2001) in favour of the Company. Appeal filed (November 2001) with the District Sessions Judge, Hisar by the consumer was dismissed in June 2002. On an appeal (July 2002) by the consumer, the Punjab and Haryana High Court dismissed (August 2002) the case. The consumer filed (October 2002) revision application in the High Court, which was pending.

On the representation (31 December 2002) of the consumer for out of court settlement of the case, the Company settled (July 2003) the case for Rs. 16.20 lakh (received in August 2003 against the recoverable amount of Rs. 40.85 lakh including surcharge) thereby forgoing Rs. 24.65 lakh over looking the facts that the consumer had already lost the case up to the level of the High Court.

Thus, settlement of an energy theft case in violation of the instructions for out of court settlement scheme, resulted in undue benefit of Rs. 24.65 lakh to the consumer.

The matter was referred to the Government and the Company in May 2004; their replies had not been received (September 2004).

Haryana Power Generation Corporation Limited

3.14 Loss due to non-commissioning of fire protection system

Failure of the Company to synchronise the installation of fire protection system with the commissioning of Unit-VI at Tau Devi Lal Thermal Power Station, Panipat resulted in loss of Rs. 80.36 lakh.

The Company, based on the technical specifications prepared by Tata Consulting Engineers (TCE) placed (March 1999) a purchase order on Bhartiya Caccialanza Fire System, Noida for fire protection and fire alarm system (fire protection system) for Unit-VI at Tau Devi Lal Thermal Power Station at a cost of Rs 2.03 crore. The Company could extend the scope of work to the extent of 20 *per cent* of the contract price. The terms and conditions of purchase order provided that the Company/TCE would supply the base drawings for preparing final design and engineering by the firm. The work was to be completed by January 2000. On completion of fire protection system, the Company was entitled to claim discount of 7.5 *per cent* per annum of the insurance premium.

Detailed design and drawings, which were to be supplied to the supplier up to 27 April 1999, were actually supplied by the TCE in piecemeal during March 1999 to October 2001. The Company/TCE did not assess the requirement of material by preparing detailed drawings. The firm started the work in March 1999 on the basis of tendered drawings. Based on the final drawings, the scope of work* increased from Rs 2.03 crore to Rs 2.92 crore (44 *per cent*).

The firm stopped (June 2001) the work due to non release of payments beyond additional 20 *per cent* of the contract value. The Company commissioned the Unit-VI in September 2001 without commissioning the fire protection system. Payment of Rs 2.38 crore was made to the firm up to February 2002. The work had not been completed so far (July 2004).

Audit observed (May 2003) that:

- In the absence of penalty clause in the agreement, the Company could not penalise the TCE for delay (May 1999 to October 2001) in supply of design and drawings.
- Though the scope of the work had increased beyond 20 *per cent* in October 2001, the Company enhanced the scope of work after a delay of more than two years in November 2003.
- Due to non-commissioning of the fire protection system the entire payment of Rs.2.38 crore remained blocked since February 2002 resulting in interest loss of Rs.66.64# lakh.
- The Company could not avail discount of Rs. 13.72** lakh on insurance premium due to non-commissioning of the fire protection system.

Thus, failure of the Company to synchronise installation of fire protection system with the commissioning of unit VI resulted in loss of Rs.80.36 lakh, besides exposing the unit to the disasters of fire.

The matter was referred to the Government and the Company in August 2004; their replies had not been received (September 2004).

3.15 Deficiencies in implementation of Internal control and internal audit system in power sector companies

Internal control

3.15.1 Internal control is a management tool used to provide reasonable assurance that management's objectives are being achieved in an efficient,

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* On the basis of approved billing schedule by TCE in April 2002.

\# Worked out on Rs.2.38 crore for April 2002 to July 2004 at the rate of 12 *per cent* on loans raised from State Government.

** Discount on premium of Rs. 58.99 lakh, Rs. 59.28 lakh and Rs. 54.37 lakh at 7.5 *per cent plus* service tax for three years ended September 2004.

effective and adequate manner. A good system of internal control should comprise, *inter alia,* proper allocation of functional responsibilities within the organisation, proper operating and accounting procedures to ensure the accuracy and the reliability of accounting data, efficiency in operations and safeguarding of assets, quality of personnel commensurate with their responsibilities and duties and review of the work of one individual by another whereby possibility of fraud or error in the absence of collusion is minimised.

Erstwhile Haryana State Electricity Board (HSEB) was unbundled (August 1998) by transferring generation function to Haryana Power Generation Corporation Limited (HPGCL) and transmission and distribution functions to Haryana Vidyut Prasaran Nigam Limited (HVPNL). The distribution function was further transferred (July 1999) to Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL), both subsidiaries of HVPNL.

Apart from the procedure laid down in commercial accounting system to ensure efficient and effective internal control, HSEB/companies had also issued instructions in this regard from time to time.

Audit observed the following deficiencies in the implementation of internal control.

Embezzlement of sales proceeds

3.15.2 Instructions issued (November 1986) by the erstwhile HSEB provided that Commercial Assistant (CA) should reconcile the cash realisation statements received from the computer centre with the cash collection receipt (CCR) books and sign the statement in token of correctness.

Internal Audit observed (November 2001) that due to non exercising of the prescribed checks by the CAs, the cashiers and other staff of four[#] sub-divisions and one sub-division (Kheri) in Gurgaon and Faridabad operation circles respectively, mis-appropriated Rs. 11.18 lakh by undercasting the totals in cash collection register (Rs. 0.40 lakh), issue of fake stubs[♣] to computer centres for posting in consumer accounts (Rs. 10.55 lakh) and non posting of receipts in the cash book (Rs. 0.23 lakh) during June 1999 to October 2001. Of this, Rs. 2.40 lakh only had been recovered from the delinquents. The Company had registered a case with the police authorities against concerned officials. Further developments were awaited (June 2004). Had the prescribed checks been exercised by the functional authorities, the misappropriation of cash could have been avoided.

Excess/irregular expenditure

3.15.3 Para 2.89 of Public Works Department Code followed by the companies provides that no work can be executed unless detailed technical estimates are got sanctioned by the competent authority. In case the actual

Badshahpur, Farukhnagar, Manesar and Sohna.

♣ Counterfoils of energy bills.

expenditure against the sanctioned estimates exceeds the limit of 5 *per cent,* the same is required to be got regularised from the competent authority.

Audit observed that expenditure of Rs. 9.20 crore on 79 works (HVPNL: 43, UHBVNL: 27 and DHBVNL: nine) was incurred in excess of sanctioned estimates. Expenditure of Rs. 75.93 lakh was incurred on 43 works (HVPNL: eight and UHBVNL: 35) without obtaining the sanction for their estimates from the competent authority.

Non rendering of material at site accounts

3.15.4 The erstwhile HSEB issued (September 1996) instructions which, *inter alia,* provided that no material at site account was to be allowed to go into arrear for more than three months from the due date and in fourth month, the pay of the technical subordinates (Junior Engineers/Foremen/Assistant Foremen) was not to be disbursed unless the accounts were rendered.

Audit observed that though material valuing Rs. 1.65 crore was consumed on 45* works completed up to 31 March 2003, neither the accounts of material were submitted (July 2004) by the concerned technical subordinates nor any action was taken against them.

Audit Committee

3.15.5 In terms of Section 292A of the Companies Act, 1956, each company had constituted a Committee of Directors known as Audit Committee in February/March 2001.

Audit Committee of each company held six meetings (DHBVNL held only two meetings) up to 31 March 2004 wherein no specific recommendations were made to improve/strengthen the internal control in the companies. Audit Committee of HVPNL, however, decided (February 2002) to review the adequacy of the internal control system in vogue and strengthen the system through a core group constituted in April 2002. HVPNL stated (July 2004) that report of the core group was under preparation. Audit Committees of other companies had not taken such action. In their reports under section 619 (3) (a) of the Companies Act, 1956, the Statutory Auditors of UHBVNL (2001-02) and DHBVNL (2002-03) had opined that the functioning of Audit Committees needed to be effective along with strengthening of Internal Audit. They also recommended introduction of a good system for recovery of large dues from consumers.

Comments of Statutory Auditors

3.15.6 The Statutory Auditors in their reports on annual accounts had pointed out that the internal control procedures for the purchase of stores, components, machinery or spare parts needed strengthening to make them commensurate

* HVPNL (three works): Rs. 33.56 lakh, UHBVNL (two works): Rs. 3.96 lakh, DHBVNL (40 works): Rs. 127.71 lakh.

with the size of the companies and nature of their business. The reports also pointed out inadequacy of internal control as follows:

- pending reconciliation of cash and bank balances and inter unit transfers (UHBVNL and DHBVNL 2002-03);
- inadequacies in sale of power as reflected by high distribution losses, high percentage of unmetered consumption and defective/worn out meters, high element of cross subsidisation, poor collection efficiency, inadequate security deposits and recoverables from untraceable consumers (DHBVNL : 2001-03); and
- purchase of stores as the purchase procedure was not followed in some of the divisions/branches (HVPNL: 2001-03).

Internal audit

3.15.7 Internal audit is a part of internal control which is used to detect irregularities, fraud, manipulation and embezzlement etc. and to see whether rules, instructions issued from time to time are being followed or not. In pursuance of instructions (May 1981) of State Government, all the four companies had set up their own Internal Audit Wing headed by the Chief Auditors/Chief Accounts Officer under direct control of Managing Director.

Audit observed that there was shortage of staff in Internal Audit Wing of all the companies ranging between 25 and 67 *per cent* during 1999-2004. The Statutory Auditors in their reports for 2002-03 had termed that the internal audit of the companies was not commensurate with their size and nature of business. Despite being pointed out by Statutory Auditors in their reports on the accounts of UHBVNL (2001-02) and HVPNL (2002-03), companies had not strengthened internal audit. None of the companies had imparted training to internal audit staff to equip them with the latest skills and professional expertise relevant to operation of power utilities.

HVPNL in its reply, endorsed by the Government, stated (August 2004) that Internal Audit Wing would be strengthened by filling up the vacant posts with the approval of the State Government. The proposal for the same had since been sent to the State Government.

Scope of internal audit

3.15.8 The erstwhile HSEB/companies had not prepared Internal Audit Manual. Annual programmes for conducting audit were prepared in the beginning of the year. The quantum for internal audit was fixed as per the nature of operation of auditee units. Internal audit reports were of routine nature and did not contain appraisals of various operations of the companies.

A gist of major findings of internal audit is as follows:

- Under assessment of revenue due to wrong application of tariff, wrong calculation/totaling, non-issue of bills, non-levy of surcharge, incorrect rentals, irregular refunds, unauthorised extension, theft of energy etc.;
- Shortages of missing/broken parts of damaged transformers;
- Deposit work carried out in excess over estimates; and
- Non-recovery of amounts placed in the Public Works Miscellaneous Advances of the employees.

Statutory auditors of UHBVNL in their reports on annual accounts also mentioned that internal audit system did not cover all the areas of audit and the examination and scrutiny was confined only to revenue collection area.

Performance of internal audit

3.15.9 Internal audit of UHBVNL pointed out under assessment of revenue of Rs. 9.47 crore during 2003-04, of which Rs. 8.22 crore was recovered. Similarly, internal audit of DHBVNL pointed out under assessment of revenue of Rs. 13.49 crore during 2002-03, of which Rs. 9.92 crore was recovered.

Delay in issue of inspection reports and inadequate follow-up

3.15.10 Inspection Reports (IRs) approved by the Chief Auditors of the respective companies are to be issued within 30 days of the completion of audit as per norms fixed by the companies. Audit observed that IRs were not issued within the prescribed period. A test check of 124[#] files relating to internal audit conducted during September 1999 to 31 March 2004 revealed that 44 IRs were issued after a delay ranging from one to 501 days.

Deferment of internal audit

3.15.11 The internal audit of the following units of HPGCL was deferred (August 2001) due to shortage of staff by the management.

Sl. No.	Name of Unit	Period of deferred audit
1.	Tau Devi Lal Thermal Power Station, Panipat	April 1989 to March 1990 April 1991 to March 2000
2.	Faridabad Thermal Power Station, Faridabad	April 1988 to March 2000
3.	Hydel Project, Yamuna Nagar	April 1995 to March 2000
4.	Thermal Design, Panchkula	August 1998 to March 2000

The deferred audit had not been planned so far (June 2004). Prolonged deferment of audit had defeated the very purpose of internal audit.

HPGCL: three, HVPNL: 59, UHBVNL: 28, DHBVNL: 34.

Arrears of internal audit

3.15.12 The audit of revenue transactions (relating to operation sub-divisions of distribution companies) was to be conducted on month-to-month basis and works audit on yearly basis. Audit observed that as on 31 March 2004, out of 150[$] units, works audit of 109[@] units was in arrears for the period ranging between one and four years. Average arrears of revenue audit, as on 31 March 2004 worked out to 25.06 months. The management attributed accumulation of arrears to shortage of staff.

Delay in submission of reply to Internal Audit Reports

3.15.13 The auditee units were to submit the first reply within six weeks of the issue of IRs. Audit observed that out of 139[*] IRs issued between September 2000 and March 2004, first reply to 55[**] IRs were received (up to 31 March 2004) after a delay of one to 108[&] weeks. No reply was furnished to the remaining 84[&&] IRs. Audit further observed that 1,121 audit observations pertaining to 139 IRs were still outstanding as on 31 March 2004.

This indicates that there was poor response from auditee units for compliance of audit observations. The companies had not formulated any monitoring system to review the position of outstanding paras.

The matter was referred to the Government and companies in June 2004; reply had only been received from HVPNL (endorsed by the Government) in August 2004. Reply from other companies was still awaited (September 2004).

Statutory corporations

Haryana Financial Corporation

3.16 Non-recovery of loan

Disbursement of loan against inflated collateral security led to non-recovery of Rs. 1.89 crore.

The Corporation sanctioned (January 1996) a term loan of Rs. 66 lakh to Amar Pushp Aqua Private Limited (unit), for setting up a mineral water unit at Roz-ka-meo, Gurgaon with the stipulation that the unit would provide a collateral security of Rs. 19.80 lakh (30 *per cent* of term loan). The unit

$ HPGCL: seven, HVPNL: 37, UHBVNL: 45 and DHBVNL: 61.

@ HPGCL: six, HVPNL: one, UHBVNL: 45 and DHBVNL: 57.

* HPGCL: three, HVPNL: 72, UHBVNL: 30 and DHBVNL: 34.

** HVPNL: 30, UHBVNL: 4, and DHBVNL: 21.

& HVPNL: one to 72 weeks, UHBVNL: seven to 85 weeks, and DHBVNL: 10 to 108 weeks.

&& HPGCL: three, UHBVNL: 26, HVPNL: 42 and DHBVNL: 13.

offered (March 1996) collateral security of a plot (measuring 111.11 square yards at village Kot Khalsa, Amritsar) with an assessed value of Rs. 20 lakh, assessed (March 1996) by the valuer on the panel of the Corporation. To confirm the valuation, Branch Manager (BM) of the Corporation, Gurgaon, visited the site and asked (June 1996) the unit for an additional security in view of downward trend in the value of property. So, the unit offered an adjoining plot (measuring 111.11 square yards) in addition to the already offered plot as collateral security. The BM assessed (June 1996) value of both the plots at Rs. 22.22 lakh without considering the prevalent market price. The Corporation disbursed Rs. 65.18 lakh between August 1996 and September 1997.

Due to default in repayment of loan and interest (Rs. 36.02 lakh), the Corporation recalled (October 1999) the entire outstanding loan of Rs. 84.11 lakh (principal: Rs. 62.75 lakh and interest: Rs. 21.36 lakh). The Corporation took over (January 2000) the possession of the unit under Section 29 of State Financial Corporations Act, 1951. The valuer assessed (February 2000) value of the unit at Rs. 33.75 lakh. The Corporation sold (June 2001) primary security through auction for Rs. 17.76 lakh leaving an unrecoverable balance of Rs. 73.44 lakh. To make up the shortfall, the Corporation obtained (December 2001) the deemed possession of the above two plots and assessed (February 2002) their value at Rs. 2.22 lakh. These plots could not be sold so far (January 2004) because no offer was received despite being put to auction nine times between September 2002 and October 2003.

Audit observed (October 2003) that value of the plots accepted (June 1996) as collateral security had come down from Rs. 22.22 lakh to Rs. 2.22 lakh in February 2002. Thus, acceptance of inflated collateral security rendered (June 2004) the recovery of Rs.1.89 crore (including interest of Rs. 1.26 crore) doubtful.

The management stated (April 2004) that the value of the property assessed was based on the market value and not on the rate fixed by the revenue authorities as per prevailing practice at that time. The reply is not tenable as management had failed to ensure a foolproof system of valuation of collateral security which had led to acceptance of collateral security at a highly inflated value.

The matter was referred to the Government in February 2004; the reply had not been received (September 2004).

3.17 Injudicious disbursement of loan

Irregular disbursement of loan due to relaxation of condition of obtaining 200 *per cent* collateral security of the term loan had put the Corporation to a loss of Rs. 80 lakh.

Destination Family Entertainment (India) Private Limited (unit) applied (November 1997) for sanction of a term loan of Rs. 1.85 crore for setting up sports-cum-entertainment complex at Faridabad on leasehold premises. The

Board of Directors (BOD) considered (December 1997) the proposal and decided that the unit should produce lease deed with a minimum period of 20 years and offer collateral security equivalent to 150 *per cent* of term loan. When the promoters showed their inability to mortgage the lessee rights, BOD increased the collateral security to 200 *per cent* and sanctioned (February 1998) loan of Rs. 1.85 crore.

The unit offered (March 1998) collateral security of a farmland (measuring 81 kanals and 18 marlas in village Dhankot, Gurgaon) valuing Rs. 60 lakh (assessed by the Branch Manager of the Corporation) and two sheds at Kishangarh Mehrauli. The Corporation accepted farmland as collateral security and released (May 1998) Rs.13.83 lakh against *pro rata* eligibility of Rs. 29.98 lakh. The Managing Director (MD) of the Corporation relaxed (7 May 1998) the condition of obtaining 200 *per cent* collateral security and released (19 May 1998) Rs. 44.65 lakh on the request of the unit for making payment of custom duty. The Corporation did not accept (June 1998) sheds at Kishangarh Mehrauli as collateral security since the sheds were acquired on power of attorney. The Corporation did not disburse the balance loan.

The unit started committing default in repayment since November 1999. The Corporation recalled (June 2000) the loan and issued (September 2000) notice under Section 29 of the State Financial Corporations Act, 1951 to take over the possession. During physical verification of the primary security (accepted value of Rs. 99.31 lakh), the Corporation found (28 October 2002) some machinery not available and lodged (4 July 2003) FIR for missing machinery (accepted value Rs. 18.05 lakh). As such, the Corporation did not take possession of the primary security. It took over (5 September 2002) the deemed possession of the collateral security and put to auction the same in October and November 2002 but the property could not be sold (June 2004), as the highest bid was less than the accepted value. As against the outstanding amount of Rs.1.49 crore (principal: Rs.58.48 lakh and interest: Rs. 90.57 lakh) as on November 2003, the Corporation settled (December 2003) the account for Rs.69.16 lakh.

Thus, irregular disbursement of loan at first stage and settlement of loan account arbitrarily had put the Corporation to a loss of Rs. 80 lakh.

While admitting the loss, the management stated (May 2004) that the Corporation offered the unit to avail facility under the scheme of Compromise Settlement of Chronic Non-Performing Assets and settled the loan account for Rs. 69.16 lakh equivalent to assessed value of collateral security.

The matter was referred to the Government in March 2004; the reply had not been received (September 2004).

3.18 Disbursement of loan against fake documents of collateral security

Faulty appraisal procedure caused acceptance of false collateral security not having marketable title, resulting in non-recovery of Rs. 1.25 crore.

The Corporation sanctioned (August 1994 and January 1996) working capital term loan (WCTL) of Rs. 7.90 lakh and additional term loan (ATL) of

Rs. 13.25 lakh to Ashoka Rubber Udyog (unit) for tube manufacturing unit in village Tikri Kheva (district Faridabad). WCTL and ATL were sanctioned despite the unit having committed default in repayment of earlier loan disbursed in December 1991 to June 1992. The terms and conditions of sanctions, *inter alia*, provided that the unit would offer collateral security of land valuing Rs. 18 lakh against WCTL and additional collateral security equivalent to 100 *per cent* of the term loan sanctioned against ATL.

The Corporation accepted land valuing Rs.32.65 lakh in district Amritsar, Punjab as collateral security belonging to the promoter of the unit on the basis of search reports (September 1994 and January 1996) of an advocate of Amritsar. The Corporation disbursed Rs. 11.59 lakh (WCTL: Rs. 7.50 lakh and ATL: Rs. 4.09 lakh) during November 1994 to September 1997 to the unit. Due to persistent default, the Corporation took over (December 1997) the unit under Section 29 of State Financial Corporations Act, 1951 and auctioned (February 2002) it for Rs. 4.95 lakh. During the process of balance recovery of loan, the Corporation discovered (September 2002) that land accepted as collateral security did not exist in the name of the promoter and the advocate on whose search report collateral security was accepted did not exist. The Corporation could not recover overdues from the collateral security in the absence of marketable title to the property.

The facts regarding false and fake collateral security established that the appraisal procedure of the Corporation was faulty as the documents of collateral security were not verified and inspected at the time of sanctioning the loan. Thus, sanction/release of financial assistance to the unit on the basis of fake search reports led to non-recovery of Rs. 1.25 crore (including interest of Rs. 1.03 crore) as on June 2003.

The management admitted (July 2004) that it had started (July 2003) verifying the documents submitted by the borrower in respect of primary and collateral security to avoid such frauds in future.

The matter was referred to the Government in April 2004; the reply had not been received (September 2004).

Haryana Warehousing Corporation

3.19 Loss due to damage of wheat

The Corporation failed to supply preservative material in time and took abnormal time for granting permission for segregating/blending of stocks. This led to loss of Rs. 35.47 lakh on auction of damaged wheat.

The Corporation procures wheat from various mandis in the State allotted by the State Government for Central Pool under the minimum support price scheme and delivers it to Food Corporation of India (FCI). FCI issues instructions to the Corporation either to deliver stocks direct from mandis under linkage plan or to keep the same in its godowns till subsequent instructions. It is the sole responsibility of the Corporation to maintain proper health of wheat till it is delivered to FCI.

The District Manager (DM), Kaithal stored 10,435.39 MT wheat at Pundri centre during Rabi 2000 of which 5,070 MT stock was stored (April and May 2000) in open in 40 stacks. As on 30 May 2000, against the requirement of 40 polythene covers only 25 covers were available. It was only on the arrival of rain, the Manager, Pundri requested (7 June 2000) head office to supply new polythene covers for stocks stored in open, which were received (10 June 2000) at Pundri.

Audit observed (February 2004) that the rainwater and delayed supply of fumigants had damaged the wheat stock. These stocks were inspected by the Assistant Manager (Quality Control), Ambala at the instance of head office in August 2000 and technical staff of DM Kaithal in February 2001. They reported that stocks stored in open were found in atta formation and water affected. The DM, Kaithal reiterated his request for segregation and blending of stock in July 2002. The Corporation granted the permission only in August 2002. The Pundri centre delivered 9,590.05 MT stock (including 2,843.89 MT after reconditioning/ segregation) to FCI between September 2000 and June 2003. The remaining stock of 845.34 MT wheat was auctioned (August 2003) at a loss of Rs. 35.47 lakh.

The management while admitting the loss stated (August 2004) that the quality of stock deteriorated not due to non-availability of preservation material but due to negligence of technical staff and disciplinary action had been initiated against the concerned officials.

The reply was not tenable as the delay in providing preservation material and granting permission for segregating/blending of damaged wheat also contributed to deterioration in quality of stocks.

The matter was referred to the Government in August 2004; the reply had not been received (September 2004).

General

3.20 Delay in finalisation of accounts by working PSUs

Statutory provisions for finalisation of accounts

3.20.1 According to the provisions of Section 210(3) read with Section 166 of the Companies Act, 1956, audited accounts of a company should be approved and placed in the Annual General Meeting (AGM) of the shareholders within six months of the close of its financial year. Further, as per provisions of Section 619 A (3) of the Act, ibid, the State Government should place an Annual Report on the working and affairs of each State Government company together with a copy of the Audit Report and comments thereon made by the Comptroller and Auditor General of India (CAG) before the State Legislature within three months of its AGM. In case of Statutory corporations, their accounts are to be finalised, audited and presented to the State Legislature as per the provisions of their respective Acts.

Management's/Government's responsibility for preparation of accounts

3.20.2 Under the provisions of Section 210(1) read with Section 216 and 218 of the Companies Act, 1956, the Board of Directors (BOD) of a company is required to lay in every AGM an audited copy of the annual accounts i.e. balance sheet and profit and loss account for the financial year along with the Auditors Report and other specified annexures. In case of Statutory corporations the accounts are to be prepared as per provisions of their respective Acts.

Therefore, it was the responsibility of the management of respective PSUs to finalise the accounts in time. The Administrative Departments concerned have also to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period.

Procedure for finalisation of accounts

3.20.3 The annual accounts prepared by the companies are approved by its BOD and are audited by the Statutory Auditors appointed by the CAG. As per provisions of Section 619(4) of the Companies Act, 1956, the CAG conducts supplementary audit of the accounts of the Companies. Such accounts along with the comments of the CAG and report of the Statutory Auditors are placed before the AGM of the companies for adoption.

Risk involved due to delay in finalisation of accounts

3.20.4 The finalised accounts of the public sector undertakings (PSUs) reflect their overall financial health and efficiency to conduct their business. If PSUs fail to finalise the accounts in time, CAG cannot conduct the supplementary audit of the accounts of the PSUs and thus Government's investments remain outside the scrutiny of the State Legislature. Besides, delay also opens the system to risk of fraud and leakage of public money.

Extent of arrears

3.20.5 As on 31 March 2004, there were 27 Government companies (19 working companies and eight non-working companies) and two Statutory corporations (all working). Out of 19 working Government companies and two Statutory corporations, only five companies and one Statutory corporation had finalised their accounts for the year 2003-04 as on 30 September 2004. The accounts of remaining 14 working Government companies and one

Statutory corporation were in arrears for one to six years as on 30 September 2004.

Out of eight non-working companies, two companies are under liquidation. None of the remaining six non-working companies had finalised their accounts for the year 2003-04 and were in arrears for one to four years as on 30 September 2004.

Comparative position of clearance of arrears

3.20.6 The table given below indicates the position of number of accounts in arrear and clearance thereof (up to September in each year) during the last five years ending 2003-04.

Year	Total number of accounts due		Number of accounts cleared		Closing balance of accounts in arrear		Percentage of accounts cleared to accounts due	
	Companies	Corporations	Companies	Corporations	Companies	Corporations	Companies	Corporations
1999-2000	66	5	23	2	43	3	35	40
2000-01	65	5	26	3	39	2	40	60
2001-02	61	4	25	2	36	2	41	50
2002-03	55	4	23	2	32	2	42	50
2003-04	51	4	17	2	34	2	33	50

The above table reveals that the percentage of clearance of arrears of accounts ranged between 33 and 42 *per cent* for Government companies and between 40 and 60 *per cent* for Statutory corporations.

The accounts of four companies were in arrears for four years and above as on 30 September 2004.

The detailed position of delay in finalisation of accounts by six PSUs (test checked in audit) and holding of AGM is detailed in **Annexure 10**.

The position of delay indicated in **Annexure 10** is summarised below:

Name of the Company	No. of accounts finalised during 1999-2004	No. of accounts in arrear	Range of delay in months	
			Finalisation of accounts	Holding of AGM
Haryana Forest Development Corporation Limited	3	6	50-66	55-71
Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited	5	5	29-44	39-57
Haryana Tourism Corporation Limited	3	4	41-44	46-48
Haryana Scheduled Castes Finance and Development Corporation Limited	5	4	30-45	34-43
Haryana Power Generation Corporation Limited	4	2	7-18	18-23
Haryana Financial Corporation	4	2	4-21	-

Factors responsible for delay/arrears

The management attributed the delay in finalisaiton of accounts to:

- Shortage of experienced and qualified staff (Haryana Forest Development Corporation Limited and Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited).

- Delayed certification of accounts by Statutory Auditors for 1998-99 (Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited) and 1999-2000 (Haryana Financial Corporation).

- Dispute with Statutory Auditors for 1997-98 leading to cancellation of their appointment (Haryana Tourism Corporation Limited).

- Large volume of work involved (Haryana Scheduled Castes Finance and Development Corporation Limited).

- Non-reconciliation of figures of inventory and schedules appearing in the books of accounts of thermal power stations (Haryana Power Generation Corporation Limited) for the year 2001-02.

- Delayed appointment and change of Statutory Auditors (Haryana Financial Corporation) for the year 2001-02.

Weakness in accounting management set up and functions

Accounts system

3.20.7 Accounts Manual contains guidelines and instructions for maintenance and preparation of accounts and acts as a vital document in guiding the efforts of the organisational units towards timely preparation of accounts in a uniform reporting format.

Audit observed that out of six PSUs test checked in audit, four* PSUs had not initiated any action for preparation of Accounts Manual. Two@ PSUs, though prepared Accounts Manual 15 years ago, had not updated the same thereafter.

Absence of trained staff

3.20.8 Though Haryana Forest Development Corporation Limited and Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited attributed the delay in compilation of accounts to lack of trained staff, yet no efforts were made to provide any training to overcome the deficiency.

* Haryana Forest Development Corporation Limited, Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited, Haryana Scheduled Castes Finance and Development Corporation Limited and Haryana Power Generation Corporation Limited.

@ Haryana Tourism Corporation Limited and Haryana Financial Corporation.

System of supervision

3.20.9 In accounting functions, supervision of work of maintenance of books of accounts and other related work is a necessary control mechanism to ensure timeliness and quality of the work. None of the above PSUs test checked in audit had prescribed any time schedule at various levels for timely preparation of the accounts.

Steps taken by the State Government

3.20.10 The State Government exercises its control over the PSUs through the concerned Administrative/Finance Department. In terms of the Memorandum and Articles of Association of the companies, the Government had the power to issue directives in the interest of companies. Besides, most of directors of the PSUs are nominees of the State Government. So, in case of failure of the PSUs to finalise their accounts, the Government was expected to take concrete steps to ensure that the accounts of the PSUs are finalised in time. Despite the position of arrears being pointed out by the Audit regularly to the Administrative departments, State Government had not taken concrete steps to liquidate the arrears in accounts.

Assistance provided by audit for liquidation of arrears

3.20.11 In order to expedite the clearance of pending accounts, discussions were held (December 2003) by the Accountant General with the Principal Secretary to Government of Haryana, Finance Department assuring of mediation in case of any difficulty with the Statutory Auditors. Matter was also taken up (February 2004) with the Chairman, Committee on Public Undertakings for directing the Administrative departments/companies to expedite the clearance of arrears in accounts and offering assistance in clearance of accounts.

The matter was referred to the companies and the Government in May 2004; their replies had not been received (September 2004).

3.21 Follow up action on Audit Reports

Outstanding replies

3.21.1 The Comptroller and Auditor General of India's Audit Reports represent culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in the various offices and departments of Government. It is, therefore, necessary that they elicit appropriate and timely response from the executive. Finance Department, Government of Haryana issued (July 1996) instructions to all Administrative Departments to submit replies to paragraphs/reviews included in the Audit Reports within a period of three months of their presentation to the Legislature in the prescribed format, without waiting for any questionnaires.

Though the Audit Reports for the years 2000-01, 2001-02 and 2002-03 were presented to the State Legislature in March 2002, March 2003 and February 2004 respectively, seven out of nine departments, which were commented upon, did not submit replies to 32 out of 58 paragraphs/reviews as on 31 March 2004, as indicated below:

Year of the Audit Report (Commercial)	Number of Reviews/ Paragraphs appeared in Audit Report		Number of paragraphs/reviews for which replies were not received	
	Reviews	Paragraphs	Reviews	Paragraphs
2000-01	4	16	2	5
2001-02	2	14	-	10
2002-03	3	19	2	13
Total	**9**	**49**	**4**	**28**

Department-wise analysis is given in **Annexure 11**. Departments largely responsible for non-submission of replies were Power, Industries and Agriculture. The Government did not respond to even reviews highlighting important issues like system failure, mismanagement and inadequacy of recovery system.

Outstanding compliance to Reports of Committee on Public Undertakings (COPU)

3.21.2 Replies to 15 paragraphs pertaining to 11 Reports of the COPU presented to the State Legislature between March 1995 and February 2004 had not been received (March 2004) as indicated below:

Year of the COPU Report	Total number of Reports involved	No. of paragraphs where replies not received
1994-95	2	3
1996-97	2	1
2000-01	3	3
2002-03	2	3
2003-04	2	5
Total	**11**	**15**

These reports of COPU contained recommendations in respect of paragraphs pertaining to six[@] departments which appeared in the Comptroller and Auditor General of India's Audit Reports for the year 1990-91 to 1999-2000.

Action taken on the persistent irregularities

3.21.3 With a view to assist and facilitate discussion of paras of persistent nature by the State COPU, an exercise has been carried out to verify the extent

[@] Power (eight), Industry (one), Mines and Geology (two), Forest (one), Tourism (two) and Agriculture (one).

of corrective action taken by the concerned auditee organisation and results thereof are indicated in **Annexures 12** and **13.**

Government companies

Irregularities in disbursement of loan without verifying title of collateral security and acceptance of defective/inflated collateral security amounting to Rs. 10.78 crore (Haryana State Industrial Development Corporation Limited) and in non-invoking risk purchase clause amounting to Rs. 2.30 crore (Power Sector companies/ erstwhile Haryana State Electricity Board) were included in the Reports of the Comptroller and Auditor General of India for the years 1997-98 to 2002-03 (Commercial)-Government of Haryana. The irregularities were persisting with the companies over the period ranging from three to six years. Action taken by the companies/State Government on the irregularities as scrutinised in audit revealed that action taken was belated and inadequate as per details given in **Annexure 12**.

Statutory corporations

The irregularities of non-verification of assets before disbursement of loan, defective title of collateral security, acceptance of fraudulently inflated, unrealistic and insufficient collateral security amounting to Rs.5.83 crore (Haryana Financial Corporation) were included in the Reports of Comptroller and Auditor General of India from the year 1995-96 to 2002-03 (Commercial)-Government of Haryana. The irregularities were persisting with the Corporation over the period of eight years. Action taken by the Corporation/State Government on the irregularities as scrutinised in audit revealed that action taken was belated and inadequate as per details given in **Annexure 13**.

3.22 Response to Inspection Reports, Draft paragraphs and Reviews

Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of State Government 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 2004 pertaining to 21 PSUs and Haryana State Regulatory Electricity Commission disclosed that 635 paragraphs relating to 312 Inspection Reports remained outstanding at the end of September 2004. Department-wise break up of Inspection Reports and audit observations outstanding as on 30 September 2004 is given in **Annexure 14.**

Similarly, draft paragraphs and reviews on the working of PSUs 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. Audit observed that 18 draft paragraphs and two draft reviews forwarded to the various departments during February to August 2004 as detailed in **Annexure 15** had not been replied to so far (September 2004).

It is recommended that the Government should ensure that (a) procedure exists for action against the officials who failed to send replies to Inspection Reports/draft paragraphs/reviews as per the prescribed time schedule; (b) action to recover loss/outstanding advances/overpayment is taken within prescribed time; and (c) the system of responding to the audit observations is revamped.

Chandigarh
Dated 22 FEB 2005

(Ashwini Attri)
Accountant General (Audit) Haryana

Countersigned

New Delhi
Dated 01 MAR 2005

(Vijayendra N. Kaul)
Comptroller and Auditor General of India

ANNEXURES

ANNEXURE-1

Statement showing particulars of up to date paid-up capital, equity/loans received out of budget and loans outstanding as on 31 March 2004 in respect of Government companies and Statutory corporations

(Referred to in paragraphs 1.3, 1.4, 1.5, 1.16)

(Figures in column 3 (a) to 4 (f) are Rupees in lakh)

Sl. No.	Sector & name of the Company	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year*	Loans** outstanding at the close of 2003-04			Debt equity ratio for 2003-04 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Govt.	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
A. Working Government Companies													
AGRICULTURE & ALLIED													
1.	Haryana Agro Industries Corporation Limited	253.83	160.21	-	-	414.04	-	-	-	-	353.86	353.86	0.85 : 1 (1.04 : 1)
2.	Haryana Land Reclamation and Development Corporation Limited	136.64	-	-	19.66	156.30	-	-	-	-	-	-	-
3.	Haryana Seeds Development Corporation Limited	275.87 ^	111.50	-	98.54 (10.72)	485.91 (10.72)	-	-	-	125.00	-	125.00	0.26 : 1 (0.36 : 1)
Sector wise total		**666.34**	**271.71**	-	**118.20 (10.72)**	**1056.25 (10.72)**	-	-	-	**125.00**	**353.86**	**478.86**	**0.45 : 1 (0.58 : 1)**
INDUSTRY													
4.	Haryana State Industrial Development Corporation Limited	6781.53 (2070.46)	-	-	-	6781.53 (2070.46)	0.20	-	12695.00	19.00	23691.00	23710.00	3.50 : 1 (3.86 : 1)
Sector wise total		**6781.53 (2070.46)**	-	-	-	**6781.53 (2070.46)**	**0.20**	-	**12695.00**	**19.00**	**23691.00**	**23710.00**	**3.50 : 1 (3.86 : 1)**
ENGINEERING													
5.	Haryana Roadways Engineering Corporation Limited	200.00	-	-	-	200.00	-	-	3204.00	-	8779.00	8779.00	43.90 : 1 (39.09 : 1)
Sector wise total		**200.00**	-	-	-	**200.00**	-	-	**3204.00**	-	**8779.00**	**8779.00**	**43.90 : 1 (39.09 : 1)**

Sl. No.	Sector & name of the Company	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year*	Loans** outstanding at the close of 2003-04			Debt equity ratio for 2003-04 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Govt.	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
ELECTRONICS													
6.	Haryana State Electronics Development Corporation Limited	780.76	-	-	-	780.76	-	-	-	-	-	-	-
7.	Hartron Informatics Limited@	-	-	50.00	-	50.00	-	-	-	-	-	-	-
Sector wise total		**780.76**	-	**50.00**	-	**830.76**	-	-	-	-	-	-	-
FOREST													
8.	Haryana Forest Development Corporation Limited	20.03	-	-	-	20.03	-	-	-	-	-	-	-
Sector wise total		**20.03**	-	-	-	**20.03**	-	-	-	-	-	-	-
MINING													
9.	Haryana Minerals Limited@	-	-	24.04	-	24.04	-	-	-	-	-	-	-
Sector wise total		-	-	**24.04**	-	**24.04**	-	-	-	-	-	-	-
CONSTRUCTION													
10.	Haryana Police Housing Corporation Limited	2500.00	-	-	-	2500.00	-	-	-	-	657.56	657.56	0.26 : 1 (0.38 : 1)
11.	Haryana State Roads and Bridges Development Corporation Limited	7060.23 (2060.23)	-	-	-	7060.23 (2060.23)	2300.00	-	13723.00	-	30530.00	30530.00	4.32 : 1 (4.13 : 1)
Sector wise total		**9560.23 (2060.23)**	-	-	-	**9560.23 (2060.23)**	**2300.00**	-	**13723.00**	-	**31187.56**	**31187.56**	**3.26 : 1 (2.84 : 1)**
DEVELOPMENT OF ECONOMICALLY WEAKER SECTION													
12.	Haryana Scheduled Castes Finance & Development Corporation Limited	1568.87 (20.00)	1368.58	-	-	2937.45 (20.00)	20.00	-	93.00	53.79	575.00	628.79	0.21 : 1 (0.02 : 1)

Sl. No.	Sector & name of the Company	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year*	Loans** outstanding at the close of 2003-04			Debt equity ratio for 2003-04 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Govt.	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
13.	Haryana Backward Classes & Economically Weaker Section Kalyan Nigam Limited	945.99 (50.00)	-	-	-	945.99 (50.00)	50.00	-	561.22	-	2337.86	2337.86	2.47 : 1 (2.42 : 1)
14.	Haryana Women Development Corporation Limited	499.72	109.98	-	-	609.70	35.00	-	-	-	-	-	-
Sector wise total		**3014.58 (70.00)**	**1478.56**	**-**	**-**	**4493.14 (70.00)**	**105.00**	**-**	**654.22**	**53.79**	**2912.86**	**2966.65**	**0.66 : 1 (0.51 : 1)**
TOURISM													
15.	Haryana Tourism Corporation Limited	1805.32 (146..34)	-	-	-	1805.32 (146.34)	146.34√	-	-	-	-	-	-
Sector wise total		**1805.32 (146..34)**	**-**	**-**	**-**	**1805.32 (146.34)**	**146.34**	**-**	**-**	**-**	**-**	**-**	**-**
POWER													
16.	Haryana Power Generation Corporation Limited	44016.07 (29006.00)	-	-	-	44016.07 (29006.00)	9804.00	-	83222.00	2129.60	221134.18	223263.78	5.07 : 1 (4.87 : 1)
17.	Haryana Vidyut Prasaran Nigam Limited	54936.07 (350.00)	-	-	-	54936.07 (350.00)	350.00	783.00	20816.00	46469.00	198631.00	245100.00	4.46 : 1 (4.69 : 1)
18.	Uttar Haryana Bijli Vitran Nigam Limited @	11655.06 (157.00)	-	54698.55	-	66353.61 (157.00)	157.00	3515.25	42208.24	9673.53	81035.88	90709.41	1.37:1 (1.33: 1)
19.	Dakshin Haryana Bijli Vitran Nigam Limited @	8728.06 (156.00)	-	43727.35	-	52455.41 (156.00)	156.00	4481.00	6667.00	9128.00	17063.00	26191.00	0.50 : 1 (0.89 : 1)
Sector wise total		**119335.26 (29669.00)**	**-**	**98425.90**	**-**	**217761.16 (29669.00)**	**10467.00**	**8779.25**	**152913.24**	**67400.13**	**517864.06**	**585264.19**	**2.69 : 1 (2.68 : 1)**
Total A (All sector wise Government companies)		**142164.05 (34016.03)**	**1750.27**	**98499.94**	**118.20 (10.72)**	**242532.46 (34026.75)**	**13018.54**	**8779.25**	**183189.46**	**67597.92**	**584788.34**	**652386.26**	**2.69 : 1 (2.67 : 1)**

Sl. No.	Sector & name of the Company	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year*	Loans** outstanding at the close of 2003-04			Debt equity ratio for 2003-04 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Govt.	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
B. Statutory corporations													
FINANCING													
1.	Haryana Financial Corporation	2527.67	-	-	564.64	3092.31	-	-	637.00	-	37793.00	37793.00	12.22:1 (14.61 : 1)
Sector wise total		**2527.67**	**-**	**-**	**564.64**	**3092.31**	**-**	**-**	**637.00**	**-**	**37793.00**	**37793.00**	**12.22 : 1 (14.61 : 1)**
AGRICULTURE AND ALLIED													
2.	Haryana Warehousing Corporation	292.04	292.04	-	-	584.08	-	-	-	-	1010.00	1010.00	1.73 : 1 (1.83 : 1)
Sector wise total		**292.04**	**292.04**	**-**	**-**	**584.08**	**-**	**-**	**-**	**-**	**1010.00**	**1010.00**	**1.73 : 1 (1.83 : 1)**
Total B (All sector wise Statutory Corporations		**2819.71**	**292.04**	**-**	**564.64**	**3676.39**	**-**	**-**	**637.00**	**-**	**38803.00**	**38803.00**	**10.55 : 1 (12.58 : 1)**
Grand total (A+B)		**144983.76 (34016.03)**	**2042.31**	**98499.94**	**682.84 (10.72)**	**246208.85 (34026.75)**	**13018.54**	**8779.25**	**183826.46**	**67597.92**	**623591.34**	**691189.26**	**2.81 : 1 (2.83 : 1)**
C. NON-WORKING GOVERNMENT COMPANIES													
AGRICULTURE AND ALLIED													
1.	Haryana Dairy Development Corporation Limited***	-	-	-	-	-	-	-	-	-	-	-	-
2.	Haryana State Minor Irrigation and Tubewells Corporation Limited	1089.10	-	-	-	1089.10	-	-	-	2370.12	-	2370.12	2.18 : 1 (2.18 : 1)
Sector wise total		**1089.10**	**-**	**-**	**-**	**1089.10**	**-**	**-**	**-**	**2370.12**	**-**	**2370.12**	**2.18 : 1 (2.18 : 1)**
INDUSTRY													
3.	Haryana Tanneries Limited	117.15	-	-	18.00	135.15	-	-	0.12	253.19	103.91	357.10	2.64 : 1 (2.64 : 1)
4.	Punjab State Irons Limited	7.45 (7.05)	-	-	-	7.45 (7.05)	-	-	-	-	-	-	-
5.	Haryana Concast Limited@	290.00	-	340.51	54.99	685.50	-	-	-	139.00	230.00	369.00	0.54 : 1 (0.54 : 1)

Sl. No.	Sector & name of the Company	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year*	Loans** outstanding at the close of 2003-04			Debt equity ratio for 2003-04 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Govt.	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
6.	Haryana State Small Industries and Export Corporation Limited	181.48	10.00	-	-	191.48	-	-	-	1122.36	-	1122.36	5.86 : 1
7.	Haryana State Housing Finance Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-
Sector wise total		**596.08 (7.05)**	**10.00**	**340.51**	**72.99**	**1019.58 (7.05)**	**-**	**-**	**0.12**	**1514.55**	**333.91**	**1848.46**	**1.81 : 1 (0.71 : 1)**
HANDLOOM & HANDICRAFTS													
8.	Haryana State Handloom and Handicrafts Corporation Limited	265.17	30.00	-	-	295.17	-	-	-	122.50	-	122.50	0.42 : 1 (0.42 : 1)
Sector wise total		**265.17**	**30.00**	**-**	**-**	**295.17**	**-**	**-**	**-**	**122.50**	**-**	**122.50**	**0.42 : 1 (0.42 : 1)**
Total - C		**1950.35 (7.05)**	**40.00**	**340.51**	**72.99**	**2403.85 (7.05)**	**-**	**-**	**0.12**	**4007.17**	**333.91**	**4341.08**	**1.81 : 1 (1.34 : 1)**
Grand Total (A+B+C)		**146934.11$ (34023.08)**	**2082.31**	**98840.45**	**755.83 (10.72)**	**248612.70 (34033.80)**	**13018.54**	**8779.25**	**183826.58**	**71605.09**	**623925.25**	**695530.34**	**2.80 : 1 (2.81 : 1)**

Note: Except in respect of companies/corporations, which finalised their accounts for 2003-04 figures are provisional and as given by the companies/corporations. Figures in brackets in column 3(a) to 3(e) indicate share application money.

* Includes bonds, debentures, inter corporate deposits etc.

** Loans outstanding at the close of 2003-04 represents long-term loans only.

*** The Company was under liquidation since 28 February 2001. A sum of Rs. 39.41 lakh out of Rs. 557.48 lakh was repaid to State Government on 21 June 2001 and the case is pending for striking off the name of the Company from the register of Registrar of Companies.

@ Subsidiary companies.

^ As per Finance Account (Statement 14) the equity share capital is Rs. 274.87 lakh however, as per Company's Account it is Rs. 275.87 lakh. The difference of rupees one lakh is due to inclusion of this amount under the head State Government though the amount pertains to Haryana Agricultural University, Hisar.

$ The figure as per Finance Accounts is Rs. 1,50,359.12 lakh, the difference is under reconciliation.

√ Rs. 19.60 lakh received in cash and Rs. 126.74 lakh against commercial buildings taken over from tourism department of State Government, during the year 2003-04.

ANNEXURE-2

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

(Referred to in paragraphs 1.6, 1.7, 1.8, 1.19, 1.20)

(Figures in columns 7 to 12 and 15 are Rupees in lakh)

Sl. No.	Sector and name of the Company	Name of Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit(+)/ loss (-)	Capital employed#	Total return on capital employed$	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover (Rupees in lakh)	Manpower (No. of employees) (as on 31.3.2004)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
A. Working Government companies															
AGRICULTURE AND ALLIED															
1.	Haryana Agro Industries Corporation Limited	Agriculture	30 March 1967	2002-03	2003-04	(+) 8.58	-	414.04	(+) 1899.09	(+) 58640.26	(+) 9201.92	15.69	1	76142.12	372
2.	Haryana Land Reclamation and Development Corporation Limited	-do-	27 March 1974	2003-04	2004-05	(+) 16.17	-	156.30	(+) 765.90	(+) 1013.11	(+) 33.40	3.30	-	6151.92	229
3.	Haryana Seeds Development Corporation Limited	-do-	12 September 1974	2003-04	2004-05	(+) 97.74	-	485.91	(+) 272.55	(+) 1568.93	(+) 135.33	8.63	-	3322.10	417
Sector wise total						**(+)122.49**	**-**	**1056.25**	**(+)2937.54**	**(+) 61222.30**	**(+)9370.65**	**15.31**		**85616.14**	**1018**
INDUSTRY															
4.	Haryana State Industrial Development Corporation Limited	Industry	8 March 1967	2003-04	2004-05	(+) 519.29	Overstatement of profit by Rs. 90.94 lakh	6781.53	(+) 918.26	(+) 36032.89	(+) 1960.37	5.44	-	2945.40	467
Sector wise total						**(+) 519.29**	**-**	**6781.53**	**(+) 918.26**	**(+) 36032.89**	**(+) 1960.37**	**5.44**		**2945.40**	**467**
ENGINEERING															
5.	Haryana Roadways Engineering Corporation Limited	Transport	27 November 1987	2001-02	2003-04	(+) 11.08	Overstatement of profit by Rs. 73.63 lakh	200.00	(+) 93.60	(+) 6972.80	(+) 636.86	9.13	2	6150.05	171
Sector wise total						**(+) 11.08**	**-**	**200.00**	**(+) 93.60**	**(+) 6972.80**	**(+) 636.86**	**9.13**	**-**	**6150.05**	**171**

Sl. No.	Sector and name of the Company	Name of Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit(+)/ loss (-)	Capital employed#	Total return on capital employed$	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover (Rupees in lakh)	Manpower (No. of employees) (as on 31.3.2004)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
ELECTRONICS															
6.	Haryana State Electronics Development Corporation Limited	Electronics	15 May 1982	2001-02	2002-03	(+) 207.29	Nil	780.76	(+) 675.45	(+) 1335.79	(+) 207.29	15.52	2	895.79	297
7.	Hartron Informatics Limited@	- do -	8 March 1995	2002-03	2003-04	(+) 12.60	Nil	50.00	(+) 45.15	(+) 95.08	(+) 12.60	13.25		166.35	-
				2003-04	2004-05	(+) 3.61	Non-Review Certificate	50.00	(+) 48.70	(+) 98.67	(+) 3.61	3.66	-	238.37	-
Sector wise total						**(+)210.90**	-	**830.76**	**(+) 724.15**	**(+) 1434.46**	**(+)210.90**	**14.70**	-	**1134.16**	**297**
FOREST															
8.	Haryana Forest Development Corporation Limited	Forest	7 December 1989	1997-98	2004-05	(+) 85.39	Understatement of liabilities and overstatement of profit by Rs. 6.27 lakh	60.46	(+) 205.29	(+) 266.28	(+) 85.39	32.07	6	1164.33	115
Sector wise total						**(+) 85.39**	-	**60.46**	**(+) 205.29**	**(+) 266.28**	**(+) 85.39**	**32.07**		**1164.33**	**115**
MINING															
9.	Haryana Minerals Limited@	Mining and Geology	2 December 1972	2001-02	2003-04	(-) 133.76	Nil	24.04	(-) 677.35	(-) 396.97	(-) 110.77	-	-	769.66	1
				2002-03	2003-04	(-) 181.39	Non-Review Certificate	24.04	(-) 858.74	(-) 578.35	(-) 172.00	-	-	90.59	1
				2003-04	2004-05	(-) 88.66	Non-Review Certificate	24.04	(-) 947.40	(-) 667.02	(-) 78.39	-	-	0.55	1
Sector wise total						**(-) 88.66**		**24.04**	**(-) 947.40**	**(-) 667.02**	**(-) 78.39**	-	-	**0.55**	**1**
CONSTRUCTION															
10.	Haryana Police Housing Corporation Limited	Home	29 December 1989	2001-02	2002-03	¶	Nil	2500.00	-	-	-	-	2	1695.43	147
11.	Haryana State Roads and Bridges Development Corporation Limited	PWD(B &R)	13 May 1999	2002-03	2003-04	(-) 58.47	-	4760.23	(-) 52.33	(+) 31374.40	(-) 58.47	-	1	579.12	-
Sector wise total						**(-) 58.47**		**7260.23**	**(-) 52.33**	**(+) 31374.40**	**(-) 58.47**	-		**2274.55**	**147**

Sl. No.	Sector and name of the Company	Name of Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit(+)/ loss (-)	Capital employed#	Total return on capital employed$	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover (Rupees in lakh)	Manpower (No. of employees) (as on 31.3.2004)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
DEVELOPMENT OF ECONOMICALLY WEAKER SECTION															
12	Haryana Scheduled Castes Finance and Development Corporation Limited	Scheduled Castes and Backward Classes Welfare	2 January 1971	1999-2000	2004-05	(+) 20.67	-	2782.45	(-) 579.90	(+) 4376.47	(+) 56.29	1.29	4	219.38	242
13.	Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited	-do-	10 December 1980	1998-99	2003-04	(-) 65.52	Understatement of loss by Rs. 295.04lakh.	815.99	(-) 377.09	(+) 1678.08	(-) 22.62	-	5	33.17	75
14.	Haryana Women Development Corporation Limited	Women and Child Development	31 March 1982	2001-02	2004-05	(+) 22.28	Understatement of loss by Rs. 55.86 lakh.	494.70	(+) 0.62	(+) 495.33	(+) 22.28	4.50	2	14.74	71
Sector wise total						**(-) 22.57**		**4093.14**	**(-) 956.37**	**(+) 6549.88**	**(+) 55.95**	**0.85**		**267.29**	**388**
TOURISM															
15.	Haryana Tourism Corporation Limited	Tourism and Public Relations	1 May 1974	1999-2000	2004-05	(-) 111.94	-	1439.50	(+) 470.40	(+) 2105.46	(-) 111.94	-	4	10065.82	2049
Sector wise total						**(-) 111.94**	-	**1439.50**	**(+) 470.40**	**(+) 2105.46**	**(-) 111.94**	-		**10065.82**	**2049**
POWER															
16.	Haryana Power Generation Corporation Limited	Power	17 March 1997	2001-02	2004-05	*	-	21345.07	(-) 5191.14	(+) 155387.74	(+) 11771.45	7.58	2	97929.36	4552
17.	Haryana Vidyut Prasaran Nigam Limited	-do-	19 August 1997	2002-03	2003-04	(+) 471.87	-	54586.07	(-) 24842.08	(+) 137062.85	(+) 26049.02	19.01	1	373529.13	5239
18.	Uttar Haryana Bijli Vitran Nigam Limited	-do-	15 March 1999	2002-03	2003-04	(+) 1030.96	Overstatement of profit by Rs. 12.89 lakh	66196.61	(-) 28376.21	(+) 123521.77	(+) 9548.09	7.73	1	199691.87	15228
19.	Dakshin Haryana Bijli Vitran Nigam Limited	-do-	15 March 1999	2002-03	2003-04	(+) 1145.71	-	52299.41	(-) 40235.79	(+) 67663.74	(+) 5894.56	8.71	1	181840.23	11666
Sector wise total						**(+) 2648.54**		**194427.16**	**(-) 98645.22**	**(+) 483636.10**	**(+) 53263.12**	**11.01**		**852990.59**	**36685**
Total A (Working Govt. Companies)						**(+) 3316.05**		**216173.07**	**(-) 95252.08**	**(+) 628927.55**	**(+) 65334.44**	**10.39**		**962608.88**	**41338**

Sl. No.	Sector and name of the Company	Name of Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit(+)/ loss (-)	Capital employed#	Total return on capital employed$	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover (Rupees in lakh)	Manpower (No. of employees) (as on 31.3.2004)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
B.	**Statutory Corporations**														
FINANCING															
1.	Haryana Financial Corporation	Industry	1 April 1967	2001-02	2004-05	(-) 687.00	Under audit	3179.97	(-) 9166.16	(+)53763.89	(+) 5581.14	10.44	2	6303.42	317
Sector wise total						**(-) 687.00**		**3179.97**	**(-) 9166.16**	**(+) 53763.89**	**(+) 5581.14**	**10.44**		**6303.42**	**317**
AGRICULTURE AND ALLIED															
2.	Haryana Warehousing Corporation	Agriculture	1 November 1967	2003-04	2004-05	(+) 1391.81	Under audit	584.08	(+) 0.15	(+) 35833.87	(+) 1391.81	3.88	-	2988.53	991
Sector wise total		-				**(+) 1391.81**	-	**584.08**	**(+) 0.15**	**(+) 35833.87**	**(+) 1391.81**	**3.88**		**2988.53**	**991**
Total B (Statutory corporations)						**(+) 704.81**	-	**3764.05**	**(-) 9166.01**	**(+) 89597.76**	**(+) 6972.95**	**7.78**		**9291.95**	**1308**
Grand Total (A+B)						**(+) 4020.86**	-	**219937.12**	**(-) 104418.09**	**(+) 718525.31**	**(+) 72307.39**	**10.06**		**971900.83**	**42646**
C. Non Working Companies															
AGRICULTURE AND ALLIED															
1	Haryana Dairy Development Corporation Limited	Agriculture	3 November 1969	2000-01	2000-01	(-) 0.43	-	557.48	(-) 673.74	-	-	-	Under liquidation since 28 February 2001	-	-
2.	Haryana State Minor Irrigation and Tubewells Corporation Limited	- do -	9 January 1970	1998-99	2003-04	(-) 952.60	Overstatement of loss by Rs.60.03 lakh	1089.10	(-) 10413.65	(-) 6265.99	(-) 800.04	-		-	14
				1999-2000	2004-05	(-) 865.73	Overstatement of loss by Rs.60.03 lakh	1089.10	(-) 11279.38	(-) 6980.14	(-) 713.17	-	4	-	14
Sector wise total						**(-) 866.16**		**1646.58**	**(-) 11953.12**	**(-) 6980.14**	(-) 713.17	-		-	14
INDUSTRY															
3.	Haryana Tanneries Limited	Industry	12 September 1972	2001-02	2002-03	(-) 0.39	-	135.15	(-)1055.29	(-) 1055.29	(-) 0.39	-	2	-	-
4.	Punjab State Irons Limited	-do-	1 July 1965	2002-03	2003-04	(-) 0.18	Non-Review Certificate	7.45	(-) 2.17	(+) 5.24	(-) 0.18	-	1	-	-

Sl. No.	Sector and name of the Company	Name of Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit(+)/ loss (-)	Capital employed#	Total return on capital employed$	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover (Rupees in lakh)	Manpower (No. of employees) (as on 31.3.2004)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
5.	Haryana Concast Limited	-do-	29 November 1973	1997-98	1998-99	(-) 797.09	-	685.50	(-) 2718.04	(+) 939.68	(-) 357.03	-	Under liquidation since 11 November 1999	-	-
6.	Haryana State Small Industries and Export Corporation Limited	-do-	19 July 1967	2000-01	2001-02	(-) 308.15	-	191.38	(-) 400.65	(+) 883.74	(-) 247.80	-	3	21536.60	14
7.	Haryana State Housing Finance Corporation Limited	-do-	19 June 2000	Ended 31 August 2001	2003-04	-	Non-Review Certificate	-	-	-	-		3	-	-
Sector wise total						**(-) 1105.81**		**1019.48**	**(-) 4176.15**	**(+) 773.37**	**(-) 605.40**	**-**		**21536.60**	**14**
HANDLOOM AND HANDICRAFTS															
8.	Haryana State Handloom and Handicrafts Corporation Limited	Industry	20 February 1976	1999-2000	2001-02	(-) 87.40	Understatement of loss by Rs. 21.97 lakh	295.17	(-) 589.27	(+) 21.75	(-) 76.50	-	4	461.00	4
Sector wise total						**(-) 87.40**		**295.17**	**(-) 589.27**	**(+) 21.75**	**(-) 76.50**	**-**		**461.00**	**4**
Total C (Non working companies)						**(-) 2059.37**		**2961.23**	**(-) 16718.54**	**(-) 6185.02**	**(-) 1395.07**	**-**		**21997.60**	**32**
Grand Total (A+B+C)						**(+) 1961.49**		**222898.35**	**(-) 121136.63**	**(+) 712340.29**	**(+) 70912.32**	**9.95**		**993898.43**	**42678**

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).

¶ Excess of expenditure over income capitalised and no profit and loss account prepared.

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

@ Subsidiary companies

* The Company's total income was equal to expenditure, hence there was no profit or no loss.

ANNEXURE-3

Statement showing grants and subsidy received/receivable guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and guarantees outstanding at the end of March 2004

(Referred to in paragraph 1.5)

(Figures in column 3(a) to 7 are in Rupees in lakh)

Sl. No.	Name of the Public Sector Undertaking	Grants and subsidy received during the year				Guarantees received during the year and outstanding at the end of the year@					Waiver of dues during the year				Loans on which moratorium allowed	Loans converted into equity during the year
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letter of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultant or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total		
(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
A. Working Government Companies																
1.	Haryana Agro Industries Corporation Limited	-	15.00	-	15.00	36951.00 (9862.00)	-	-	-	36951.00 (9862.00)	-	-	-	-	-	-
2.	Haryana Land Reclamation and Development Corporation Limited	285.21	128.77	100.00	513.98	-	-	-	-	-	-	-	-	-	-	-
3.	Haryana Seeds Development Corporation Limited	-	- 266.26ψ	-	- 266.26ψ	- (900.00)	-	-	-	- (900.00)	-	-	-	-	-	-
4.	Haryana State Industrial Development Corporation Limited	-	- 50.00ψ	-	- 50.00ψ	-	- (27084.00)	-	-	- (27084.00)	-	-	-	-	-	-
5.	Haryana Roadways Engineering Corporation Limited	-	-	-	-	-	4141.88 (10760.00)	-	-	4141.88 (10760.00)	-	-	-	-	-	-
6.	Haryana Police Housing Corporation Limited	-	- 684.20ψ	-	- 684.20ψ	-	- (4960.23)	-	-	- (4960.23)	-	-	-	-	-	-
7.	Haryana State Roads and Bridges Development Corporation Limited.	- 899.65ψ	-	-	- 899.65ψ	-	15849.00 (56334.00)	-	-	15849.00 (56334.00)	-	-	-	-	-	-
8.	Haryana Scheduled Castes Finance and Development Corporation Limited	952.20	-	-	952.20	-	93.06 (575.26)	-	-	93.06 (575.26)	-	-	-	-	-	-
9.	Haryana Backward Classes & Economically Weaker Section Kalyan Nigam Limited	-	34.84	-	34.84	-	- (4000.00)	-	-	- (4000.00)	-	-	-	-	-	-
10.	Haryana Women Development Corporation Limited	-	90.00	-	90.00	-	-	-	-	-	-	-	-	-	-	-

Sl. No.	Name of the Public Sector Undertaking	Grants and subsidy received during the year				Guarantees received during the year and outstanding at the end of the year@					Waiver of dues during the year				Loans on which moratorium allowed	Loans converted into equity during the year
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letter of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultant or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total		
(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
11.	Haryana Tourism Corporation Limited	- 625.52ψ	- 350.00ψ	-	- 975.52ψ	-	-	-	-	-	-	-	-	-	-	-
12.	Haryana Power Generation Corporation Limited	-	-	-	-	- (990.00)	27523.00 (218174.65)	- (2500.00)	- (1625.00)	27523.00 (223289.65)	-	-	-	-	-	-
13.	Haryana Vidyut Prasaran Nigam Limited	-	- 280.00 ψ	- 22.65 ψ	- 302.65ψ	- (3572.00)	6089.22 (174804.47)	-	-	6089.22 (178376.47)	-	-	-	-	-	-
14.	Uttar Haryana Bijli Vitran Nigam Limited	-	60135.34 2471.59ψ	-	60135.34 2471.59 ψ	-	- (23070.70)	-	-	- (23070.70)	-	-	-	-	-	-
15.	Dakshin Haryana Bijli Vitran Nigam Limited	-	32253.00 3672.00ψ	-	32253.00 3672.00 ψ	-	1743.00 (12338.00)	-	-	1743.00 (12338.00)	-	-	-	-	-	-
Total A		**1237.41 1525.17ψ**	**92656.95 7774.05 ψ**	**100.00 22.65 ψ**	**93994.36 9321.87 ψ**	**36951.00 (15324.00)**	**55439.16 (532101.31)**	**- (2500.00)**	**- (1625.00)**	**92390.16 (551550.31)**	-	-	-	-	-	-
B. Statutory Corporations																
1.	Haryana Financial Corporation	-	-	-	-	-	- (13551.00)	-	-	- (13551.00)	-	-	-	-	-	-
2.	Haryana Warehousing Corporation	-	-	-	-	52500.00 (10529.47)	-	-	-	52500.00 (10529.47)	-	-	-	-	-	-
Total B		-	-	-	-	**52500.00 (10529.47)**	**- (13551.00)**	-	-	**52500.00 (24080.47)**	-	-	-	-	-	-
Grand total (A+B)		**1237.41 1525.17ψ**	**92656.95 7774.05 ψ**	**100.00 22.65 ψ**	**93994.36 9321.87 ψ**	**89451.00 (25853.47)**	**55439.16 (545652.31)**	**- (2500.00)**	**- (1625.00)**	**144890.16 (575630.78)**	-	-	-	-	-	-
C. Non Working Companies																
1.	Haryana Tanneries Limited	-	-	-	-	-	- (30.00)	-	-	- (30.00)	-	-	-	-	-	-
2.	Haryana Concast Limited	-	-	-	-	- (2586.19)	-	- (568.04)	-	- (3154.23)	-	-	-	-	-	-
Total C		-	-	-	-	**- (2586.19)**	**- (30.00)**	**- (568.04)**	-	**- (3184.23)**	-	-	-	-	-	-
Grand Total (A+B+C)		**1237.41 1525.17ψ**	**92656.95 7774.05 ψ**	**100.00 22.65 ψ**	**93994.36 9321.87 ψ**	**89451.00 (28439.66)**	**55439.16 (545682.31)**	**- (3068.04)**	**- (1625.00)**	**144890.16 (578815.01)**	-	-	-	-	-	-

Note: Except in respect of companies/corporations, which finalised their accounts for 2003-04 figures are provisional and as given by the companies/corporations.

@ Figures in brackets indicate guarantees outstanding at the end of the year.

ψ Represents grants received.

ANNEXURE – 4

Statement showing financial position of Statutory corporations

(Referred to in paragraph 1.7)

1. Haryana Financial Corporation

	Particulars	2000-2001	2001-02	2002-03 (Provisional)
		(Rupees in crore)		
A.	**Liabilities**			
	Paid-up capital	34.06	30.96	30.92
	Share application money	-	-	-
	Reserve fund and other reserves and surplus	14.23	16.48	16.53
	Borrowings:			
(i)	Bonds and debentures	258.71	254.87	261.34
(ii)	Fixed deposits	15.14	13.13	10.54
(iii)	Industrial Development Bank of India and Small Industries Development Bank of India	232.77	203.54	179.73
(iv)	Reserve Bank of India	-	-	-
(v)	Loan in lieu of share capital:			
(a)	State Government	-	-	-
(b)	Industrial Development Bank of India	-	-	-
(vi)	Others (including State Government)	2.39	-	-
	Other liabilities and provisions	31.86	178.59	212.60
	Total A	**589.16**	**697.57**	**711.66**
B.	**Assets**			
	Cash and Bank balances	55.91	34.64	31.87
	Investments	0.99	9.54	9.54
	Loans and Advances	403.61	492.39	475.58
	Net Fixed assets	21.04	16.75	16.96
	Other assets	15.02	14.42	14.47
	Miscellaneous expenditure and deficit	92.59	129.83	163.24
	Total B	**589.16**	**697.57**	**711.66**
C.	**Capital employed***	**563.20**	**537.64**	**509.02**

* 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).

2. Haryana Warehousing Corporation

	Particulars	2001-02	2002-03	2003-04
		(Rupees in crore)		
A.	**Liabilities**			
	Paid-up capital	5.84	5.84	5.84
	Reserves and surplus	195.89	203.96	211.52
	Borrowings			
	Government	-	-	-
	Others	492.34	365.68	139.85
	Trade dues and current liabilities (including provisions)	51.98	67.89	54.61
	Deferred tax	-	-	1.13
	Total-A	**746.05**	**643.37**	**412.95**
B.	**Assets**			
	Gross block	88.22	106.13	108.68
	Less: Depreciation	15.79	18.42	21.03
	Net Fixed assets	72.43	87.71	87.65
	Capital works-in-progress	10.67	1.00	0.42
	Current assets, loans and advances	662.95	554.66	324.88
	Total B	**746.05**	**643.37**	**412.95**
C.	**Capital employed***	**694.07**	**575.48**	**358.34**

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

ANNEXURE - 5

Statement showing working results of Statutory corporations

(Referred to in paragraph 1.7)

1. Haryana Financial Corporation

	Particulars	2000-01	2001-02	2002-03 (Provisional)
		(Rupees in crore)		
1.	Income			
(a)	Interest on loans	77.60	63.04	62.39
(b)	Other income	3.60	2.67	1.24
	Total-1	**81.20**	**65.71**	**63.63**
2.	Expenses			
(a)	Interest on long-term and short-term loans	67.38	62.68	57.75
(b)	Other expenses	10.82	9.90	8.92
	Total-2	**78.20**	**72.58**	**66.67**
3.	Profit (+)/loss (-) before tax (1-2)	(+) 3.00	(-) 6.87	(-) 3.04
4.	Provision for tax	-	-	-
5.	Other appropriations	-	-	-
6	Provision for non-performing assets	-	-	-
7.	Amount available for dividend	(+) 3.00	-	-
8.	Dividend paid/payable	0.84	-	-
9.	Total return on Capital employed	70.38	55.81	54.71
10.	Percentage of return on capital employed	12.50	10.44	10.75

2. Haryana Warehousing Corporation

	Particulars	2001-02	2002-03	2003-04
		(Rupees in crore)		
1.	Income			
(a)	Warehousing charges	35.96	27.77	29.88
(b)	Other income	12.99	16.72	12.13
	Total-1	**48.95**	**44.49**	**42.01**
2.	Expenses			
(a)	Establishment charges	8.53	8.64	8.92
(b)	Other expenses	21.34	19.71	19.17
	Total-2	**29.87**	**28.35**	**28.09**
3.	Profit (+)/Loss(-) before tax (1-2)	19.08	16.14	13.92
4.	Prior period adjustments	2.27	-	-
5.	Other appropriations	17.91	14.82	12.60
6.	Amount available for dividend	1.17	1.32	1.32
7.	Dividend for the year	1.17	1.32	1.32
8.	Total return on capital employed	19.21	16.21	13.92
9.	Percentage of return on capital employed	2.77	2.82	3.88

ANNEXURE – 6

Statement showing operational performance of Statutory corporations

(Referred to in paragraph 1.12)

1. Haryana Financial Corporation

Particulars	(Amount: Rupees in crore)					
	2001-02		2002-03 (Provisional)		2003-04 (Provisional)	
	Number	Amount	Number	Amount	Number	Amount
Applications pending at the beginning of the year	51	20.83	72	26.78	41	24.10
Applications received	448	198.75	442	125.84	269	40.89
Total	**499**	**219.58**	**514**	**152.62**	**310**	**64.99**
Loan applications sanctioned	354	136.91	410	90.23	242	34.29
Applications cancelled/ withdrawn/rejected/ reduced	73	55.89	63	38.29	37	16.66
Applications pending at the close of the year	72	26.78	41	24.10	31	14.04
Loans disbursed	339	67.40	435	71.20	305	30.35
Loan outstanding at the close of the year	4342	479.75	4017	462.97	3504	387.51
Amount overdue for recovery at the close of the year						
(a) Principal	-	205.47	-	225.34	-	224.94
(b) Interest	-	684.92	-	844.61	-	1024.50
Total	**-**	**890.39**	**-**	**1069.95**	**-**	**1249.44**
Amount involved in recovery certificate cases	-	175.62	-	-	-	433.56
Percentage of overdue loans to the total outstanding loans	-	42.83	-	48.67	-	58.05

2. Haryana Warehousing Corporation

Particulars	2001-02	2002-03	2003-04
Number of stations covered	110	112	106
Storage capacity created up to the end of the year (tonnes in lakh)			
(a) Owned	7.94	10.95	11.26
(b) Hired	9.26	9.30	7.08
Total	**17.20**	**20.25**	**18.34**
Average capacity utilised during the year (tonnes in lakh)	17.90	20.25	11.80
Percentage of utilisation	104.00	100.00	64.34
Average revenue per tonne per year (Rupees)	284.71	274.00	229.08
Average expenses per tonne per year (Rupees)	173.74	175.00	153.19
Profit (+)/Loss (-) per tonne (Rupees)	(+) 110.97	(+) 99.00	(+) 75.89

ANNEXURE-7

Statement showing financial position and working results of Haryana Agro industries Corporation Limited for the last five years up to 2002-03

(Referred to in Paragraph 2.1.8)

Financial Position					
Particulars	**1998-99**	**1999-2000**	**2000-2001**	**2001-2002**	**2002-2003**
	(Rupees in lakh)				
Liabilities					
Paid-up capital	414.04	414.04	414.04	414.04	414.04
Reserves & surplus					
Free Reserves	926.01	1,801.08	1,824.49	1,865.38	1,873.96
Others	25.13	25.13	25.13	25.13	25.13
Borrowings from Government of Haryana	170.39	136.31	102.23	68.16	34.08
Borrowings from financial institutions (banks)	-	-	-	-	12,398.70
Cash credit	10,893.44	13,047.50	38,414.48	65,505.85	43,865.51
Others (HAIC R&D Centre)#	695.00	675.73	446.73	533.72	598.72
Interest accrued & due	57.38	57.37	57.37	57.37	57.37
Current liabilities &provisions	842.06	1,385.35	3,273.40	2,517.17	2,274.28
Total	**14,023.45**	**17,542.52**	**44,557.87**	**70,986.82**	**61,541.79**
Assets					
Gross block	690.20	699.46	816.12	1,655.66	1,684.63
Less depreciation	266.63	282.22	297.90	312.34	336.22
Net block	423.57	417.24	518.22	1,343.32	1,348.41
Capital work in progress	-	-	28.60	-	54.50
Investments	643.78	643.78	611.38	611.38	611.38
Current assets, loans & advance.	12,956.10	16,481.50	43,399.67	69,032.12	59,527.50
Total	**14,023.45**	**17,542.52**	**44,557.87**	**70,986.82**	**61,541.79**
Capital employed *	12,537.61	15,513.39	40,673.09	67,858.27	58,656.13
Net worth **	1340.05	2,215.12	2,238.53	2,279.42	2,288.00

Haryana Agro Industries Corporation Research & Development Centre.

* Capital employed represents net fixed assets including capital work in progress plus working capital

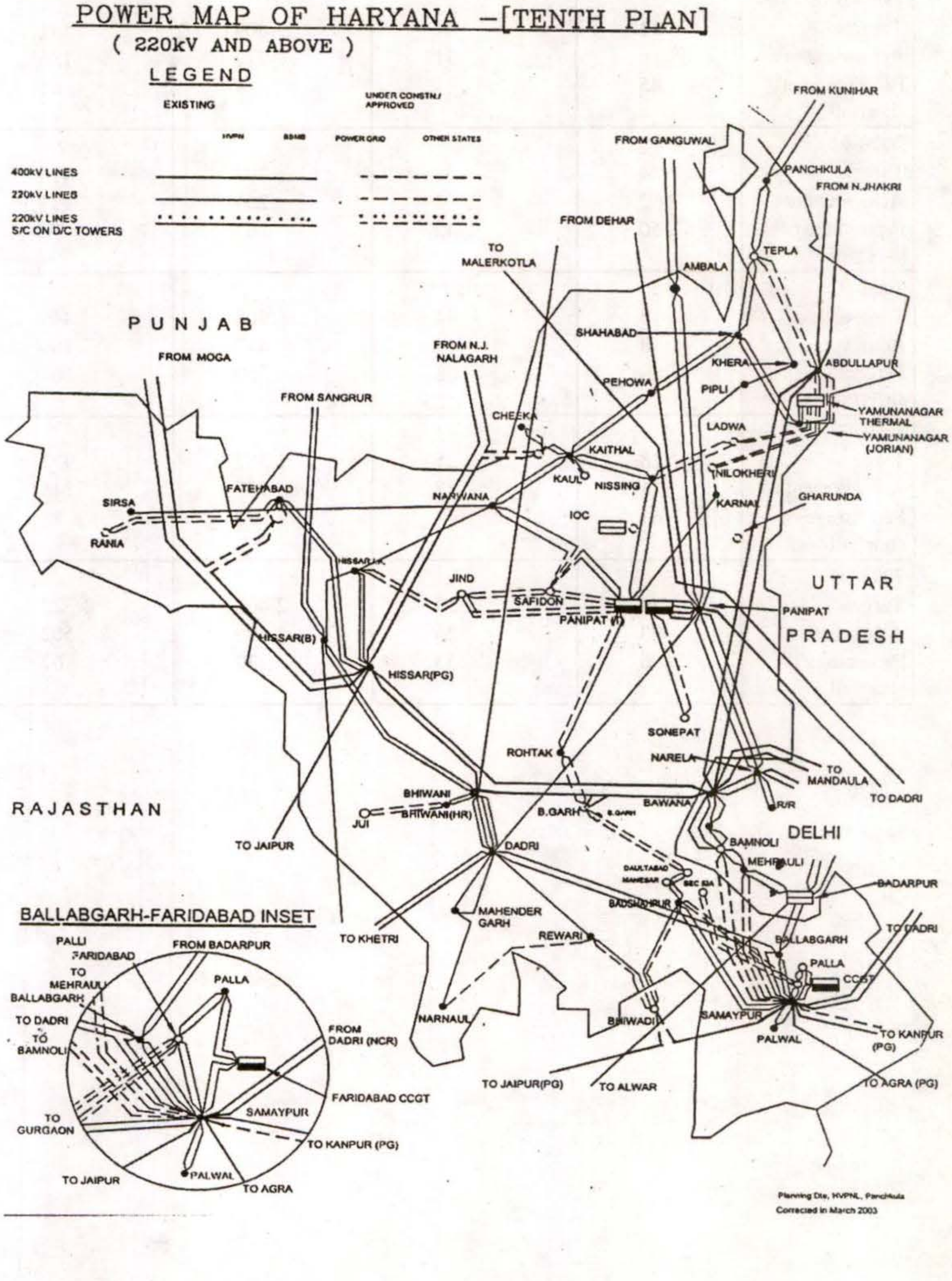
** Net worth represents paid-up capital plus free reserves less intangible assets.

Working Results					
	1998-99	1999-2000	2000-01	2001-02	2002-03
Income	(Rupees in lakh)				
Wheat/paddy sale	8,254.67	24,532.02	22,261.49	44,059.75	69,605.35
Other sale	5,271.21	4,986.53	6,342.88	4,697.54	6,536.77
Total Sale	**13,525.88**	**29,518.55**	**28,604.37**	**48,757.29**	**76142.12**
Other income	109.40	26.98	56.79	83.89	177.38
Total	**13,635.28**	**29,545.53**	**28,661.16**	**48,841.18**	**76,319.50**
Expenditure					
Purchase	19,559.70	25,545.04	42,306.48	64,722.31	63,149.17
Other expenses	2,463.98	3,663.80	4,819.25	9,737.34	9,919.62
Accretion (-)/ decretion (+) in the stock	(-)7,806.93	(-)780.46	(-)18,486.28	(-)25,506.61	3,239.63
Profit (+)/loss (-)	**(-)581.47**	**1,117.15**	**21.71**	**(-)111.86**	**11.08**

ANNEXURE – 8

Map showing transmission network of Haryana Vidyut Prasaran Nigam Limited

(Referred to in paragraph 2.2.4)



ANNEXURE-9

Statement showing physical targets and achievements for erection and augmentation of sub-stations and lines during five years up to 2003-04

(Referred to in paragraph 2.2.6)

Year	Number of sub-stations (New)	Number of sub-stations (Augmentation)	Addition in transformer capacity (MVA)	Laying of transmission line (Circuit kms)
1999-2000				
Targets	11	21	809	549
Achievements	6	31	777	186
Percentage of shortfall	45	-	4	66
2000-01				
Targets	4	38	702	414
Achievements	2	22	266	124
Percentage of shortfall	50	42	62	70
2001-02				
Targets	8	44	902	446
Achievements	8	14	447	160
Percentage of shortfall	-	68	50	64
2002-03				
Targets	28	25	1,357	973
Achievements	11	37	907	146
Percentage of shortfall	61	-	33	85
2003-04				
Targets	36	39	2,468	1,322
Achievements	23	26	1,500	502
Percentage of shortfall	36	33	39	62

ANNEXURE-10

Statement showing delay in finalisation of accounts and holding of Annual General Meetings

(Referred to in paragraph 3.20.6)

Sl. No.	Name of the Company/Corporation	Financial year (up to next September in which accounts finalised)	Year of Accounts finalised	Delay in finalisation (in months)	Delay in holding o AGM (in months)
1	Haryana Forest Development Corporation Limited	2000-01	1995-96	50	55
		2002-03	1996-97	62	68
		2004-05	1997-98	66	71
2	Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited	1999-2000	1994-95	42	48
		1999-2000	1995-96	41	46
		2000-01	1996-97	34	39
		2000-01	1997-98	29	40
		2003-04	1998-99	44	57
3	Haryana Tourism Corporation Limited	2001-02	1997-98	41	48
		2003-04	1998-99	43	46
		2004-05	1999-2000	44	Yet to be held
4	Haryana Scheduled Castes Finance and Development Corporation Limited	1999-2000	1995-96	36	40
		2000-01	1996-97	35	39
		2001-02	1997-98	30	34
		2002-03	1998-99	38	43
		2004-05	1999-2000	45	Yet to be held
5	Haryana Power Generation Corporation Limited	2000-01	1998-99	7	18
		2001-02	1999-2000	10	20
		2002-03	2000-01	17	23
		2004-05	2001-02	18	23
6	Haryana Financial Corporation	1999-2000	1998-99	04	Nil
		2001-02	1999-2000	12	Nil
		2002-03	2000-01	13	Nil
		2004-05	2001-02	21	Nil

ANNEXURE-11

Statement showing reviews/ paragraphs for which replies were not received
(Referred to in Paragraph 3.21.1)

Sl. No.	Name of the Department	2000-01		2001-02		2002-03		Total	
		Reviews	Paragraphs	Reviews	Paragraphs	Reviews	Paragraphs	Reviews	Paragraphs
1.	Power	-	-	-	4	1	10	**1**	**14**
2.	Industries	2	2	-	2	-	2	**2**	**6**
3.	Agriculture	-	2	-	2	-	-	**-**	**4**
4.	Mines and Geology	-	1	-	-	-	-	**-**	**1**
5.	Electronics	-	-	-	1	-	1	**-**	**2**
6.	Social Welfare	-	-	-	1	-	-	**-**	**1**
7.	Tourism	-	-	-	-	1	-	**1**	**-**
	Total	**2**	**5**	**-**	**10**	**2**	**13**	**4**	**28**

ANNEXURE–12

Statement showing persistent irregularities pertaining to Government companies appeared in the Reports of Comptroller and Auditor General of India for the year 1997-98 to 2002-03 (Commercial)-Government of Haryana

(Referred to in paragraph 3.21.3)

Sl. No.	Nature of persistent irregularities	Year of Audit Report and Para No.	Money value (Rupees in crore)	Gist of audit observations	Recommendations of COPU/ Action to be taken	Details of action taken
1.	**Haryana State Industrial Development Corporation Limited**					
	Disbursement of loan without verifying title of collateral security and acceptance of defective/ inflated collateral security.	2000-01 3A.5.2	0.23	The Company disbursed loan to an unviable unit without verifying the ownership of collateral security of Rs. 22.95 lakh, which resulted in doubtful recovery of Rs. 22.95 lakh.	Responsibility needs to be fixed for disbursement of loan without verification of collateral security.	As the para is yet to be discussed by COPU action taken has not been intimated to audit.
		2001-02 3A.4.1	3.85	The Company disbursed loan of Rs. 2.33 crore to a unit without verifying the title of collateral security offered which resulted in doubtful recovery of loan and interest amounting to Rs. 3.85 crore. *(1997-98)*	Responsibility needs to be fixed for disbursement of loan without verification of collateral security.	As the para is yet to be discussed by COPU action taken has not been intimated to audit.
		2002-03 2.2.7	1.87	Disbursement of working capital loan without ascertaining credit worthiness report and acceptance of defective inflated collateral security resulted in non-recovery of Rs. 1.87 crore. *(1997-98)*	Responsibility needs to be fixed for disbursement of loan without ascertaining credit worthiness of the collateral security.	As the para is yet to be discussed by COPU action taken has not been intimated to audit.
		2002-03 2.2.9	0.66	Disbursement of loan without verifying the title of the collateral security led to recovery of Rs. 65.82 lakh at stake. *(1999-2000)*	Responsibility needs to be fixed for disbursement of loan without verifying the title of collateral security.	As the para is yet to be discussed by COPU action taken has not been intimated to audit.

Sl. No.	Nature of persistent irregularities	Year of Audit Report and Para No.	Money value (Rupees in crore)	Gist of audit observations	Recommendations of COPU/ Action to be taken	Details of action taken
		2002-03 2.2.10	0.45	Acceptance of collateral security (1998-99) at inflated value resulted into doubtful recovery of Rs. 44.66 lakh. *(1998-99)*	Responsibility needs to be fixed for disbursement of loan by accepting collateral security at inflated value.	As the para is yet to be discussed by COPU action taken has not been intimated to audit.
		2002-03 2.2.12	1.73	Acceptance of collateral security at inflated value resulted in non-recovery of Rs. 1.73 crore. *(1997-98)*	Responsibility needs to be fixed for disbursement of loan by accepting collateral security at inflated value.	As the para is yet to be discussed by COPU action taken has not been intimated to audit.
		2002-03 2.2.13	1.99	Acceptance of collateral security of agricultural land at highly inflated value had rendered recovery of Rs. 1.99 crore as doubtful. *(1997-98)*	Responsibility needs to be fixed for disbursement of loan by accepting collateral security at inflated value.	As the para is yet to be discussed by COPU action taken has not been intimated to audit.
	Total		**10.78**			
2.	**Power Sector companies**					
	Non-enforcing of risk purchase clause.	1997-98 4.5.3	0.19	Failure to invoke risk purchase clause and levy liquidated damages against the supplier resulted in loss of Rs. 18.92 lakh. *(1990-91)*	The COPU observed that the matter was very serious and desired that an enquiry from State Vigilance be conducted in this case and action against defaulters be taken within a period of three month.	Investigation report from State Government was awaited.
		1998-99 4A.6.2	0.24	Failure to invoke risk purchase clause against the party for non-supply of zebra conductors resulted in loss of Rs. 23.76 lakh. *(1996-97)*	As the case was under arbitration the COPU decided to keep the para pending till the decision of the Arbitrator.	Details of action taken by the Company were not made available to audit.

Sl. No.	Nature of persistent irregularities	Year of Audit Report and Para No.	Money value (Rupees in crore)	Gist of audit observations	Recommendations of COPU/ Action to be taken	Details of action taken
		2001-02 2B.5.1.2.1	0.93	Non-invoking of risk purchase clause on purchase of distribution transformers resulted in extra expenditure of Rs. 0.93 crore. *(1997-98)*	Responsibility needs to be fixed on officials for not invoking risk purchase clause resulting in extra expenditure of Rs. 0.95 crore.	As the para is yet to be discussed by COPU action taken has not been intimated to audit.
		2001-02 2B.5.1.2.2	0.76	Non-enforcing of risk purchase clause on purchase of distribution transformers resulted in extra expenditure of Rs. 0.76 crore. *(2000-01)*	Responsibility needs to be fixed on officials for not invoking risk purchase clause resulting in extra expenditure of Rs. 0.76 crore.	As the para is yet to be discussed by COPU action taken has not been intimated to audit.
		2001-02 2.B.5.1.2.3	0.18	Non-enforcement of risk purchase clause on purchase of distribution transformers resulted in extra expenditure of Rs. 18.25 lakh. *(1995-96)*	Responsibility needs to be fixed on officials for not invoking risk purchase clause resulting in extra expenditure of Rs. 0.18 crore.	As the para is yet to be discussed by COPU action taken has not been intimated to audit.
	Total		**2.30**			
	Grand Total (1+2)		**13.08**			

ANNEXURE-13

Statement showing persistent irregularities pertaining to Statutory Corporation appeared in the Reports of Comptroller and Auditor General of India for the year 1995-96 to 2002-03 (Commercial)-Government of Haryana

(Referred to in paragraph 3.21.3)

Sl. No.	Gist of persistent irregularities	Year of Audit Report and Para No.	Money value (Rupees in crore)	Gist of audit observations	Recommendations of COPU/ Action to be taken	Details of action taken
	Haryana Financial Corporation					
1.	Non-verification of assets before disbursement of loan and defective title of collateral security.	1995-96 4.8.1	0.50	Disbursement of loan to the party without verification of assets resulted in non-recovery of Rs. 50.29 lakh. *(1983-84)*	The COPU observed that no serious efforts were made by the Corporation in recovering the loan for the last seven years. The Committee, therefore, recommended that responsibility for the delay and wrong appraisal may be fixed and matter may be perused regularly with the Collector Delhi to recover the balance amount from the partner of the firm and follow up action taken be intimated to the Committee.	The Corporation filed (August 2001) a case for vacation of stay against recovery, which was pending (March 2004). Further no employee of the Corporation could be held responsible for the lapse.
		1998-99 3.5 (b)(viii)	0.62	Loan was disbursed against security of land and building not in the name of loanee/guarantor which resulted in non-recovery of Rs. 62.44 lakh. *(1995-96)*	The COPU recommended that the para be included in the vigilance enquiry and be referred to the Vigilance Department.	Latest action taken by Corporation was not made available.
		1998-99 3.5(b)(ix)	0.22	The Corporation failed to recover Rs. 22.13 lakh as the mortgaged properties were not in the name of borrower or guarantor. *(1998-99)*	The COPU recommended that the para be included in the vigilance enquiry and referred to the Vigilance Department.	The case is pending with Court. Latest position was not made available.

Sl. No.	Gist of persistent irregularities	Year of Audit Report and Para No.	Money value (Rupees in crore)	Gist of audit observations	Recommendations of COPU/ Action to be taken	Details of action taken
		1998-99 3.5(b)(ii)	0.34	Due to acceptance of leasehold land as collateral security in contravention to its laid down procedure, recovery of Rs. 33.51 lakh had become doubtful. *(1991-92)*	The COPU expressed concern that the Corporation did not take steps to recover the outstanding dues either from the promoters or by putting the unit to auction after giving wide publicity. The Committee recommended that besides taking action against the officials/officers who accepted the said land as collateral security, expeditious steps need to be taken to recover the outstanding dues from the unit.	The unit had been sold along with the collateral security for Rs. 8.10 lakh on 22 November 2002. For the balance shortfall amount, action had been initiated against the guarantors. The management stated (June 2004) that ownership rights of the same leasehold land were additionally mortgaged by the director of the unit, as per the normal practice and there was no deviation hence no action was called for against officials/officers of the Corporation.
		1999-2000 4B.1.4	0.23	Disbursement of loan to an induction furnace unit whose collateral security furnished in the form of a shop was disputed and subjudice, resulted in loss of Rs. 23.47 lakh. *(1994-95)*	Since the collateral security was disputed and subjudice since 1983, the Committee expressed concern that before accepting such collateral security the title of the property should have been examined. The COPU recommended that the balance amount including interest should be recovered and Committee be informed accordingly.	The party had obtained stay from Court against recovery proceedings. Latest position was not made available.
	Total		**1.91**			

Sl. No.	Gist of persistent irregularities	Year of Audit Report and Para No.	Money value (Rupees in crore)	Gist of audit observations	Recommendations of COPU/ Action to be taken	Details of action taken
2.	Loss due to acceptance of fraudulently inflated, unrealistic and insufficient collateral security	1998-99 3.5(b)(iii)	1.12	The Corporation disbursed loan of Rs. 77.50 lakh to a unit by relaxing the condition of collateral security resulting in non-recovery of loan of Rs. 1.12 crore (including interest). *(1991-92)*	The COPU recommended that disciplinary action needed to be taken against the officials/officers who waived of the conditions attached with the sanction. The Committee also recommended that the Corporation should initiate action against directors of the unit who guaranteed the repayment of the loan.	The Corporation issued recovery certificate against all the directors/guarantors of the unit except Technical Director because he was only a Technical Director on the Board of the unit and also not a guarantor. The latest position was not available to audit.
		2001-02 3B.1.2	0.66	Disbursement of working capital assistance to a unit which was being run in a rented building and without obtaining sufficient guarantee, resulted in doubtful recovery of Rs. 0.66 crore. *(1994-95)*	Responsibility needs to be fixed on officials who sanctioned/ disbursed loan without sufficient guarantee.	As the para is yet to be discussed action taken has not been intimated to audit.
		2002-03 3.16	1.67	Disbursement of loan against fraudulently inflated collateral security resulted in non-recovery of Rs. 1.67 crore. *(1998-99)*	Action needs to be taken against officials who accepted fraudulent and inflated collateral security.	As the para is yet to be discussed action taken has not been intimated to audit.
		2002-03 3.17	0.47	Disbursement of loan by acceptance of grossly unrealistic value of collateral security (114 times of its purchase price) resulted in non-recovery of Rs. 47.29 lakh. *(1995-96)*	Action needs to be taken against officials who accepted fraudulent and inflated collateral security.	As the para is yet to be discussed action taken has not been intimated to audit.
	Total		**3.92**			
	Grand Total (1+2)		**5.83**			

ANNEXURE -14

Statement showing the department-wise break up of Inspection Reports outstanding as on 30 September 2004

(Referred to in Paragraph 3.22)

Sl. No	Name of Department	No. of PSUs	No. of outstanding IRs	No. of outstanding Paragraphs	Year from which observations outstanding
A.	**Working PSUs**				
1.	Agriculture	4	12	28	1994-95
2.	Industry	2	7	20	1999-2000
3.	Transport	1	7	15	1995-96
4.	Electronics	2	4	7	1998-99
5.	Forest	1	3	3	1999-2000
6.	Mining and Geology	1	7	14	1996-97
7.	Home	1	1	6	2003-04
8.	Scheduled Castes and Backward Classes Welfare	2	5	12	1999-2000
9.	Women and Child Development	1	2	4	2000-01
10.	Tourism and Public Relations	1	1	1	2003-04
11.	Public Works Department (B&R)	1	1	1	2003-04
12.	Power	5*	261	524	1986-87
	Total	**22**	**312**	**635**	**-**

* Including Haryana Electricity Regulatory Commission.

ANNEXURE - 15

Statement showing the department-wise draft paragraphs/reviews, replies to which were awaited

(Referred to in paragraph 3.22)

Sl. No.	Name of Department	No. of draft paragraphs	No. of reviews	Period of issue of draft paragraphs/ reviews
1.	Power	10*	1	February to August 2004
2.	Industry	5	-	February to May 2004
3.	Agriculture	1	1	March to August 2004
4.	Finance	1	-	February to April 2004
5.	Transport	1	-	May 2004
	Total	**18**	**2**	

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* Including one para (3.15) reply in respect of only one out of four companies has been received.