Report of the
Comptroller and Auditor General of India

on

Public Sector Undertakings
(Economic Sector)

for the year ended 31 March 2014

Government of Himachal Pradesh

Report No. 2 of the year 2014

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PREFACE

This report deals with the results of test audit of Government companies and Statutory corporations for the year ended March 2014.

The accounts of Government Companies (including companies deemed to be government companies as per the provisions of the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 read with Section 619 of the Companies Act 1956.

Reports in relation to the accounts of a Government Company or Corporation are submitted to the Government by CAG for laying before State Legislature of Himachal Pradesh under the provisions of Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. In respect of Himachal Road Transport Corporation which is a Statutory corporation, the CAG is the sole Auditor. In respect of Himachal Pradesh Financial Corporation, he has the right to conduct the audit of accounts in addition to the audit conducted by the Chartered Accountants appointed by the Corporation. In respect of Himachal Pradesh Electricity Regulatory Commission, the CAG is the sole auditor. The Separate Audit Reports on the Annual Accounts of all these Corporations are forwarded separately to the State Government.

The instances mentioned in this Report are those, which came to notice in the course of test audit during the year 2013-14 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports, matters relating to the period subsequent to 2013-14 have also been included, wherever necessary.

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

Overview

OVERVIEW

This Report contains 10 paragraphs and one Performance audit on 'Sawra Kuddu Hydro Electric Project' (executed by Himachal Pradesh Power Corporation Limited) involving a financial effect of ₹ 434.81 crore relating to non / short recovery due to non compliance of rules / regulations and terms & conditions of the contract agreements, non / short levy of fixed demand charges, inadequate / deficient monitoring of the progress of the projects, *etc*. Some of the major findings are mentioned below:

1 About the State Public Sector Undertakings

The State of Himachal Pradesh had 19 working PSUs (17 companies and two Statutory corporations) and two non-working companies which employed 34,992 employees. As on 31 March 2014, the investment (capital and long-term loans) in 21 PSUs was ₹ 8,909.84 crore. The total investment in State PSUs, 99.12 *per cent* was in working PSUs and the remaining 0.88 *per cent* in non-working PSUs. The total investment consisted of 33.56 *per cent* as capital and 66.44 *per cent* as long-term loans. The equity has increased from ₹ 1,948.65 crore in 2009-10 to ₹ 2,990.47 crore in 2013-14. Power sector accounted for over 85.87 *per cent* of the total investment in 2013-14. The Government contributed ₹ 728.81 crore towards equity, loans and grants / subsidies during 2013-14.

(Paragraphs 1.1, 1.2, 1.7 to 1.10)

Reforms in Power Sector

In contravention to the guidelines issued by GoI for Financial Restructuring Plan (FRP), the State Government has taken reference date for restructuring of loans as 31-07-2013 against 31-03-2012. Against ₹ 1,398.35 crore (accumulated losses as on 31.03.2012), the HPSEBL got approved from State Government, an amount of ₹ 1,462.50 crore under FRP. Important mandatory conditions of the FRP regarding payment of subsidy upfront by State Government as *per* section 65 of Electricity Act, 2003, installing of prepaid meters in the premises of frequent defaulters and preparation of accounts in alignment with the provisions of Companies Act, 1956 (accounts for the year 2012-13 and 2013-14 were yet to be finalised) have not been complied with (November 2014).

(Paragraph 1.14)

Performance of Public Sector Undertakings (PSUs)

Out of 19 working PSUs for which the accounts were received upto September 2014, nine PSUs earned profit of ₹ 23.62 crore and six PSUs incurred loss of ₹ 646.37 crore. Three working Government companies have not prepared their profit and loss accounts while in case of one working PSU, excess of expenditure over income was reimbursable by the State Government. Further, as per dividend policy of the State Government, all PSUs are required to pay a minimum return of five *per cent* on the paid up share capital contributed by the State Government. Out of nine PSUs which earned an aggregate profit of ₹ 23.62 crore, only Himachal Pradesh State Industrial Development Corporation Limited declared a dividend of ₹ 1.54 crore, which was 10 *per cent* of its paid up share capital.

(Paragraphs 1.16 and 1.18)

Arrears in finalisation of accounts

Fifteen working PSUs had arrears of 23 accounts as of September 2014. In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not. Thus, Government's investment in such PSUs remains outside the scrutiny of the State Legislature.

(Paragraphs 1.19 to 1.23)

II. Performance audit of 'Sawra Kuddu Hydro Electric Project' executed by Himachal Pradesh Power Corporation Limited

The project initially estimated to cost ₹ 558.53 crore is now anticipated to be completed at a cost of ₹ 1,165.10 crore by July 2017 involving cost overrun of ₹ 606.57 crore with consequential increase in *per* MW cost from ₹ 5.03 crore to ₹ 10.50 crore and *per* unit cost of ₹ 2.34 to ₹ 6.95. As the anticipated generation cost would be much higher as compared to the average sale rate of ₹ 3.43 *per* unit and in view of this; project may become commercially unviable on commissioning.

(Paragraphs 2.1 and 2.7)

GoI transferred funds equivalent of ₹ 491.16 crore received from the ADB to the State Government for this project in the shape of grant and loan in the ratio of 90:10 which was converted in to loan by the State Government carrying interest at the rate of 10 *per cent per annum.* The conversion of grant in to loan placed an extra interest burden of ₹ 126.04 crore on project cost.

(Paragraph 2.6.2)

The change in design of the diversion barrage had an impact of ₹ 100.73 crore on the overall cost of the project.

{Paragraph 2.7.2 (i)}

The Company did not recover Liquidated Damages amounting ₹ 11.59 crore in terms of agreement from the contractor for delay in completion of works before rescinding the contract.

{Paragraph 2.8.2 (iv) (a)}

Delay in rescinding the work of HRT by the Company resulted delay in commissioning of the Hydro Electric Project besides non-availing of the benefit of defect liability period of Diversion Barrage, Intake structure & Descending Arrangements and Power House packages.

{Paragraph 2.8.2 (v)}

Non-restriction of price variation of 20 *per cent* on each consignment of supply in the bidding document resulted in avoidable expenditure of ₹ 8.79 crore.

(Paragraph 2.9.1)

III. Audit of Transactions

Transaction audit observations included in the Report highlight deficiencies in the management of State Government Companies, which had serious financial implications. Gist of the important audit observations is given below:

Himachal Pradesh State Civil Supplies Corporation Limited distributed less quantity of food items to the retail shops / depots against the allocations made by the State Government. Samples of food items valued at ₹ 14.48 crore (April 2011 to March 2014) failed the tests and the reports were received with a delay ranging from three to four months. The delay in submission of claims by the Company coupled with delay in release of payments by the State Government resulted in interest loss of ₹ 8.80 crore to the Company during April 2010 to March 2014.

(Paragraph 3.1)

Failure of **Himachal Pradesh State Electricity Board Limited** to comply with the provisions of the Electricity Supply Code, 2009 resulted in non-recovery of fixed demand charges of ₹ 1.90 crore.

(Paragraph 3.3)

Failure of **Himachal Pradesh Tourism Development Corporation Limited** in releasing the payment of revised pay scale arrear to its employees within the prescribed time as allowed by the Hon'ble High Court of Himachal Pradesh resulted in avoidable payment of interest of ₹ 37.51 lakh.

(Paragraph 3.8)

Himachal Pradesh Road and other Infrastructure Development Corporation Limited did not initiate action to withhold the payment of land compensation in respect of land demarcated outside the construction limit of road resulted in avoidable payment of ₹ 29.33 lakh to the land owners.

(Paragraph 3.10)

Chapter-I
Introduction

CHAPTER-1
INTRODUCTION

About the State Public Sector Undertakings

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. In Himachal Pradesh, the State PSUs occupy an important place in the State economy. The investment in the PSUs as on 31 March 2014 stood at ₹ 8,909.84 crore. The working PSUs registered a turnover of ₹ 5,952.79 crore **(Appendix 1.1)** as *per* their latest finalised Annual Accounts as of September 2014. Major activities of Himachal Pradesh State PSUs are concentrated in power sector. All State PSUs had employed 34,992 employees **(Appendix 1.2)** as on 31 March 2014.

1.2 As on 31 March 2014, there were 19 Government companies and two Statutory corporations, of which Himachal Pradesh General Industries Corporation Limited is listed (April 1995) on the Delhi stock exchange.

1.3 No Company was created / merged or wound up during the year 2013-14.

Audit Mandate

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

1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as *per* the provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as *per* the provisions of Section 619 (3) of the Companies Act, 1956.

1.6 Audit of Statutory Corporations is governed by their respective legislations. Out of the two Statutory Corporations, the CAG is the sole auditor for Himachal Road Transport Corporation. In respect of Himachal Pradesh Financial Corporation (HPFC), the audit is conducted by the Chartered Accountants and supplementary audit by the CAG.

Investment in State PSUs

1.7 As on 31 March 2014, the investment (capital and long-term loans) in 21 PSUs (including 619-B companies) was ₹ 8,909.84 crore as *per* details given in ***Table 1.1.***

Table-1.1

(Amount: ₹ in crore)

PSUs	Type	Number	Capital	Loan	Total
Working PSUs	Government companies[1]	17	2,330.92	5,664.02	7,994.94
	Statutory corporations[2]	2	640.91	195.20	836.11
	Total	**19**	**2,971.83**	**5,859.22**	**8,831.05**
Non working PSUs[3]	Government companies	2[4]	18.64	60.15	78.79
	Statutory corporations	-	-	-	-
	Total	**2**	**18.64**	**60.15**	**78.79**
	Grand total	**21**	**2,990.47**	**5,919.37**	**8,909.84**

A summarised position of government investment in State PSUs is detailed in **Appendix 1.2**.

1.8 As on 31 March 2014, of the total investment in State PSUs, 99.12 *per cent* was in working PSUs and the remaining 0.88 *per cent* in non-working PSUs. The total investment consisted of 33.56 *per cent* as capital and 66.44 *per cent* as long-term loans. The equity has increased from ₹ 1,948.65 crore in 2009-10 to ₹ 3,260.73 crore in 2012-13, but decreased to ₹ 2,990.47 crore in 2013-14 and the long term loans increased from ₹ 2,672.18 crore in 2009-10 to

[1] Includes three 619-B companies (Beas Valley Power Corporation Limited, Himachal Pradesh Power Corporation Limited and Himachal Pradesh Power Transmission Corporation Limited).

[2] Himachal Pradesh Financial Corporation and Himachal Road Transport Corporation.

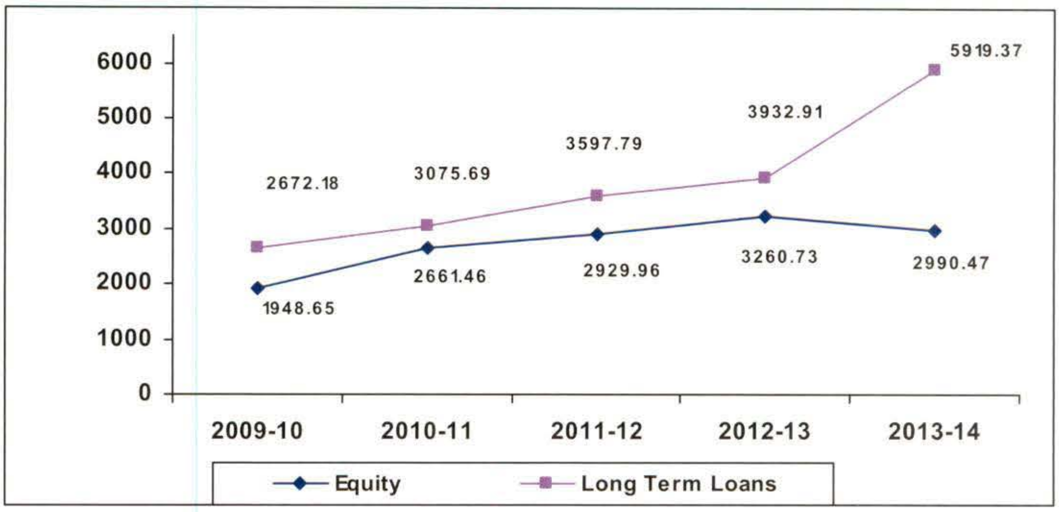
[3] Non-working PSUs are those which have ceased to carry on their operations.

[4] Agro Industrial Packaging India Limited and Himachal Worsted Mills Limited.

₹ 5,919.37 crore in 2013-14, as shown in the **Chart -1.1.**

Chart-1.1

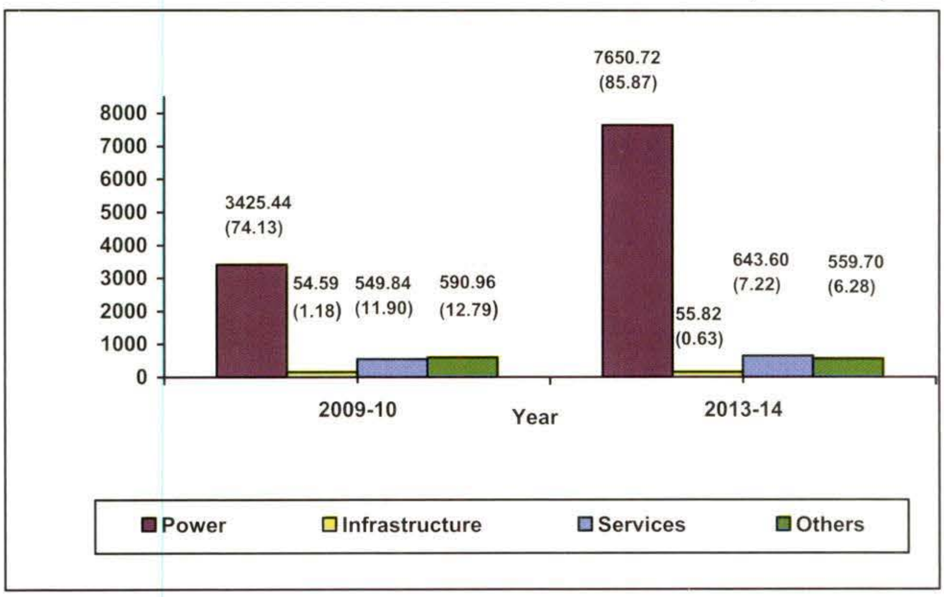
(₹ in crore)



1.9 The investment in various important sectors and percentage thereof at the end of 31 March 2010 and 31 March 2014 is indicated below in the bar **Chart -1.2.**

Chart-1.2

(₹ in crore)



(Figures in brackets show the Sector percentage to total investment)

During 2009-14, the major investment was in the power sector. The percentage of investment in power sector has increased from 74.13 *per cent* in 2009-10 to 85.87 *per cent* in 2013-14 of total investment mainly due to increase in investment in Himachal Pradesh Power Corporation Limited and Himachal Pradesh State Electricity Board Limited.

Budgetary outgo, grants/subsidies, guarantees and loans

1.10 The details regarding budgetary outgo towards equity, loans, grants / subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Appendix 1.3**. The summarised details for the last three years ended 31 March 2014 are given in ***Table 1.2.***

Table-1.2

(Amount: ₹ in crore)

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	5	227.19	6	303.23	6	261.77
2.	Loans given from budget	-	-	1	5.00	1	49.20
3.	Grants / Subsidy received	7	495.50	7	710.37	7	417.84
4.	Total Outgo (1+2+3)	10[5]	722.69	10[5]	1,018.60	9[5]	728.81
5.	Loans converted into equity	-	-	1	0.50	1	7.05[6]
6.	Guarantees issued	6	1,278.60	7	1,567.31	9	2,332.54
7.	Guarantee Commitment	8	1,159.87	9	1,534.08	9	2,768.03
8.	Guarantee fee	1	0.01	2	0.07	2	0.09

The decrease in Grant / Subsidy during the year 2013-14 was mainly due to decrease in grant / subsidy in respect of Himachal Pradesh Road and Other Infrastructure Development Corporation Limited (HPRIDC), Himachal Pradesh State Electricity Board Limited (HPSEBL) and Himachal Road Transport Corporation (HRTC). Further, the increase in Guarantees issued during 2013-14 was mainly due to loan guaranteed in respect of Himachal Pradesh State Forest Development Corporation Limited, Himachal Pradesh

[5] Represent actual number of companies / corporations which received budgetary support in the form of equity, loans, grants and subsidies from the State Government during respective years.

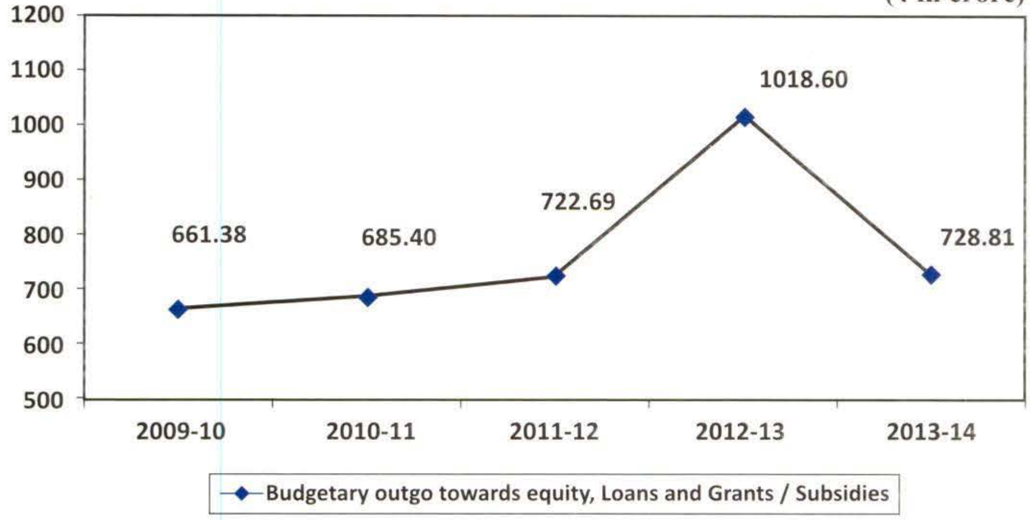
[6] State Government converted loans and interest into equity during 2008-09 in respect Himachal Pradesh Agro Industries Corporation Limited, but the Company has included it as share application money in annual accounts for the year 2011-12 finalised during 2013-14.

Financial Corporation (HPFC), HPSEBL and Himachal Road Transport Corporation (HRTC).

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

Chart-1.3

(₹ in crore)



The budgetary support in the form of equity, loans and grants / subsidies by the State Government during the years 2009-10 to 2013-14 showed a varying trend. The budgetary outgo which stood at ₹ 661.38 crore in 2009-10 increased to ₹ 1,018.60 crore in 2012-13, but decreased to ₹ 728.81 crore in 2013-14. The decrease was mainly due to less grants of equity / loans and grants / subsidies to HPRIDC, HPSEBL and HRTC.

1.12 During 2013-14, the Government had guaranteed loans aggregating ₹ 2,332.54 crore obtained by nine PSUs as given in the **Appendix 1.3.** At the end of 2013-14, guarantee commitment stood at ₹ 2,768.03 crore (nine PSUs) as against ₹ 1,534.08 crore (nine PSUs) during 2012-13. The increase was mainly due to increase in guarantee commitment in respect of HPSEBL and HRTC.

Reforms in Power Sector

1.13 *Unbundling of Himachal Pradesh State Electricity Board*

Pursuant to Electricity Act, 2003, the Government of Himachal Pradesh constituted three companies *viz,* Himachal Pradesh Power Corporation Limited (HPPCL) a generation utility, Himachal Pradesh Power Transmission Corporation Limited (HPPTCL) a transmission utility and Himachal Pradesh State Electricity Board Limited (HPSEBL) a distribution utility in December 2006, August 2008 and December 2009, respectively to unbundle the Himachal Pradesh State Electricity Board (HPSEB). The Government of

Himachal Pradesh notified the Himachal Pradesh Power Sector Reforms Transfer Scheme, 2010 (June 2010) to transfer the assets amongst the three companies.

All assets, properties, interest on properties and contingencies already transferred to HPPCL would remain vested in HPPCL. However, 21 hydroelectric power projects having total generating installed capacity of 477.450 MW along with distribution activities would be maintained by HPSEBL and only six new hydroelectric projects having generating capacity of 986 MW had been transferred to HPPCL for construction. In addition, the HPSEBL has one project of 10 MW capacity under execution and the state government has also allotted four new hydroelectric projects having total installed capacity of 70.50 MW to HPSEBL for construction in April 2013.

All assets and liabilities relating to transmission lines (not being essential part of distribution system or the dedicated lines from existing or future power house of HPSEBL) shall stand vested / transferred to HPPTCL. Accordingly 14 existing transmission lines of 66 KV and above (278.860 CKM) were transferred to HPPTCL during 2009-11.

Thus HPSEBL is still managing / operating all its existing generating and transmission network except 14 transmission lines *ibid,* along with distribution activities, therefore, the very purpose of unbundling of the Board in true spirit as envisaged in Electricity Act, 2003 has not been achieved.

1.14 *Implementation of Financial Restructuring Plan*

A Financial Restructuring Plan (FRP) for debt ridden State Distribution Companies (DISCOMS) to enable their financial turnaround by restructuring their debt was notified by the Government of India (GoI), Ministry of Power in October 2012.

The scheme *inter alia* covers 50 *per cent* of the outstanding short term liabilities (on account of outstanding short term loans and payable for power purchase) of the DISCOMs corresponding to accumulated losses of the DISCOM as on 31.03.2012. This was first to be converted into bonds to be issued by the DISCOM to participating lenders, duly backed by the State Government guarantee. The State Government had to take over the liabilities during the next 2-5 years by issuance of special securities in favour of participating lenders in a phased manner keeping in view the fiscal space available. Balance 50 *per cent* of STL has to be rescheduled by lenders with moratorium period of three years on principal and the repayment of principal and interest to be fully secured by the State Government guarantees.

As *per* the FRP, the reference date of restructuring of loans was 31.03.2012. It was noticed in audit that the reference date for the purpose was taken as 31.07.2013. This was in contravention of GoI Guidelines and was not approved by GoI as on date.

As *per* the Scheme the amount to be re-structured was limited to 50 *per cent* of the STL as on 31.03.2012 limited to amount of accumulated losses as on 31.03.2012. Since the accumulated losses as on 31.03.2012 were ₹ 1,398.35 crore, the amount of STL to be re-structured should not exceed ₹ 1,398.35 crore. However, the Company got approved from State Government, an amount of ₹ 1,462.50 crore under FRP, 50 *per cent* of this amount (₹ 731.25 crore) was to be issued as bonds by the Company initially and had to be taken over by the State Government during the next 2 to 5 year by issuance of special security in favour of participating lenders. It was noticed in audit that the state government has approved issue of bonds of ₹ 564.25 crore only, out of which bonds worth ₹ 265.29 crore have been issued as on date. Thus the company is yet to restructure ₹ 429.27 crore (₹ 1,462.50-₹ 767.94-₹ 265.29). Against an amount of ₹ 731.25 crore, 50 *per cent* of ₹ 1,462.50 crore the company had restructured the loans with the banks for an amount of ₹ 767.94 crore.

It was further noticed in audit that the mandatory conditions regarding payment of subsidy upfront by State Government as *per* section 65 of Electricity Act, 2003, installing of prepaid meters in the premises of frequent defaulters and preparation of accounts in alignment with the provisions of Companies Act, 1956 (accounts for the year 2012-13 and 2013-14 were yet to be finalised) have not been complied with (November 2014). Tariff order was required to be notified by 30 April of each financial year. However, it was noticed in audit that the tariff order for the year 2013-14 & 2014-15 were issued in May 2013 & June 2014 respectively.

Thus, it may be concluded that the company had not carried out the FRP as per the scheme approved by GoI and may result in non-receipt of incentives provided in the scheme. Moreover the stated objectives of scheme for bringing the financial discipline and commercial orientation to the functioning of DISCOMS remained unachieved.

The Management stated (September 2014) that as most of the STL outstanding as on 31 March 2013 had been repaid by the Company, therefore STL outstanding as on 31 July 2013 were taken for restructuring. As on August 2014 out of approved amount of ₹ 1,462.50 crore, the loans of ₹ 1,033.23 crore have been got restructured / converted in to bonds and new loans have been received from the banks. The fact remains that FRP is not in accordance with the scheme of GoI and the mandatory conditions have not been implemented so far.

Reconciliation with Finance Accounts of the Government

1.15 The figures in respect of equity, loans and guarantees outstanding as *per* records of State PSUs should agree with the figures appearing in the Finance Accounts of the Government. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2014 is indicated in ***Table 1.3.***

Table-1.3

(Amount: ₹ in crore)

Outstanding in respect of	Amount as *per* Finance Accounts	Amount as *per* records of PSUs	Difference
Equity	1,830.50	1,897.86	(-) 67.36
Loans	-[7]	1,759.18	-
Guarantees	2,755.12	2,768.03	(-) 12.91

Audit observed that the difference of ₹ 67.36 crore occurred in respect of eight[8] PSUs. The difference in guarantees was also observed in respect of three PSUs *viz.* Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited, Himachal Pradesh Minorities Finance and Development Corporation and Himachal Financial Corporation Limited. The concerned administrative departments, PSUs and Finance Department were requested every quarter to take necessary action to reconcile the differences.

Performance of Public Sector Undertakings (PSUs)

1.16 Out of 19 working PSUs[9] for which the latest accounts were finalised up to 30 September 2014, nine PSUs earned profit of ₹ 23.62 crore and six PSUs incurred loss of ₹ 646.70 crore. Three[10] working Government companies have not prepared their profit and loss accounts whereas in respect of one working Government company *viz.* (Himachal Pradesh Road and Other Infrastructure Development Corporation Limited), excess of expenditure over income is reimbursable by the State Government. The major contributors to profit were Himachal Pradesh Horticulture Produce Marketing and Processing Corporation Limited (₹ 6.53 crore), Himachal Pradesh State Industrial Development Corporation Limited (₹ 3.89 crore) and Himachal Pradesh General Industries Corporation Limited (₹ 3.66 crore). The heavy losses were incurred by Himachal Pradesh State Electricity Board Limited (₹ 512.76 crore), Himachal Road Transport Corporation (₹ 110.95 crore), and Himachal Pradesh Financial Corporation (₹ 16.49 crore). Further, Summarises Financial Results including net profit / loss, turnover, return on capital employed, *etc.* of Government companies and Statutory corporations for the year for which accounts were finalised as of 30 September 2014 is given in **Appendix 1.1.**

1.17 A review of latest three years Audit Reports of the CAG shows that the State PSUs incurred controllable / avoidable expenditure of ₹ 2,053.29 crore,

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7 Government companies and Statutory corporations wise statement of outstanding loans is not included in the Finance Accounts for 2013-14.

8 HPAIC, HBCF&DC, HPMF&DC, HPSIDC, HPGIC, HPPTCL, HPSEBL and HPFC.

9 For the year 2010-11 (two PSUs), 2011-12 (four PSUs), 2012-13 (nine PSUs) and 2013-14 (four PSUs).

10 Beas Valley Power Corporation Limited, Himachal Pradesh Power Corporation Limited and Himachal Pradesh Power Transmission Corporation Limited.

expenditure which was not recoverable ₹ 128.82 crore and infructuous investment of ₹ 2.42 crore which were controllable with better management. The year wise details from Audit Reports of CAG as given in ***Table 1.4*** below:

Table-1.4

(Amount: ₹ in crore)

Particulars	2011-12	2012-13	2013-14	Total
Expenditure not recoverable	10.05	95.01	23.76	128.82
Controllable/avoidable expenditure	1,323.52	318.72	411.05	2,053.29
Infructuous Investment	1.91	0.51	-	2.42
Total	**1,335.48**	**414.24**	**434.81**	**2,184.53**

1.18 The State Government had formulated (April 2011) a dividend policy under which all profit making PSUs (except those in welfare and utility sector) are required to pay a return at the rate of five *per cent* on government equity subject to a ceiling of 50 *per cent* of profit after tax. As *per* their latest finalised accounts, nine PSUs earned an aggregate profit of ₹ 23.62 crore out of which only one company *viz.*, Himachal Pradesh State Industrial Development Corporation Limited paid a dividend of ₹ 1.54 crore at the rate of 5 *per cent* of its paid up capital (₹ 30.82 crore).

Arrears in finalisation of accounts

1.19 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as *per* the provisions of their respective Acts. The details of progress made by working PSUs in finalisation of accounts by September of respective year are given in ***Table 1.5***.

Table-1.5

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
1.	Number of working PSUs	21	19	19	19	19
2.	Number of accounts finalised during the year	22	21	15	15	16
3.	Number of accounts in arrears	14	12	16	20	23
4.	Average arrears *per* PSU (3/1)	0.67	0.63	0.84	1.05	1.21
5.	Number of working PSUs with arrears in accounts	12	10	10	12	15
6.	Extent of arrears	1 to 2 years	1 to 2 years	1 to 2 years	1 to 3 years	1 to 3 years

1.20 The average number of accounts in arrears *per* working PSUs decreased from 0.67 in 2009-10 to 0.63 in 2010-11 but again increased to 0.84 in 2011-12 to 1.21 in 2013-14. The PSUs having arrears of accounts need to take effective measures for early clearance of backlog and finalise the accounts up to 2013-14.

1.21 Out of two non-working PSUs, Himachal Worsted Mills Limited had gone into liquidation process and Agro Industrial Packaging India Limited had finalised its accounts up to date.

1.22 The State Government had invested ₹ 363.81 crore (Equity: ₹ 133.79 crore, loans: ₹ 49.20 crore and grants: ₹ 180.82 crore) in nine PSUs during the years for which accounts have not been finalised as detailed in **Appendix 1.4.** In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not. Thus, Government's investment in such PSUs remains outside the scrutiny of the State Legislature.

1.23 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments were informed every quarter by Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this, the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up (October 2014) with the Chief Secretary / Director, Institutional Finance and Public Enterprises to expedite clearance of backlog of arrears in accounts in a time bound manner.

Winding up of non-working PSUs

1.24 There were two non-working PSUs (all companies) as on 31 March 2014. The stages of closure in respect of non-working PSUs are given in ***Table 1.6***.

Table-1.6

Sl. No.	Particulars		Companies
1.	Total No. of non-working PSUs		2[11]
2.	Of (1) above, the No. under:		
	(a)	Liquidation by Court (liquidator appointed)	-
	(b)	Voluntary winding up (liquidator appointed)	1
	(c)	Closure, *i.e.* closing orders/ instructions issued but liquidation process not yet started	1

[11] Agro Industrial Packaging India Limited and Himachal Worsted Mills Limited.

Of these, Himachal Worsted Mills Limited has commenced liquidation process.

Accounts Comments

1.25 Fifteen working companies forwarded their 16 accounts to Audit during the period from October 2013 to September 2014. Of these, 14 accounts of 13 working companies were selected for supplementary audit. The details of aggregate money value of comments of the Statutory auditors and the CAG for Government companies are given in ***Table 1.7***.

Table-1.7

(Amount: ₹ in crore)

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	2	56.40	3	32.81	5	92.42
2	Increase in loss	3	12.49	2	370.13	4	636.59
3.	Decrease in loss	-	-	1	0.63	-	-
4	Increase in profit	-	-	2	1.06	1	0.85
	Total	**5**	**68.89**	**8**	**404.63**	**10**	**729.86**

It can be seen that average impact of audit comments *per* account causing 'increase in profit/loss' or 'decrease in profit/loss' increased from ₹ 13.78 crore (2011-12) to ₹ 72.99 crore (2013-14). The audit reports of Statutory auditors appointed by the CAG and the supplementary audit of the CAG indicate that the quality of maintenance of accounts needs to be improved substantially.

1.26 During the year, the Statutory auditors had given qualified certificates in respect of 15 accounts. Out of these, adverse certificates (which mean that accounts do not reflect a true and fair position) in respect of six accounts were given by the Statutory auditors. The compliance of companies with regard to the Accounting Standards remained poor as there were 59 instances of non-compliance in 8 Annual Accounts during the period from October 2013 to September 2014.

1.27 Some of the important comments in respect of the Annual Accounts of the companies finalised during the period from October 2013 to September 2014 are stated below:

Himachal Pradesh State Forest Development Corporation Limited (2010-11)

- Work in progress includes ₹ 2.54 crore being royalty of 13 timber lots for the year 2011-12 in respect of Forest Working Division, Shimla. These lots should have been accounted for during 2011-12 instead of 2010-11.
- Work in progress also includes an amount of ₹ 2.40 crore representing value of rotten/hollow trees from which timber could not be extracted. The value of these rotten/hollow trees was to be adjusted against royalty payable to the state government. Non adjustment has resulted in overstatement of Current Assets – Work-in-progress as well as Current Liabilities – Sundry Creditors.
- Sundry creditors does not include an amount of ₹ 2.91 crore being interest payable to Forest Department due to non payment of royalty on due dates.

Himachal Pradesh State Electricity Board Limited (2011-12)

- Trade payable does not include ₹ 16.08 crore on account of transmission charges payable to Himachal Pradesh Power Transmission Corporation Limited (₹ 11.71 crore) and Power Grid Corporation of India Limited (₹ 4.37 crore), and also
- ₹ 16.39 crore on account of purchase of Power from National Hydro Power Corporation Limited.
- Other current liabilities does not include ₹ 1.36 crore being interest payable on delay in payment of energy bills to Power Trading Corporation.

Himachal Pradesh State Industrial Development Corporation Limited (2012-13)

- Other non-current assets do not include an amount of ₹ 85.32 lakh recoverable from Life Insurance Corporation on account of gratuity paid to the employees of the Company on superannuation during 2011-12 and 2012-13.
- Sundry creditors for supplies includes an amount of ₹ 11.43 crore being advance payment made by Himachal Pradesh Public Works Department to Indian Oil Corporation for supply of bitumen. The Company has shown this amount under head Trade Payable Sundry Creditors for supplies with corresponding debit to short term loans and advances other recoverable in the accounts. This has resulted in overstatement of trade payable sundry creditors for supplies as well as loan and advances other recoverable by ₹ 11.43 crore.

1.28 Similarly, out of two working statutory corporations, HPFC forwarded its accounts for the year 2013-14 to Audit during the period from October 2013 to September 2014 and one account in respect of HRTC (2012-13) was finalised during the same period. Of these, one account of a statutory corporation (HRTC) pertains to sole audit by the CAG. The audit reports of statutory auditors and the sole/supplementary audit of the CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of the Statutory auditors and the CAG for statutory corporations are given in ***Table 1.8***.

Table-1.8

(Monetary value: ₹ in crore)

Sl. No.	Increase in loss	2011-12		2012-13		2013-14	
		No. of accounts	Monetary value	No. of accounts	Monetary value	No. of accounts	Monetary value
1.	Statutory Auditors' comments	-	-	-	-	1	-
2.	CAG's comments	1	2.74	2	70.32	2	0.47
	Total	**1**	**2.74**	**2**	**70.32**	**3**	**0.47**

The major impact of audit comments pertains to HPFC during 2011-12 and HRTC during 2012-13.

1.29 From October 2013 to September 2014, the audit of accounts of HPFC for the year 2013-14 and HRTC for the year 2012-13 were completed. Some of the important comments in respect of the accounts of these statutory corporations are stated below:

Himachal Road Transport Corporation (2012-13)

- Current liabilities does not include ₹ 2.12 crore being Himachal Pradesh Special Road Tax recovered from passengers despite exemption granted by the state government in respect of buses operated under Jawahar Lal Nehru National Urban Renewal Mission.

Himachal Pradesh Financial Corporation (2013-14)

- Share application money includes an amount of ₹ 3.00 crore paid to the Himachal Road Transport Corporation as subsidy by the Government of Himachal Pradesh routed through the Corporation. Treating this as investment instead of subsidy has resulted in overstatement of both Share Application Money and Investment.

Internal Control / Internal Audit

1.30 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control / internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit / internal control system in respect of one company for the year

2010-11[12] , four companies for the year 2011-12[13], seven companies[14] for the year 2012-13 and three companies[15] for the year 2013-14 are detailed in **Appendix 1.5.** It shows that PSUs need to improve their internal audit systems commensurate with the nature and size of business, devise suitable systems for provision of retiral dues, inventory management, introduction of information technology *etc.* for better results.

Recoveries at the instance of audit

1.31 The audit findings involving recoveries that came to notice in the course of test audit of accounts of the PSUs were referred to the PSUs / State Government through Audit Inspection Reports for further investigation and in case of overpayments / excess payment, recovery of the same under intimation to audit.

During the course of audit in 2013-14, recoveries of ₹ 63.41 crore were pointed out to the Management of various PSUs, which were admitted by PSUs. Against this, an amount of ₹ 5.30 crore was recovered during the year 2013-14.

Response of the departments to Audit Report material

1.32 For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2014, one performance audit involving ₹ 401.38 crore and 10 audit paragraphs involving ₹ 33.43 crore were issued to the Additional Chief Secretaries / Principal Secretaries of the respective Departments with request to furnish replies within six weeks. However, reply in respect of performance audit and four transactions audit paragraphs involving a money value of ₹ 4.07 crore was awaited from the State Government (November 2014).

Follow-up on Audit Reports

Explanatory Notes outstanding

1.33 The Audit Reports of the Comptroller and Auditor General of India represent the culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in various offices and departments of the Government. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. The State Finance Department issued (February 1994) instructions to all Administrative Departments to submit explanatory notes indicating corrective / remedial action taken or proposed to be taken on paragraphs and performance audits included in the Audit Reports within three months of their presentation to the

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12 Sr. No. 6 of **Appendix 1.1.**

13 Sr. No. 1, 3, 5 and 13 of **Appendix 1.1.**

14 Sr. No. 2, 8, 11, 12, 14, 16 and 17 of **Appendix 1.1.**

15 Sr. No. 7, 10 and 15 of **Appendix 1.1.**

Legislature, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

Though the Audit Reports for the years 2011-12 and 2012-13 were presented to the State Legislature in April 2013 and February 2014 respectively, four departments had not submitted explanatory notes on 19 out of 28 paragraphs / performance audits as of 30 September 2014, as indicated in ***Table 1.9.***

Table-1.9

Year of Audit Report on PSUs (Economic Sector)	Date of presentation	Total paragraphs/ performance audits in Audit Report	Number of paragraphs / performance audits for which explanatory notes were not received
2011-12	April 2013	14	6
2012-13	February 2014	14	13
Total		**28**	**19**

Department wise analysis is also given in ***Table 1.10***.

Table-1.10

Name of department	2011-12	2012-13
Power	5	7
Food & Supplies	1	1
Forests	-	4
Industries	-	1
Total	**6**	**13**

The Power Department was largely responsible for non-submission of explanatory notes, as it did not submit explanatory notes on 12 out of 19 paragraphs / performance audits.

Compliance to Reports of Committee on Public Undertakings (COPU)

The Action Taken Notes on the recommendations of COPU are required to be furnished within six months from the presentation of the Reports. Replies to 14 paragraphs pertaining to 9 Reports of the COPU, presented to the State Legislature between August 2013 and February 2014 had not been received as of September 2014 as indicated in ***Table 1.11.***

Table-1.11

Year of the COPU Report	Total number of Reports involved	No. of paragraphs where replies not received
2013-14 (up to 30.09.2014)	**9**	**14**
Total	**9**	**14**

Response to inspection reports, draft paras and performance audits

Audit observations made during audit and not settled on the spot were communicated to the heads of the Public Sector Undertakings (PSUs) and concerned departments of the State Government through inspection reports. The heads of PSUs were required to furnish replies to the inspection reports through respective heads of departments within period of four weeks. Inspection reports issued up to March 2014 to 20 PSUs revealed that 4,522 paragraphs relating to 1,054 inspection reports remained outstanding at the end of 30 September 2014. Department-wise break-up of inspection reports and audit observations outstanding as on 30 September 2014 is given in **Appendix 1.6**.

Similarly, performance audit reports and draft paragraphs on the working of Public Sector Undertakings are forwarded to the Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. However, one performance audit report and four draft paragraphs forwarded to four departments between April 2014 and August 2014, had not been replied so far (November 2014).

It is also recommended that the Government may ensure (a) sending of replies to inspection reports / draft paragraphs / Action Taken Notes on the recommendations of COPU as *per* the prescribed time schedule, (b) recovery of loss / outstanding advances / overpayments within the prescribed time schedule, and (c) revamping of the system of responding to audit observations.

Status of placement of Separate Audit Reports

1.34 Separate Audit Reports (SARs) issued by the CAG on the accounts of the two Statutory Corporations for the period up to 2012-13 have been placed (December 2013) in the State Legislature by the State Government.

Disinvestment, Privatisation and Restructuring of PSUs

1.35 During the year 2013-14, there was no case of disinvestment and privatisation of Government companies and statutory corporations. The State Government had not prepared any plan for disinvestment of State PSUs.

Coverage of this Report

1.36 This Report contains 10 paragraphs and one Performance audit on 'Sawra Kuddu Hydro Electric Project' (executed by Himachal Pradesh Power Corporation Limited) involving a financial effect of ₹ 434.81 crore.

Chapter-II
Performance Audit

CHAPTER-II
PERFORMANCE AUDIT

2 Sawra Kuddu Hydro Electric Project

Executive Summary

For execution of Sawra Kuddu Hydro-Electric Project, Pabbar Valley Power Corporation Limited (PVPCL) was created in August 2004. Subsequently with the constitution (July 2007) of Himachal Pradesh Power Corporation Limited (HPPCL), PVPCL was merged with HPPCL in August 2007.

Highlights

The project initially estimated to cost ₹ 558.53 crore is now anticipated to be completed at a cost of ₹ 1,165.10 crore by July 2017 involving cost overrun of ₹ 606.57 crore with consequential increase in *per* MW cost from ₹ 5.03 crore to ₹ 10.50 crore and *per* unit cost of ₹ 2.34 to ₹ 6.95. As the anticipated generation cost would be much higher as compared to the average sale rate of ₹ 3.43 *per* unit and in view of this; project may become commercially unviable on commissioning.

(Paragraphs 2.1 and 2.7)

GoI transferred funds equivalent of ₹ 491.16 crore received from the ADB to the State Government for this project in the shape of grant and loan in the ratio of 90:10 which was converted in to loan by the State Government carrying interest at the rate of 10 *per cent per annum*. The conversion of grant in to loan placed an extra interest burden of ₹ 126.04 crore on project cost.

(Paragraph 2.6.2)

The change in design of the diversion barrage had an impact of ₹ 100.73 crore on the overall cost of the project.

{Paragraph 2.7.2(i)}

The Company did not recover Liquidated Damages amounting ₹ 11.59 crore in terms of agreement from the contractor for delay in completion of works before rescinding the contract.

{Paragraph 2.8.2 (iv) (a)}

Delay in rescinding the work of HRT by the Company resulted delay in commissioning of the Hydro Electric Project besides non-availing of the benefit of defect liability period of Diversion Barrage, Intake structure & Descending Arrangements and Power House packages.

{Paragraph 2.8.2 (v)}

Non-restriction of price variation of 20 *per cent* on each consignment of supply in the bidding document resulted in avoidable expenditure of ₹ 8.79 crore.

(Paragraph 2.9.1)

Introduction

2.1 Sawra Kuddu Hydro-Electric Project (SKHEP) was conceived as a run of the river development on Pabbar River (a tributary of Yamuna River) in Shimla district of Himachal Pradesh. A Special Purpose Vehicle (SPV) named as Pabbar Valley Power Corporation Limited (PVPCL) was created (August 2004) for execution of Hydro Electric Projects (HEPs) in Pabbar Valley and subsequently PVPCL was merged (August 2007) with Himachal Pradesh Power Corporation Limited (HPPCL) on its constitution (July 2007).

Techno Economic Clearance (TEC) for the project with installed capacity of 110 MW (now 111 MW) was accorded (November 2004) for ₹ 558.53 crore (March 2003 price level) inclusive of interest during construction (IDC) of ₹ 63.29 crore. The cost of the project was revised to ₹ 1,165.10 crore in September 2009. The project was designed to operate as a peaking station to generate 385.78 million units (MUs) during 90 *per cent* dependable year and 506.61 MUs during 50 *per cent* mean year[1]. The execution of the project was divided into four packages[2] and all are under execution (August 2014).

The project was scheduled to be commissioned in December 2011 but due to non-completion of various construction works is now expected to be completed by July 2017. The performance audit of this project was conducted at construction stage to analyse the reasons for delay and its impact on project viability.

Organisational set up

2.2 The monitoring and control at Government level is done by the Principal Secretary (Multi Purpose Projects & Power – MPP&P) to the Government of Himachal Pradesh. The execution of civil and electro-mechanical works of the project was under the overall control of the General Manager, Sawra Kuddu (HEP), who is assisted by three Assistant General Managers, (Civil / Mechanical) and one Assistant General Manager

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1 For Mean and Dependable years, the run off the river data collected for any number of years is arranged in descending order. Mean year is the middle year. 90 *per cent* Dependable year is the 90/100th year of total years for which data is collected.

2 Head Race Tunnel, Diversion Barrage and Intake, Power House and Electro-Mechanical Equipment.

(Electrical). The General Manager reports to the Managing Director of the HPPCL.

Audit objectives

2.3 The objectives of the performance audit were to assess whether:

- project was conceived and designed to supply electricity in a cost effective manner;
- the award and execution of project was managed economically, effectively and efficiently;
- the manpower requirement was realistic and its utilisation optimal; and
- there was a proper monitoring system in place to review the execution of project.

Scope of Audit and Methodology

2.4 A performance audit was conducted from April 2014 to July 2014 to cover the execution of Sawra-Kuddu HEP since inception. Audit examination involved scrutiny of records relating to this project at Corporate Office, Shimla and GM Sawra-Kuddu at Hatkoti. Records relevant to approvals, statutory clearances, award, execution and environmental impact were scrutinised.

The performance audit commenced with an entry conference with the Principal Secretary (Power), Government of Himachal Pradesh and Managing Director of the Company on 23 April 2014 explaining scope of audit, audit objectives and criteria. Audit findings were issued to the Management / Government in the form of draft report for their comments on 28 August 2014. Exit conference was held with the management on 15 October 2014 and their replies received on 27 October 2014 have been incorporated suitably.

Audit Criteria

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

- Guidelines issued by the Central Electricity Authority (CEA), Ministry of Power and Central Water Commission (CWC), Central Vigilance Commission (CVC), State Government, Laws relating to Environment and Provisions of Electricity Act, 2003.
- Detailed Project Report (DPR); Reports of Experts for exploration of project and quality control.

- Standard procedures for award of contracts and guidelines issued by the Asian Development Bank (ADB).
- Agreements entered into with various contractors.

Audit Findings

2.6 Financial Management

2.6.1 Funding

For execution of this project a loan of ₹ 453.00 crore was sanctioned (March 2003) by the Power Finance Corporation (PFC) and a loan of ₹ 587.85 crore (contracted value of Barrage, civil & electro mechanical works relating to Power House) from Asian Development Bank (ADB) through Government of India (GoI) under Himachal Pradesh Clean Energy Development Programme. A sum of ₹ 851.62 crore had been incurred by the Company on this project so far (May 2014).

Year wise allocation of budget and expenditure incurred there against during the last five years is given in ***Table 2.1***:

Table-2.1

Year	Civil works			Electro Mechanical works		
	Budget	Expenditure	Percentage utilisation	Budget	Expenditure	Percentage utilisation
	(₹ in lakh)			(₹ in lakh)		
2009-10	-[3]	4287.85		-[3]	00.00	
2010-11	8582.00	10095.43	117.63	5170.00	1307.75	25.29
2011-12	20850.00	11638.53	55.82	9994.22	6416.13	64.20
2012-13	14060.00	8392.45	59.69	5091.00	4788.31	94.05
2013-14	10417.56	8802.30	84.49	2697.01	2469.91	91.58

It could be seen that in case of Civil Works percentage utilisation of budget ranged between 55.82 and 117.63 *per cent* and in case of Electro Mechanical works between 25.29 and 94.05 *per cent*. Main reasons for shortfall in utilisation of budget were delay in supply of drawings to the contractor, delay in providing civil fronts and lack of monitoring by the management.

2.6.2 Charging of interest on grant

Against ₹ 587.85 crore (sanctioned loan from ADB) the GoI transferred funds equivalent to ₹ 491.16 crore (up to March 2014) to the State Government for

[3] Budget for the year 2009-10 was not allocated by the Company.

execution of this project in the shape of grant and loan[4] in the ratio of 90:10. However, the State Government treated the entire amount as a loan to HPPCL by charging interest at 10 *per cent per annum* as *per* the agreement executed (November 2008) by the State Government with the Company. Thus, conversion of grant of ₹ 442.04 crore drawn up to March 2014 in to loan placed extra interest burden of ₹ 126.04 crore on project cost thereby defeating the very purpose of providing grant by the ADB under Clean Energy Development Programme.

The Management stated that the matter has been taken up with the State Government (May 2014) and their response was awaited (October 2014).

2.6.3 *Non-booking of establishment cost*

Audit noticed (July 2014) that proportionate establishment cost of corporate office, design offices and data center amounting ₹ 44.89 crore out of the total accumulated expenditure of ₹ 137.86 crore (establishment cost ₹ 112.61 crore and expenses related to data center ₹ 25.25 crore) incurred on its 11 ongoing projects up to March 2014 had not been booked to the project. On booking of this cost to the project overall project cost would increase with consequential increase in *per* unit cost of generation.

The Management stated (October 2014) that the decision for allocation of the cost on the basis of total expenditure incurred against each project would be taken during the current financial year.

2.6.4 *Irregular booking of unrelated cost*

The office and residential accommodation initially constructed (May 2007) by PVPCL for SKHEP is now being used for construction of another project (Chirgaon-Majhgaon HEP) and the Company had booked the entire construction cost of ₹ 1.04 crore against SKHEP. Non-transfer of the cost to the concerned project had resulted in avoidable increase in project cost by ₹ 1.04 crore.

The Management stated (October 2014) that the matter regarding booking of above expenditure to Chirgaon - Majhgaon HEP was under consideration.

2.6.5 *Less booking of ₹ 30.32 lakh to Local Area Development Activities*

As *per* the provisions of Hydro Power Policy, 2006 issued by the State Government, the Company made provision of ₹ 16.92 crore towards Local Area Development Fund (LADF) against the project. The Company executed certain works on behalf of Local Area Development Committee (LADC) by incurring an expenditure of ₹ 2.75 crore up to May 2014.

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4 At an interest rate of 9 *per cent per annum.*

Audit noticed (June 2014) that departmental charges (DC) at the rate of 11 *per cent* amounting to ₹ 30.32 lakh on expenditure incurred (₹ 2.75 crore) had not been charged on the works executed by the Company under the scheme. This resulted in less booking of ₹ 30.32 lakh to LADF and the company would have to pay this amount extra towards LADF.

The Management stated (October 2014) that the present policy of LADF which supersedes all the previous policies / guidelines on LADF, does not specifically stipulate charging of departmental charges. Further, the accepted principle in respect of departmental charges was that the works which were executed on deposit work basis for other departments attracted departmental charges.

The reply itself points to charging of DC on deposit work on behalf of other departments. These works had been executed by the Company as deposit works on behalf of Local Area Development Committee, as such DC should have been recovered.

Time and Cost overrun

2.7 The Techno-Economic Clearance (TEC) for the construction of the project was accorded (November 2004) by HPSEB with loan of ₹ 390.97 crore and equity of ₹ 167.56 crore with commissioning period of 54 months after award of civil works. The civil works were awarded in December 2011 and the project is expected to be completed at a cost of ₹ 1,165.10 crore by July 2017 involving cost overrun of ₹ 606.57 crore. The date of award of various works, due date of completion, present status and delay / time overrun under each of the components ending March 2014 is detailed in **Appendix 2.1** which shows that the delay in completion of works ranged between 27 to 69 months. The percentage increase in cost of main components ranged between 31 and 1,692 *per cent* as *per* details given in **Appendix 2.2** and overall increase in cost was 109 *per cent.* The time and cost overrun resulted in increase in *per* MW cost from ₹ 5.03 crore to ₹ 10.50 crore and *per* unit cost (without considering royalty) increased from ₹ 2.34 to ₹ 6.95 at revised cost of ₹ 1,165.10 crore against the average sale rate of power being sold[5] by the State Government through Power Trading Corporation (PTC) at ₹ 3.43 *per* unit. The generation cost was much higher and would increase further after adding royalty and wheeling charges. Thus, this project may become commercially unviable project to the Company.

The reasons for delay in completion of works were slow progress of work by the contractors, inadequate / non provisioning of certain items of works in the DPR, subsequent change in designs / scope of work and late handing over of sites by the Company to contractors. Also, in view of revision in cost to

[5] During the period from 2010-11 to 2012-13.

₹ 1,165.10 crore, TEC from CEA was required which has not been obtained by the Company so far (October 2014).

The delay in execution of project not only resulted in generation loss / increase in *per* MW cost but also led to avoidable increase in project cost as discussed in succeeding paragraphs:

2.7.1 Generation loss

The delay of more than five years (January 2012 to June 2017) in completion of project had not only resulted in increase in cost but also result in generation loss of ₹ 727.77 crore[6] including deferment of free power share of ₹ 87.33 crore to the State Government besides non-achievement of social objective of providing additional power to the public.

2.7.2 Other factor contributing increase in project cost

(i) Changes in design

In the approved DPR there were provisions of ₹ 43.19 crore and ₹ 11.10 crore for construction of conventional Diversion Barrage & Intake Structures (DBID) respectively considered on maximum flood level of 3,000 cumecs. On this level, Length of the Barrage was fixed at 118 meter, top of the Barrage at elevation (EL) of 1,426.00 meters and Full Reservoir Level (FRL) at EL 1,423.50 meters with storage capacity of 136 Hect-m sufficient for four hour peaking.

Audit noticed (July 2014) that designs of Barrage and Intake were changed from conventional to Piano Key Weir (PK Weir) based on revised flood level of 6,880 cumecs resulting in increase in quantities of items to be executed. Due to change in design, the top of the Barrage was reduced to EL 1,424.00 meters from 1,426.00 meters, consequently FRL was reduced from EL 1,423.50 meters to 1,417.95 meters whereas the storage capacity had been shown increased as 140.45 Hect-m which was not possible as the storage capacity of the reservoir decreases with decrease in FRL. This change in design had an impact of ₹ 100.73 crore on the overall cost of the project for which the work was awarded to contractor[7] during August 2009.

Further, on the basis of earlier FRL and storage capacity, generation of 385.78 million units (MUs) during 90 *per cent* dependable year was envisaged. The reduction in FRL and storage capacity of the reservoir will now result in recurring loss to the project on account of lesser generation during lean season. The impact of reduction in storage capacity on the generation had not been assessed by the company while according the approval for change in design.

6 385.78 MUs x 5.5 Years x ₹ 3.43 = ₹ 727.77 crore (at an average sale rate of PTC).
7 M/s Patel Engineering Limited.

The Management stated (October 2014) that the adopted design in DPR was based on flood level of 3,000 cumecs noticed during 1997. However, the standard project flood level of 6,880 cumecs was calculated on the basis of guidelines of the CWC and IS-11223 for a structure falling in the category of 'intermediate' *i.e.*, having hydraulic head of 12m to 30m. Further, in the course of detailed construction stage survey the river bed level was not found uniform across the river width. These errors in DPR when rectified resulted in gain in overall storage even with reduction of FRL besides reduction in land acquisition requirement by 5.406 Hac valuing ₹ 4.43 crore.

Reply points toward the facts that the DPR was not prepared after considering all the required parameters in terms of CWC guidelines. Further, the guidelines and IS-11223 quoted in the reply were for calculation of designed flood for storage dams whereas in this case the project was designed with diversion barrage and weir for which IS-6966 (Part-I)-1989 was applicable.

(ii) Avoidable payment of Demand Charges

The HPSEBL sanctioned power load of 4,873.128 KW with the contract demand of 5,142.95 KVA[8] required for execution of various components of the project. Out of this, 2,623.5 KW load with contract demand of 2,915 KVA was for construction power of Head Race Tunnel (HRT). Due to slow progress of work of HRT by contractor[9], the work was rescinded in January 2014. As the Company was aware of the fact that the balance works of HRT would be awarded after preparing and inviting fresh tenders and the whole process was not likely to be completed before July 2014, as such the contract demand should have been got reduced immediately on rescission of work. Non-reduction of contract demand resulted in an avoidable expenditure of ₹ 53.73 lakh[10] on payment of demand charges during the period from February 2014 to August 2014.

The Management stated (October 2014) that action for reduction of contract demand was initiated in January 2014 and the delay was on the part of HPSEBL. The reply was not acceptable as the company failed to deposit the required fee for reduction of contract demand which was actually deposited in August 2014.

Award and Execution of Civil Works

2.8 The civil works of the Project mainly comprises of construction of Reservoir, Trench Weir, De-sanding Arrangements, Power Intake, HRT, Surge Shaft, Pressure Shaft, Power House (PH) and Tail Race Tunnel *etc.* These works were divided into three packages and were awarded to two contractors for a total cost of ₹ 552.78 crore. Audit scrutiny of contract

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8 A/c No. SKP BS-1.

9 M/s Aban Coastal Joint Venture.

10 Requirement as worked out by the HPPCL to 72 KVA i.e., 2,915 KVA-72 KVA= 2,843 KVA x 90% x ₹ 300/- *per* kva x 7 months.

agreements entered with these contractors and records relating to execution showed cases of extra / avoidable expenditure of ₹ 12.10 crore besides non recovery of Liquidated Damages (LD) of ₹ 55.28 crore due to non-compliance of various contractual provisions as discussed in the following paragraphs:

2.8.1 Award of Civil Works

(i) Potential loss of interest due to non-insertion of appropriate clause in the bidding document

The Company while preparing the bidding documents for Power House (PH) and DBID packages linked the recovery of advance with the progress of work instead of time bound manner so as to safeguard its financial interests.

Audit noticed (June 2014) that the Company released interest free advance of ₹ 21.85 crore to contractor[11] against two packages[12] during February 2009 to May 2010 by linking its recovery with the progress of work. As the funds arranged by the Company for these works carried interest at a rate of 10 *per cent per annum* as such it was not prudent on the part of the Company to release the same to contractor without interest for indefinite period (depending on the progress of work).

Thus, failure of the company in inserting the suitable clause in the bidding documents before getting approval from ADB resulted in potential interest loss of ₹ 3.96 crore[13] for the period from February 2009 to November 2011.

The Management stated (October 2014) that the clause regarding time bound recovery has now been inserted in the HRT package based upon the standard document of the Company. The reply of the management is not acceptable as the Company should have incorporated the provision of its standard document in the bidding document of the above contracts. Further Central Vigilance Commission (April 2007) has also indicated for time bound recovery of advances.

(ii) Avoidable loss

Clause 12.3 of Particular Conditions of Contract (PCC) agreement executed (September 2009) with the contractor[14] for the DBID provided that the rates for the quantities in excess of 125 *per cent* would be analysed on current market rates. However, the rates of few items, such as rock bolts, wire mesh, short crete and dewatering *etc.* were kept out of the scope of above mentioned clause and were allowed to be paid on the contractual rates even beyond the limit of 125 *per cent.*

11 M/s Patel Engineering Limited.

12 Power House and Diversion Barrage, Intake Structure and De-sanding arrangements packages.

13 Interest loss has been worked out at 10 *per cent per annum* as being paid on the ADB loan obtained for this project.

14 M/s Patel Engineering.

Audit noticed (June 2014) that during execution, the quantities of dewatering (up to 62^{nd} RA bill) had increased by 1,018 *per cent* (49,81,814 Kwh against the awarded quantity of 4,45,600 Kwh). The contractor was being paid on contractual rate of ₹ 30 *per* Kwh against the analysed market rate of ₹ 11 *per* Kwh. Had the item of dewatering been kept within the ambit of above limit, payment of ₹ 8.41 crore to the contractor could have been avoided.

The Management stated (October 2014) that since the quantity of dewatering remains highly uncertain hence prescribing deviation limit for the same does not sound logical, however, the suggestion of audit would be considered for compliance in future projects.

The reply itself points to the fact that quantity of dewatering are highly uncertain and should have been included in the deviation limit clause to safeguard the interest of the Company. Further the company did not consider the experience of Larji HEP where dewatering quantities increased by 2,635 *per cent.*

2.8.2 Execution of Civil Works

The scrutiny of records relating to execution of civil works showed that the Company incurred an avoidable / extra expenditure as discussed in the following paragraphs:

(i) Payment without analysing the market rates

Sub clause 12.3 (i) read with sub clause 12.3 (iv) (c) of the Particular Conditions of Contract (PCC) executed (February 2009) with contractor[15] for construction of PH provided that the rates for quantities in excess of 125 *per cent* may be revised on the basis of prevailing market rates at the time the quantities exceeded the limit.

Audit noticed (July 2014) that the quantities of Surge Shaft exceeded 125 *per cent* during August 2009. Similarly quantities of underground excavation and concreting of Pressure Shaft also exceeded the above limit during February 2011 and November 2012 respectively but payments for these items were being made at the awarded rates. An amount of ₹ 3.21 crore was paid to the contractor on quantities in excess of 125 *per cent* against the above mentioned items without analysing the market rates in violation of the contractual provision.

The Management stated (October 2014) that as *per* the phrase 'may be' used in the clause was optional and not obligatory on the part of the contractor to supply the actual rates of inputs for arriving at the current market rates. In this case the contractor had not furnished the same thus, the rates could not be analysed.

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15 M/s Patel Engineering Ltd.

The reply was not acceptable as the provisions of the agreement were applicable to both the parties and either party could opt for revision of rates so as to safeguard its financial interests.

(ii) Avoidable / extra payment

Due to increase in quantities of open excavation in DBID package beyond 125 *per cent* limit, the rate of the same was analysed at ₹ 193 *per Cum* on current market rates as *per* provisions of the agreement as against the awarded rate of ₹ 220 *per Cum.* The same was approved by the management during September 2012 and payments to the contractor were released accordingly.

Audit noticed (July 2014) that the rates of ₹ 193 *per Cum* were further revised to ₹ 226 *per Cum* in June 2013. The rates were revised, by altering the parameters of overtime payments to labour, carrying capacity and speed of tipper mentioned in the construction methodology submitted by the contractor before award of work.

Thus, revision of rates and adoption of different criteria during September 2012 and June 2013 for analysing market rates had resulted in extra payment of ₹ 34.00 lakh to the contractor.

The Management stated (October 2014) that the rates were revised after taking into account the actual input of the contractor and speed during empty haul and carriage as actually observed at site. Further the muck carrying capacity of the tipper considered earlier by the contractor in his construction methodology was not theoretically possible.

The reply was not acceptable as the rates were revised by altering the parameters mentioned in the construction methodology and its theoretical possibility was accepted by the Company before award of contract.

(iii) Overpayment on substituted items

Clause 12.3 (iv) (a) of the PCC of DBID package stipulated that the rates for substituted items should be derived from the rate of nearest similar item specified in the Bill of Quantities (BOQ). During execution M-70 grade concrete (800 kg) was substituted with M-55 grade concrete (500 kg). Rate of the substituted items (₹ 5,320 *per Cum*) was derived by taking the average of rates of M-70 (800 kg) and M-40 (650 kg) and subtracting the value of difference in quantity of cement required.

Audit noticed (July 2014) that in terms of quantity of cement required for M-55 grade concrete, nearest similar items available in BOQ was M-25 (450 kg) at the rate of ₹ 4,640 *per Cum* and in terms of *ibid* clause the rates of substituted item of M-55 (500 kg) were required to be derived from the rates of M-25 by adding value of difference in quantity of cement at the rate of ₹ 5.50 *per* kg (provided in the agreement) which worked out to

₹ 4,915 *per Cum.* This resulted in over payment of ₹ 13.85 lakh on execution of 3,420.937 Cum. up to 62nd RA bill paid in June 2014.

The management stated (October 2014) that the rates of M-55 were derived from the nearest concrete mixes and M-55 falls between M-40 and M-70 and the rate has been derived by considering the average of these two grades.

The reply was not acceptable as the requirement of cement for M-55 grade was 500 Kg which was nearest to M-25 (450 Kg) as such rates should have been derived from it and not from M-40 (650 Kg) and M-70 (800 Kg).

(iv) Non recovery / levy of Liquidated Damages

(a) Clause 47 of General Conditions of the Contract (GCC) of the HRT package, awarded to contractor[16] during June 2007 with completion period of July 2011, stipulated that if the contractor failed to complete the work within the stipulated time, the contractor shall pay liquidated damages (LD) for such default a sum equivalent to 0.5 *per cent* of the contract price for every week or part of a week of delay in completion of works. The total amount of the liquidated damages payable to the company shall be subject to maximum 10 *per cent* of the contract price.

Audit noticed (July 2014) that the contractor failed to complete the work within the stipulated period and applied (August 2012) for extension of time up to 31 March 2014 (988 days). On analysing, the delay of 440 days was attributed by the Company on the part of contractor for which 10 *per cent* LD were recommended during September 2012. Pending decision of the BOD for recovery, the work was rescinded from the contractor in January 2014 without recovery of LD. Now after rescission of contract, chances of recovery of LD amounting ₹ 11.59 crore from the contractor were bleak.

The Management stated (October 2014) that during the currency of contract levying of LD would have been a retrospective step and not in the interest of the work. Now since the work have been rescinded, LD would be recovered from the contractor after conclusion of arbitration proceeding.

The reply was not acceptable as this situation could have been avoided by timely recovering of LD out of BG or from running bills of the contractor before rescinding the contract.

(b) Similarly contractor[17] failed to complete the works of PH & DBID packages awarded in January 2009 and August 2009 with completion period of June 2012. The Company allowed extension of time in both the contracts up to December 2013 and September 2013 respectively without levy of LD. The completion period was further extended provisionally up to

[16] M/s Aban Coastal Joint Venture.

[17] M/s Patel Engineering Limited.

September 2014 and December 2014 without prejudice to the right of the company to recover liquidated damages amounting to ₹ 43.69 crore as *per* provisions of the contract (Clause 8.7 read with clause 14.15 (b) of General Condition of the Contracts).

The Management stated (October 2014) that the recovery of LD was not effected as it could have created hindrance in completion of the work. However, after completion of the work LD would be imposed on the contractor after assessing the reasons for delay.

The reply was not acceptable as the Company should have initiated action for levy of LD so as to safeguard Company's interest as the contractor failed to complete the work despite three extensions.

(v) ***Undue favour to the contractor***

The construction of HRT and Adits was awarded (June 2007) to contractor[18] for ₹ 115.92 crore, 24.17 *per cent* below the estimated cost of ₹ 154.60 crore with scheduled completion period of July 2011. The contractor failed to achieve the desired progress of work from the very beginning (June 2007). The Company instead of rescinding the work extended financial help to the contractor amounting to ₹ 29.53 crore (advances, direct payments to suppliers / labour) over and above the contractual provisions. Though Company issued show cause notice in June 2008 for getting the work done through a third party at the risk and cost of the contractor yet the work was actually rescinded in January 2014.

The balance works estimated to be completed in 32 months had not been awarded so far (July 2014) though other components are expected to be ready by December 2014. Timely decision to rescind the contract and awarding the remaining work to other contractor could have resulted in completion of the works by December 2013 considering 48 months (including 6 months for retendering and award) for completion as envisaged earlier. Even if the balance works were now awarded (October 2014) the commissioning of the project is not likely to be achieved before July 2017.

Further, DBID and PH works expected to be completed by December 2014 can only be tested after completion of HRT. The defect notification period in both the works was twelve months after completion of works. As the testing of these works would not be possible before completion of HRT as such the company would not be able to avail the benefit of defect liability clause of the agreement without getting the period extended up to the completion of HRT.

[18] M/s Aban Coastal Joint Venture.

Thus, delay in rescinding the work had resulted in overall delay in completion of project and would also result in non-availing the defect liability period of DBID and PH packages.

The Management stated (October 2014) that the work was not rescinded in the first instance as re-awarding process was very time consuming and the Company intended to avoid that delay.

The reply of the management is not acceptable as the Company could not achieve the anticipated results thereby leading to delay in completion of the project.

Award and Execution of Electro Mechanical Works

2.9 The Electro Mechanical works of the project were awarded to contractor[19] in February 2009 at a total cost of ₹ 150.99 crore. The scrutiny of records relating to award and execution of these works revealed cases of avoidable and extra expenditure of ₹ 30.61 crore as discussed below:

2.9.1 Award of Electro Mechanical Works

Condition no. 3 of Section-1 Appendix-2, of the E&M Package awarded to a contractor stipulated ceiling of 20 *per cent* of the aggregate "contract price" for price adjustment. The company while awarding (March 2010) E&M package of HEP (Kashang HEP) to the same contractor had imposed 20 *per cent* limit on each consignment. Similarly, Beas Valley Power Corporation Ltd. (BVPC) had also awarded E&M package (February 2007) for Uhl-III HEP to BHEL with price variation limit of 20 *per cent* limit on each consignment.

Audit noticed (July 2014) that non-restriction of price variation limit on each item enabled the contractor to claim price variation of ₹ 11.11 crore on the supply of 3 transformers costing ₹ 11.58 crore. This could have been restricted to ₹ 2.32 crore had the Company imposed 20 *per cent* ceiling on each consignment. This has resulted in avoidable expenditure of ₹ 8.79 crore.

The Management stated (October 2014) that the situation of contractor getting higher price variation payment has arisen due to abnormal increase in the price indices of the base material and due to delay in handing over of civil fronts besides non-availability of necessary infrastructure for transportation of heavy material.

The reply is not acceptable as this could have been avoided by restricting the price variation to each consignment at the time of preparing bidding documents.

19 M/s Andritz Hydro Private Limited.

2.9.2 *Execution of Electro Mechanical Works*

(i) *Avoidable accumulation of liability due to delay in providing civil fronts*

The contractor could not commission the Generating Units (E&M Package) within stipulated completion period of June 2012 due to delay in providing civil fronts by the Company (ranging between 416 days and 1,088 days) as *per* agreed schedule (August 2010 and October 2011). The main reasons for delays were delay in widening of road / strengthening of old bridges for transportation of heavy and over dimensional equipment. On the basis of revised schedule for providing civil fronts by the Company, the three units were planned to be commissioned by June 2014.

Audit noticed (July 2014) that due to delay in providing civil fronts by the Company a liability of ₹ 27.06 crore on account of extension of project schedule under clause 40.3 Section-IV of the G.C.C. had accumulated. Out of the total claim of ₹ 27.06 crore submitted by the contractor, ₹ 10.48 crore was for extension of warranty period, Bank Guarantees and Insurance cover of the machinery for 24 months up to June 2014. The payment had, however, not been released (July 2014) to the contractor.

The company admitted (October 2012) the facts regarding failure in providing civil fronts duly developed within scheduled period and delay in transportation of heavy equipment and allowed extension of time to the contractor up to December 2014. The Management further stated (October 2014) that the claim was under examination and would be finalised as *per* the provisions of the contract.

(ii) *Interest loss on delayed adjustment of excess payment*

As *per* clause 4.1.2, chapter 4 of document 3A of the E&M package, there was a provision of 270 meters bus duct. Material dispatch clearance certificate (MDCC) for 270 meters was issued to the contractor by the Company on 12 October 2012 after inspection at site. However, after receipt of erection key diagram (25th October 2012) from the contractor the length of bus duct was seen to be 173 meters instead of 270 meters.

Audit noticed (June 2014) that on the basis of MDCC, the contractor recovered 60 *per cent* payment in October 2012 on the value of 270 meters against dispatch of material. Besides, 15 *per cent* advance was released in the month of March 2009 on the total value as *per* the agreement which included the value of duct. The contractor was also paid Price Variation Claim (PVC) on 270 meters. An amount of ₹ 87.91 lakh was paid in excess to the contractor on 97 meters. However, the Company has recovered ₹ 19.10 lakh in February 2014 and ₹ 68.81 lakh in May 2014, without any interest.

Thus, release of excess payments without adjustment resulted in interest loss of ₹ 12.29 lakh[20] .

The Management stated (October 2014) that manual adjustment for excess or less quantity of materials dispatched / received was not possible. Reply was not acceptable as the excess payment could have been adjusted against any other payments due to the contractor.

(iii) Avoidable loss due to delay in transportation of equipment

The Company placed (February 2009) an order for the supply of electro mechanical material to contractor[21]. The material was to be supplied by August 2011 for which the road / bridges between Chailla and Project site were to be strengthened at certain points. After issue of dispatch instructions (between November 2010 and December 2011) the contractor supplied heavy machinery valuing ₹ 34.82 crore which reached Chandigarh / Parwanoo in March 2012. The Company released 75 *per cent* (15 *per cent* at the time of agreement and 60 *per cent* at the time of dispatch of material) payment of ₹ 26.11 crore of the machinery value. However, these equipments could not be transported to the project site for want of up gradation / strengthening of road / bridges at certain points and had to be stored at Parwanoo and Chandigarh warehouses. The Company had to bear ₹ 1.70 crore towards lease rent (March 2012 to December 2013), loading / unloading and transportation cost for storing them. The improvement of road and strengthening of bridges as required was got done by the Company from a contractor between March and May 2013 by incurring an expenditure of ₹ 65.21 lakh. The transportation of material to the site was completed in December 2013.

Thus, failure of the Company in initiating timely action for improvement of road and strengthening of bridges resulted in avoidable payment of lease rent of ₹ 1.70 crore, price escalation of ₹ 4.12 crore on commissioning of the equipments after scheduled completion period and interest loss of ₹ 4.75 crore on the 60 *per cent* payment released, besides blocking of funds amounting to ₹ 26.11 crore for the period from March 2012 to December 2013.

The Management stated (October 2014) that the issue cropped up due to involvement of multiple departments and reasons beyond the control of the Company. The reply was not acceptable as Company should have placed the supply order only after ensuring its transportation up to the project site.

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20 ₹ 19.10 lakh x 274 days x 10 *per cent per annum* + ₹ 68.81 lakh x 576 days x10 *per cent per annum.*

21 M/s Andriz Hydro Private Limited.

Manpower Management

2.10 The audit analysis of manpower requirement *vis a vis* actual deployment in the project revealed the following:

(i) Deployment of staff in excess of sanctioned strength

Scrutiny of sanctioned strength of different categories of staff *vis a vis* actual manpower deployed showed that the Company had deployed excess staff during the period from April 2008 to June 2014 as detailed in **Appendix 2.3.** This had resulted in avoidable increase in project cost by ₹ 2.89 crore on account of pay and allowances paid to the above staff during the same period.

(ii) Deployment of staff without any requirement

Audit scrutiny further showed that the Company had deployed seven field staff (mason, Mixer operator & Air compressor operator) at project site though all the works were being executed through contractors. In addition to above, the Company had also deployed one auto helper and one store keeper without having any auto workshop and store.

The Company had incurred ₹ 1.13 crore on their pay and allowances during January 2006 to June 2014, which had resulted in avoidable increase in project cost by ₹ 1.13 crore.

The Management admitted (October 2014) that some posts were not sanctioned but the existing staff has been gainfully deployed in various other projects and the manpower has been kept within the overall sanctioned strength. The reply was not acceptable as manpower should have been deployed as *per* the category wise sanctioned strength / requirement.

Quality Control

2.11 In order to ensure the quality of the works, the Company had established a quality control cell at project site besides monitoring by the concerned engineers deployed for supervision of works. During audit (July 2014) the following deficiencies were noticed:

(i) Expenditure on excessive over breaks

During execution of HRT works the contractor could not achieve the desired alignment of HRT and in the overt of the tunnel over breaks in excess of the permissible limit of 7.5 *per cent* (clause 6.5 (iv) of technical specifications of the contract) occurred. In the initial stages the over breaks were up to 20 *per cent*. Similarly, in the invert of the tunnel there were undercuts (not been paid) and resultantly the desired slope of the tunnel could not be achieved which required rectification. As *per* above clause, if for any reason, other than accepted geological reasons, excavation was carried out beyond pay line, the contractor was liable at his own cost for removing the excess material and backfill the voids.

Audit noticed (July 2014) that the excessive over break was the result of poor workmanship on the part of contractor coupled with inadequate supervision by the designated staff during excavation of the HRT. Contractor instead of backfilling the voids had left the spaces unfilled in certain reaches before recession of the work in January 2014. Due to this, quantities of concrete lining included in the BOQ for the balance work of HRT to be awarded had increased by 25,340 Cum for overt lining. For the execution of these extra quantities the company would have to bear an extra cost of ₹ 19.74 crore[22].

The Management stated (October 2014) that all the work would now be got done at the risk and cost of the contractor.

(ii) Non rectification of substandard work

The project consultant[23] in their site inspection report submitted in January 2011 had pointed out certain deficiencies in the quality of certain works of Barrage and Intake such as short / excess concrete cover or damaged water stops seals which could affect long life of the project.

Audit noticed (July 2014) that these deficiencies had not been rectified by the contractor in terms of conditions of the contract (Clause 4.9 of general condition of document II) as was evident from the Project Performance Monitoring Report of the Consultant submitted in April 2014. Non-removal of defects as pointed out by the consultant within three years, reflected the lack of seriousness towards the quality of works.

The Management stated (October 2014) that all the shortcomings as brought out by the consulting firm have been rectified. The reply was not acceptable as no documentary evidence thereof was furnished to audit.

Environmental Issues

2.12 *Avoidable payment to consultant*

The Company hired (December 2007) the services of consultant[24] for completion of required documentation and legal formalities for selling Carbon Credits in respect of SKHEP which included preparation of Project Concept Note (PCN) and Project Design Document (PDD). All the expenditure towards validation as well as registration of project activities with Clean Development Mechanism (CDM) Executive Board / United Nation Framework Convention on Climate Control (UNFCCC) was to be borne by Zenith Energy Services Private Limited (ZESPL) for which they were entitled to 10 *per cent* Certified Emission Reduction (CERs) generated during 1st three years of operation. Consultant was responsible for the CDM Project Cycle till the registration of the project with the UNFCCC. On the request of

[22] Calculated on the basis of rates analysed by the company for the same work.
[23] Lahmeyer International (India) Limited.
[24] M/s Zenith Energy Services Private Limited (ZESPL).

Consultant, the Company paid registration fees of ₹ 28.24 lakh to UNFCCC on his behalf during December 2012. This payment was treated as interest bearing advance to the consultant at the rate of 12.25 *per cent* compounded annually. Further, condition no. 3 of agreement stipulated for payment of compensation of ₹ 30.00 lakh to the consultant in case of delay in commissioning of project beyond two years or stoppage of project implementation due to any other reason.

Audit noticed (July 2014) that due to delay in completion of the entire expenditure incurred on hiring the services of consultant amounting to ₹ 30.00 lakh was rendered infructuous as the Company would have to engage the consultant again for initiating the same process for selling the CERs on completion of the project.

The Management stated (October 2014) that the payment of compensation to consultant would be included in the counter claim being filed against the contractor.

Non completion of transmission line

2.13 For evacuating power to be generated by this project, the Company deposited ₹ 6.47 crore with the Himachal Pradesh Power Transmission Corporation Limited (HPPTCL) in August 2011. The works of construction of transmission line and associated works had been awarded by the HPPTCL between September 2012 and October 2013.

Audit noticed (June 2014) that as *per* award, scheduled completion period of transmission lines was June 2015. The physical progress against all the works awarded was nil up to July 2014 for want of forest clearance. The Company was not monitoring the progress of work and even month wise progress was not called for from the HPPTCL. Thus, payment of ₹ 6.47 crore in August 2011 without ensuring necessary clearances required to start the works resulted in interest loss of ₹ 1.83 crore from August 2011 to May 2014.

The Management stated (October 2014) that the amount was deposited to commensurate the completion of line with the project and could not have been withheld with the presumption that the project would got delayed.

The reply was not acceptable as the Company should have deposited the amount only after ensuring necessary clearances so as to avoid blockade of borrowed funds.

Conclusion

The Project scheduled for commissioning in March 2012 could not be completed and is now expected to be commissioned by July 2017. The abnormal delay in completion contributed towards increase in project cost from ₹ 558.53 crore to ₹ 1,165.10 crore. Non-adoption of standard contract clauses / procedures and suitable clauses while preparing the bidding documents, subsequent changes in design and poor workmanship by contractors *etc*. contributed towards increase in cost. While awarding and executing various civil contracts, the Company did not comply with various contractual provisions which resulted in avoidable payments to the contractors. The main reasons for delay were non-handing over of civil fronts to contractor and delay in rescinding the work from defaulting contractor. The delay in rescinding the contract would result in consequential delay in commissioning of the HEP. The Company also failed to monitor the works of the contractors. Overall, there was a greater need for supervision, control and sustained monitoring at all levels.

Recommendations

The Company may consider:

(i) ensuring compliance to the contract clauses/guidelines;

(ii) ensure synchronisation of civil and electro mechanical works during various stages of execution so as to avoid delay due to mismatch in construction activities and consequent financial losses; and

(iii) strengthen monitoring mechanism to avoid poor workmanship / substandard work by the contractors and taking timely action.

The above points were reported to the State Government in August 2014; their reply was awaited (November 2014).

Chapter-III
Audit of Transactions

CHAPTER-III
AUDIT OF TRANSACTIONS

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

GOVERNMENT COMPANIES

Himachal Pradesh State Civil Supplies Corporation Limited

3.1 Procurement and distribution of food items under State Subsidised Scheme

The Company distributed less quantity of food items to the retail shops / depots against the allocations made by the State Government. Samples of food items valued at ₹ 14.48 crore (April 2011 to March 2014) failed the tests and the reports were received with a delay ranging from three to four months. The delay in submission of claims by the Company coupled with delay in release of payments by the State Government resulted in interest loss of ₹ 8.80 crore to the Company during April 2010 to March 2014.

3.1.1 Introduction

The State Government extended additional benefits under Public Distribution System (PDS) to the consumers from 1st April 2007. Under the scheme, pulses, edible oils and iodised salt are supplied to all ration card holders as *per* prescribed scale[1] at subsidised cost. Allocation of food items under this scheme is made every month by the Director, Food, Civil Supplies & Consumer Affairs, Government of Himachal Pradesh, Shimla (DFCS&CA) to the Himachal Pradesh State Civil Supplies Corporation Limited (Company) on the basis of ration cards registered with DFCS&CA. The procurement of allocated items is being made by the Company for supply to Fair Price Shops (FPSs) for further distribution to the consumers. The difference between the procurement cost and the sale proceeds is reimbursed by the State Government to the Company.

Audit reviewed the implementation of the State Subsidised Scheme, 2007 by the Company during the period from 2010-11 to 2013-14 through test check of records of the Corporate Office, four[2] out of seven Area Offices, and 15 retail shops[3] out of total 111 retail shops (selected randomly) of the Company between February to April 2014.

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1 Two family members: one Kg dal, one litre edible oil and one Kg salt; three and four family members: two Kg dal, two litres edible oil and one Kg salt; whereas five and above family members: three Kg dal, two litres oil and one Kg salt.

2 Bhattakufer, Solan, Dharamshala and Mandi.

3 Kotwali Bazar, Civil Lines, Shamnagar, Brockhurst, Kasumpti, Sanjauli, Chotta Shimla, Slapper, Salgi, Kunnu, Mandi, Chatrokhri, Gopalpur, Ladhbharol and Tihra.

3.1.2 Audit findings

3.1.2.1 Allocation of subsidised items

Test check of records of 15 retail shops of the Company under the jurisdiction of the Area Offices, Dharamshala, Mandi and Shimla showed that the Company supplied 1,228 quintals (8.23 *per cent*) pulses, 1,26,478 litres (9.15 *per cent*) edible oil and 903 quintals (17.24 *per cent*) iodised salt short to the retail shops / depots. Thus the Company distributed less quantity to the retail shops /depots against the allocation made by the State Government.

The Government stated (September 2014) that the release orders are issued by the DFCS &CA on the basis of number of ration card registered with them but the stocks are lifted by the retail shops, keeping in view the stock holding at the last day of the month with them.

The reply of the Government was not acceptable as retail shops submit monthly feedback to DFCS&CA after considering the stock available with them and therefore the Company should have made purchases strictly as *per* the allocations.

3.1.2.2 Purchase / distribution of sub standard items

The terms and conditions of the purchase orders for supply of food items provided that the suppliers would ensure that the supplies were as *per* the requirement laid down under Food Safety & Standards Act, 2006 and regulations there under with respect to foreign matter, insect damage and other parameters. In case the supplied items were not found according to the approved samples, the suppliers were required to replace the items at their own cost within a period of one week and in case of non replacement due to sale of the same, *20 per cent* penalty was recoverable from suppliers.

It was noticed in audit that during 2010 to 2014, samples of pulses (22,296 quintals), mustard / refined oil (2,50,213 litres) and iodised salt (12,568 quintals) valued at ₹ 14.48 crore[4] failed the tests. This included the supplies of 3,309 quintals pulses valued at ₹ 1.77 crore found with insects (alive and dead) ranging between 2 to 290 *per* sample. The test reports of these samples were received after a delay ranging between three and four months, the entire consignments stood distributed amongst the consumers without replacement. The Company, however, recovered a penalty of ₹ 2.90 crore from the concerned suppliers which was not refunded to the State Government.

Thus, failure in getting replacement of sub-standard items the Company not only extended undue benefit to the suppliers but also compromised with the health of the consumers by distributing substandard items to them.

The Government stated (September 2014) that supplies of pulses are received by the units according to the approved samples provided to them after inspecting the stock visually and there was no such provision to stop its sale till the receipt of the report. Regarding refund of penalty amount into government account the matter was under consideration.

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[4] (Pulses: ₹ 11.96 crore; Edible Oil: ₹ 1.86 crore; Iodised salt: ₹ 0.66 crore).

The reply was not acceptable as the Company should have expedited the test reports before distributing so that substandard supplies could have been replaced.

3.1.2.3 Undue benefit to suppliers

During the period April 2011 to March 2014, 11 suppliers, had supplied 11,198 quintals of pulses valuing ₹ 5.59 crore. These suppliers were given repeated supply orders despite that their previous supplies had failed the tests. The Company did not have any mechanism to identify the firms whose supplies failed tests regularly so as to debar / blacklist them. Thus, the Company continued to extend undue favour to these suppliers by placing repeated purchase orders for substandard food items.

The Government stated (September 2014) that in case of non replacement of substandard quantities, a penalty equal to 20 *per cent* of the value of the consignment was recovered from the suppliers. So far as black listing of firms was concerned, blacklisting was not a good option since it restricts competition in future tenders.

The reply of the Government justifies the receipt of repeated supplies of substandard items on payment of 20 *per cent* penalty which every defaulter would like to accept.

3.1.3 Distribution of subsidised items

3.1.3.1 Loss due to prolonged storage of pulses

Terms and conditions of the supply order provide that the quality of pulses should remain the same for four months from the date of packing. Audit noticed (March 2014) that stock of pulses (*Channa* and *Urd*) valuing ₹ 5.56 lakh[5] was lying in Company's wholesale godowns for the last two to six years. The scrutiny of records further showed that there was no demand for these pulses in the region due to which these could not be distributed. The Company had made no efforts to transfer / divert the same to other regions of the State. Resultantly, the entire stock valued at ₹ 5.56 lakh was rendered unfit for human consumption due to prolonged storage.

The Government stated (September 2014) that the said stocks were lying at tribal and snow bound areas as such it was fit for human consumption and will be distributed from October 2014 onwards.

The reply of the Government was not acceptable as pulses are best for use before four months from date of packing. Therefore, the stock lying for the past 2 to 6 years cannot be considered fit for distribution.

3.1.3.2 Avoidable expenditure on testing of sample

In order to provide adequate and timely testing facilities the Company empanelled (October 2013) five laboratories. The only evaluation criteria was

5 23.30 Qtls dal channa valuing ₹ 0.64 lakh (whole sale godown, Kaza: 21.30 qtls and Tikar: 2.00 qtls) and 113.90 qtls. urd valuing ₹ 4.92 lakh (whole sale godown: Sach: 50.29 qtls, Kumar- 15.25 qtls, Sahli- 24.22 qtls and Saichu- 24.14 qtls).

the certificates issued by National Accreditation Board for Testing and Calibration Laboratories (NABL). No other evaluation criteria was mentioned in the notice inviting rates for testing of samples of different commodities. The Company approved the rates for testing *per* sample for pulses ranged between ₹ 1,500 and ₹ 9,450, refined / mustard oil between ₹ 2,300 and ₹ 9,450 and for iodised salt ₹ 2,500 and ₹ 11,250.

Audit scrutiny (April 2014) showed that notice inviting rates did not have any bench mark. Moreover, the parties were not asked to match the lowest quoted rates. The quoted rates of five laboratories were accepted as final. Further, while sending samples to these laboratories the lowest rates were not considered and the samples were sent for analysis irrespective of rates. On comparison of the rates paid to laboratories with the lowest rates of the empanelled lab; there was an avoidable payment of ₹ 18.86 lakh on testing of 775 samples during the period November 2013 to March 2014 as detailed in **Appendix 3.1.**

It can be seen that only 32.78 *per cent* sample of pulses, 30.07 *per cent* of oil and 42.17 *per cent* sample of iodised salt and 8.26 *per cent* samples of other items were got analysed at L-1 rates. Further, the reports were still being received after distribution of the items to the consumers. Thus, the very purpose of expediting the test reports before distributing the food items could not be achieved even after engaging private laboratories.

The Government stated (September 2014) that L-1 as sole criterion for selecting lab was not being followed as it would have defeated very objective of the establishment of the mechanism. The Government while appreciating the observation of the audit added that the provisions regarding furnishing of reports within 14 days from receipt of the sample and deduction of 2 *per cent* of testing charges *per* week for delay had been inserted in the Lab Empanelment Agreements for the year September 2014 to August 2015.

The reply is not acceptable as the company should have analysed the rates and given orders to the laboratory quoting L-1 rates or asked the laboratories to match the lowest quoted rates. Failure to get the tests done at the L-1 rates resulted in avoidable expenditure of ₹ 18.86 lakh. Further, in spite of establishing the mechanism there was no guarantee that the food items would be distributed only after receipt of test reports.

3.1.4 Loss in implementation of State Subsidised Scheme

3.1.4.1 Loss due to short claiming of tendering cost

On recommendation of DFCS&CA, the Government restricted (December 2007) the cost of tendering on procurement of food items under the scheme to ₹ 1.00 crore *per annum*.

Audit scrutiny (April 2014) showed that against the admissible amount of ₹ 7.00 crore the Company claimed ₹ 41.00 lakh only (2007-08 to 2013-14) resulting in short claiming of ₹ 6.59 crore.

The Government stated (September 2014) that after due consideration of all the pros and cons, reimbursement of tender cost only subject to ceiling of one crore was allowed.

The reply was not acceptable as the recommendations of the DFCS&CA (November 2007) approved by the State Government (December 2007) included other expenses on account of tendering as well which should have been claimed by the Company.

3.1.4.2 Loss of interest due to late settlement of Subsidy claims

As *per* the recommendation (October 2009) of the committee of DFCS&CA, the Department of FCS&CA had to ensure allocation of funds on or before 3rd week of the month so as to release the funds to the Company before 30th of the every month. Similarly the Area Manager of the Company had to submit the monthly reimbursement claims before 22nd of the month for payment before 30th of every month.

Audit scrutiny (March 2014) showed that the Company, though prepared subsidy claims on monthly basis did not submit claims to State Government by next month. The delay in submission of subsidy claims ranged between two and 71 days even after allowing one month for preparation / submission of claims for the previous month. The delay in submission of subsidy claims on the part of the Company resulted in interest loss of ₹ 1.67 crore[6] during the period from April 2010 to March 2014.

Further, the Government also delayed the release of payment against these subsidy claims. The delay on the part of the Government in releasing payments after submission of monthly claims by the Company ranged between 5 days and 128 days with consequential interest loss of ₹ 7.13 crore.

Thus, delay in receiving payments by the Company on account of expenditure incurred on implementation of State Subsidised Scheme resulted in total interest loss of ₹ 8.80 crore during the period from April 2010 to March 2014.

The Government stated (September 2014) that subsidy claims were submitted by the Company as soon as possible but due to some unavoidable circumstances there were some delays. As regards, delay in receipt of payment from the state Government it was stated that due to non availability of budget, the Company could not receive payments.

3.2 Excess recovery from BPL families under TPDS

Non reduction of issue rates of food grains supplied under TPDS immediately after exemption of service tax on transportation of food grains from February 2010 resulted in excess recovery of ₹ 1.00 crore from BPL families during the period from April 2010 to December 2013.

The Government of India (GoI), Department of Food Civil Supplies and Consumer Affairs provides rice and wheat to BPL families in the state under

6 Interest loss calculated at an average rate of 8.5 *per cent per annum* on which the company had invested its surplus funds in Fix Deposits.

the Targeted Public Distribution System (TPDS). The TPDS is being implemented in the state of Himachal Pradesh through Himachal Pradesh State Civil Supplies Corporation Limited (Company). The state government while fixing the issue rate in January 2007 for wheat (₹ 525 *per* quintal) and rice (₹ 685 *per* quintal) under the TPDS considered service tax at the rate 3.06 *per cent* as applicable on transportation of food grains. The charges for transportation up to Fair Price Shop were fixed at ₹ 60 *per* quintal. These rates have not been revised since then. The GoI included food grains in the list of exempted goods from payment of service tax *vide* notification issued in February 2010.

Audit scrutiny (March 2014) showed that the Company did not reduce the rates after issue of exemption notification by the GoI in February 2010 so as to pass on the benefit of this exemption to the consumers and was continuously collecting this element of service tax from them. After issue of exemption notification, the Company distributed 54,47,063 quintals of rice and wheat under TPDS by collecting transportation charges of ₹ 32.68 crore[7] for the period from April 2010 to December 2013. On these transportation charges, the Company also collected service tax amounting to ₹ 1.00 crore[8] from the BPL consumers. The Company had also not deposited this amount of service tax with the tax authorities and had wrongly accounted as its income.

Thus, non-reduction of issue rates by the Company after exemption of service tax placed extra burden on the BPL families of the state besides attracting penal liabilities which the tax authorities may impose for not depositing the service tax so collected since March 2010 in term of the provision contained under Section 73 A (2) read with Section 75 and 76 of Chapter V of the Finance Act, 1994.

The Government (October 2014) stated that aforesaid amount of ₹ 1.00 crore has been deposited with tax authorities in May 2014. The reply was not acceptable as the Company had not still revised the issue rates to BPL families so as to pass on the benefit of exemption of service tax to them.

Himachal Pradesh State Electricity Board Limited

3.3 Loss due to non recovery of fixed demand charges

Failure of the HPSEBL to comply with the provisions of the Electricity Supply Code, 2009 resulted in non-recovery of fixed demand charges of ₹ 1.90 crore.

Chapter 3 (Clause 3.9) of the Himachal Pradesh State Electricity Supply Code, 2009 (applicable from May 2009) stipulates that in case of High Tension (HT) / Extra High Tension supply, where the licensee has completed the work required for supply of electricity to an applicant but the applicant is not ready or delays to receive supply of electricity or does not avail the full

7 Transportation charges on 54,47,063 quintals x ₹ 60 per quintal = ₹ 32.68 crore.
8 Service tax on ₹ 32.68 crore x 3.06 *per cent* = ₹ 1.00 crore.

contract demand, the licensee shall, after a notice of sixty days, charge on *pro rata* basis, fixed / demand charges on the sanctioned contract demand as *per* the relevant tariff order.

Audit noticed (between February 2012 and December 2013) that in 39 cases though the Company had completed the works required for supply of electricity to the applicants, the field units of the Company failed to intimate / issue notices as *per* the provisions of the Supply Code *ibid* within the specified period, to the consumers concerned, regarding completion of required works / its readiness to supply the desired load. Due to non issue of such notices, the Company could not recover fixed demand charges as *per* the relevant Tariff Orders. Thus, failure of the Company to issue notices / intimation to the consumers resulted in non recovery of fixed demand charges of ₹ 1.90 crore during the period February 2010 to December 2013 (after allowing 60 days period of notice) as detailed in **Appendix 3.2**.

In reply Electrical Division, Mandi stated (July 2012) that the accounts of five consumers have been debited with ₹ 21.08 lakh through Sundry Charges Register but the actual recovery was still awaited. In case of other consumers, the reply / compliance was still awaited (March 2014).

The matter was reported to the Government in April 2014; their reply was awaited (November 2014).

3.4 Infructuous expenditure on work charged staff

Failure of the Himachal Pradesh State Electricity Board Limited either to get the daily waged workers repatriated from deputation with SJVNL or to settle their deputation terms and conditions after upgrading them to work charged cadre resulted in infructuous payment of ₹ 1.77 crore.

Himachal Pradesh State Electricity Board (HPSEB) had deployed daily waged workers on the construction of Nathpa Jhakari Hydro Electric Project from 1990-91 *i.e* prior to transfer of the project to Satluj Jal Vidyut Nigam Limited (SJVNL). After transfer of project to SJVNL by the state government these daily waged workers were retained and adjusted against deposit work arrangement as agreed between both the organisations.

Subsequently, in pursuance of state government policy, HPSEB brought these workers on work charged cadre between December 1997 and October 2000. But the SJVNL authorities refused to bear the impact of increased wages as a result of their up gradation to work charged cadre and after intervention of the state government (August 2000), the SJVNL agreed to retain them (64 number) on the condition that the differential amount on account of the increased rates of salary would be borne by HPSEB. HPSEB agreed (January 2001) to settle payment of above said difference of pay against monthly bills raised by SJVNL.

The SJVNL authorities, however, introduced (March 2002) a policy to adjust regular non-executive employees of HPSEB from April 2001 on usual deputation terms and conditions subject to their option to continue on secondment basis. The employees not opting for deputation within a stipulated period were to be repatriated. After this, an agreement was entered (October 2004) between the state government and SJVNL for execution of Rampur Hydro Electric Project. Clause 7 and 8 read with clause 38 of the agreement provided to retain all employees of HPSEB who were on deputation with the SJVNL as on date as well as in future. Despite this, HPSEB continued to release the payment of the above said differential amount to SJVNL till 31 May 2008 without taking up the matter in accordance with the above said provisions and changes. However, the SJVNL agreed not to raise bill towards differential amount after November 2008 and HPSEB discontinued releasing payment of differential amount to SJVNL from May 2008 onwards. HPSEB after conversion (June 2010) into a Company (HPSEBL) took up (October 2011), the matter for refunding the payment of ₹ 1.77 crore released on account of enhanced salaries of 64 workers from September 2001 (actual date of regularisation) to May 2008 with SJVNL. SJVNL, however, refused (February 2012) to entertain the claim on the ground that the issue has already been settled and decided in view of the circumstances prevailing at that time.

Thus, the payment of differential wages in respect of 64 work charged staff while on deputation to SJVNL was unprecedented as staff can be deputed on deputation only if the entire liabilities on account of their pay and allowances are acceptable to the borrowing organisation or else all workers should have been repatriated and deployed on its own works.

In reply, the Government stated (October 2014) that the matter was taken up with SJVNL in October 2010 but was turned down by the SJVNL during February 2012 and the matter has been taken up again (October 2013) but nothing had been heard from SJVNL so far.

The reply was not acceptable as this situation could have been avoided either by settling the deputation terms clearly with the borrowing organisation in time or by their repatriation, in case the terms and conditions were not acceptable to them.

3.5 Avoidable expenditure

Failure to take the benefit of negotiated rates of VPNoBB-512 Kbps bandwidth connectivity provided to the Company by the Department of Information and Technology, Government of Himachal Pradesh from BSNL under IT package, resulted in an extra payment of ₹ 1.07 crore on account of annual rent of 109 connections for the period from September 2011 to March 2014.

The HPSEBL awarded (October 2011) the work for implementation of IT Package to the Department of Information and Technology (DIT), Government of Himachal Pradesh. The award letter *inter alia* included the connectivity for 270 connections of VPNoBB-512 Kbps bandwidth. The connectivity rates to be paid to DIT for VPNoBB-512 Kbps were ₹ 54,000 *per annum per* connection. Further, as *per* para 4 (b) of the general terms and conditions of the award letter the rates for VPNoBB connectivity were to be negotiated by the DIT with BSNL and the benefit of the same was to be passed on to the Company. The DIT had provided 109 connections to various units of the Company at different locations during the period from September 2011 to April 2013 and the remaining connections were yet to be provided.

The DIT had raised the bills for ₹ 4.28 crore in January 2014 on account of connectivity provided at different locations of the states under this IT package. The Company after adjusting ₹ 1.50 crore on account of advance payments and ₹ 1.07 crore in respect of units where connectivity was yet to be provided passed balance amount of ₹ 1.71 crore for payment.

Audit noticed (April 2014) that above amount included annual rent of ₹ 1.60 crore in respect of 109 connections at the rate of ₹ 54,000 *per annum per* connection up to March 2014. The DIT had arranged VPNoBB-512 Kbps bandwidth connectivity from BSNL at an annual rent of ₹ 17,800 *per* connection as against ₹ 54,000 *per annum per* connection. Though the benefit of these negotiated rates was to be passed on to the Company by the DIT as *per* the terms and conditions of the award letter *ibid* but the same has not been passed on to the Company. The Company never took up the matter for reduction in rates with the DIT before passing the bill for payment. This resulted in extra payment of ₹ 1.07 crore on account of annual rent of 109 VPNoBB-512 Kbps connections for the period from September 2011 to March 2014.

The Superintending Engineer (IT) stated (June 2014) that it had earlier received a financial proposal from the BSNL at the rate of ₹ 54,000 *per* connection *per* year for these connections but, DIT offered 5 *per cent* additional discount on other (MPLS 512 Kbps) connections and there was no reference with the Company for payment of ₹ 17,800 by the DIT to BSNL. The reply was not acceptable as the company should have enquired from the DIT about the negotiated rates in terms of the award letter before releasing the payments.

The matter was reported to the Government/Management (June 2014); their reply was awaited (October 2014).

3.6 Undue favour to Contractors

The Company extended undue favour to three contractors by not including the clause of VAT in the award letter resulting in non deduction of VAT at source for works contract amounting to ₹ 80.66 lakh as *per* the provisions of Himachal Pradesh Value Added Tax Act, 2005.

Section 17 (1) of Himachal Pradesh Value Added Tax Act, 2005 read with Rule 38 of the Himachal Pradesh Value Added Tax Rules, 2005 *inter alia* provides that every person in a department of any Government, a Corporation or Government undertaking *etc;* discharging any liability on account of valuable consideration payable for transfer of property in goods, whether as goods or in some other form, involved in the execution of works contract or for carrying out any works, shall, at the time of payment thereof, deduct an amount equal to 2 *per cent* of such sum towards the tax. 'Works contract' is defined in the Central Sales Tax, 1956 as a contract for carrying out any work which includes assembling, construction, fabricating, erection, installation fitting out, improvement or commissioning of any movable or immovable property.

Audit noticed (March 2014) that HPSEBL awarded works relating to design, supply, install networking equipment and integration of infrastructure items in the Data Centre, Shimla and Disaster Recovery Centre, Paonta Sahib, to three firms with total cost of ₹ 42.95 crore[9] between October 2010 and March 2012. The Company had released total payments amounting to ₹ 40.33 crore (M/S HCL: ₹ 34.23 crore, Wipro: ₹ 2.22 crore and Hewlett Packard ₹ 3.88 crore) to these contractors till March 2014 without deducting any VAT as applicable for works contracts. The company did not deduct the VAT at source as the necessary clause for deduction of VAT was not specified in the letter of award. The amount of VAT deductible at source at the rate of 2 *per cent* works out to ₹ 80.66 lakh on total payments of ₹ 40.33 crore released to these contractors up to March 2014.

Thus, the Company extended undue favour to the three contractors by not including the clause of VAT in the award letter resulting in non deduction of VAT at source for works contract amounting to ₹ 80.66 lakh, besides attracting liability for imposition of penalty as *per* the provisions of HP VAT Act, 2005.

The matter was reported to the Government/Management (June 2014); their reply was awaited (October 2014).

3.7 Undue favour to the supplier

Failure of the HPSEBL in verifying the credentials of the firm before placement of supply order resulted in non-recovery of advance payment of ₹ 32.73 lakh besides generation loss of ₹ 7.18 crore due to non-arrangement of runners during October 2011 to May 2014.

The HPSEBL (Company) after evaluating the bids (October 2009) for supply of runners for Binwa Hydro Electric Project (BHEP) declared the joint venture (JV) of M/s Technip Ganz Machinery India Private Limited, Nehru Place, New Delhi (TGMIPL) and M/s Ganz Engineering & Energetics Machinery Limited, Hungary (GE&EML) as L1. The JV requested the Company to place two separate orders, one on Hungarian partner (GE&EML) for the supply and another for services on its Indian partner (TGMIPL).

[9] M/S HCL Info System Limited: ₹ 36.76 crore in March 2012, M/S Wirpo Limited ₹ 2.32 crore in March 2011 and M/s Hewlett Packard India Private Limited ₹ 3.87 crore in October 2011.

The Company held negotiations (May 2010) which was attended by a representative of another firm M/s Ganz Energetics India Private Limited, Mohali (GEIPL). The representative while reversing the earlier conditions of placing the supply orders on Hungarian partner proposed that the runners shall be imported by them and would be offered for testing at Mohali. The Company, without ascertaining the credentials of GEIPL which was necessary as the Company had evaluated the bids of the JV (TGMIPL and GE&EML) accepted his proposal.

The letter of award (August 2010) for supply and commissioning of two Runners for BHEP was placed on GEIPL for ₹ 2.59 crore including one additional spare runner to meet the immediate requirement. The agreement was signed with GEIPL (September 2010) with completion period of 12 months for supply and commissioning. The Company released interest bearing advance of ₹ 58.67 lakh in December 2010 against Bank Guarantee (BG) valid up to 12 September 2011 as per the terms of the agreement. The Contractor furnished (September 2010) another BG as Contract Performance Security (CPS) for ₹ 25.94 lakh valid up to 12 September 2012.

Audit scrutiny (December 2013) showed that the firm did not supply the runners even after revising the delivery schedule up to August 2012. The BG which was valid up to September 2011 expired as the Company did not initiate timely action to extend the validity period. However, the BG of ₹ 25.94 lakh in lieu of CPS was extended up to September 2014 which was encashed by the Company in January 2014. Further, on initiating the matter, GE&EML intimated that they were not in business relationship with GEIPL. This clearly showed that the Company negotiated and placed purchase order on the firm which had not participated in the bids.

Thus, negotiation and placement of purchase order on a firm without verifying its antecedents coupled with failure to initiate timely action to encash the BG before its expiry resulted in loss of ₹ 32.73 lakh besides interest loss of ₹ 22.10 lakh up to March 2014 and generation loss of ₹ 7.18 crore during October 2011 to May 2014.

The Government stated (September 2014) that both New Delhi and Mohali based firms were invited for price negotiation (April 2010) but the negotiations were attended by Mohali based firm. Regarding non renewal of BG, the Government stated that the matter has been taken up with the Reserve Bank of India for issuing necessary directions, if possible, to the erring bank and the generation loss would be claimed in the counter claim to be submitted before the arbitrator.

The reply was not acceptable as there was no justification to call the firm for negotiations which had not participated in the bidding process. Further, the company failed to initiate timely action for renewal / encashment of BG and there was no fault of the bank as alleged in the reply.

Himachal Pradesh Tourism Development Corporation Limited

3.8 Avoidable payment of interest

Failure in releasing the payment of revised pay scale arrear to its employees within the prescribed time as allowed by the Hon'ble High Court of Himachal Pradesh resulted in avoidable payment of interest of ₹ 37.51 lakh.

The Hon'ble High Court of Himachal Pradesh (High Court) allowed pay scale of ₹ 1200-2100 against the existing pay scale of ₹ 1025-2100 to the drivers of the Company from January 1986 *vide* its judgement dated 6 July 2009 delivered in a Civil Writ Petition No. 2031/2008 titled Sukh Ram Chandel *versus* State of Himachal Pradesh and others. The Company filed an appeal[10] against this judgement before the Division Bench of the High Court. The Division Bench while refusing to interfere in its earlier judgement directed the Company (May 2012) to ensure that the amount due to all drivers in terms of the Judgement of the learned Single Judge be released latest by 30 September 2012 failing which the Company shall be liable to pay interest at the rate of 9 *per cent per annum* from the date when the amount fell due till the amount was paid. The High Court, further, observed that in case the amount was not paid within the time granted then this would be deemed to be an aggravation of the contempt.

It was noticed in audit (January 2014) that the Company neither filed an appeal against this judgment in the Supreme Court of India nor implemented the same by 30th September 2012 as *per* the directions *ibid.* The Company released the amount of total arrear of pay to 29 drivers amounting to ₹ 51.58 lakh between December 2012 and January 2013. Since the payment of revised pay scale to each driver was released after the permitted time (September 2012), the Company had to pay interest at the rate of 9 *per cent* per annum (from January 1986) on this arrear. An interest of ₹ 37.51 lakh on this account was released by the Company in August 2013 to its 29 drivers.

Thus, failure of the Company in releasing the arrear of revised pay scale to its employees by September 2012 as directed by the Hon'ble High Court resulted in an avoidable payment of interest of ₹ 37.51 lakh.

The State Government stated (June 2014) that the case file was handed over to the Advocate for filing a special leave petition (SLP) in the Supreme Court to explore all legal options / remedies available before implementation. The learned Advocate informed (October 2012) that it was not a good case for SLP. Thus, the payment of interest had to be made to avoid contempt proceedings which were still pending in the High Court.

10 Letter Patent Appeal (LPA No. 108 of 2009).

The reply (June 2014) of the State Government was not satisfactory as the Company should have explored all legal options before the dead line of September 2012 which could not only have saved the payment of interest but also avoided the contempt proceedings stated to be pending in the High Court.

3.9 Avoidable payment of electricity contract demand charges

Failure to reduce the contract demand of electricity during the inoperative period of the Central Heating System resulted in an avoidable payment of demand charges of ₹ 15.88 lakh.

The Himachal Pradesh State Electricity Regulatory Commission approved (October 2004) two part tariff structure for consumers having connected load above 20 KW. As *per* this tariff structure, contract demand (CD) charges at notified rates were leviable from time to time on the CD entered into with the Himachal Pradesh State Electricity Board Limited (HPSEBL) by the consumer. Further, as *per* instruction number 39 of the Sales Manual (amended August 2007) of HPSEBL, the consumers had the liberty to revise the CD twice in a year on the basis of their actual requirements. There was no limit for reduction of the CD up to June 2013 and after this as *per* tariff notification issued in May 2013, the reduction in CD below 50 *per cent* of the total CD was not permissible from July 2013. The Himachal Pradesh Tourism Development Corporation Limited (Company) had a power connection (connected load of 1,084 KW) for running Central Heating System (CHS) of Hotel Peterhoff, Shimla with Contract Demand (CD) of 373 KVA.

Audit scrutiny showed (January 2014) that during the period from April 2008 to December 2013 (69 months), maximum recorded demand on the meter installed for CHS remained zero KVA for 30 months, less than 10 KVA for 34 months and greater than 10 KVA for five months. The CHS was operated only during December to March and remained inoperative from April to November each year, but the Company paid demand charges for the entire period at full CD of 373 KVA. The Management had an option to revise the CD twice in a year as *per* heating requirement, it failed to reduce the same when the CHS was not operated and instead continuously paid the demand charges for the entire period as *per* the agreed CD which ranged between ₹ 33,600 and ₹ 46,998 *per* month during the period from April 2008 to December 2013.

Considering the operational pattern of the CHS, the Company could have reduced the CD up to 10 KVA during the period from April to November when the CHS was not in operation and opt for full CD during the winter months of December to March. Had the Company availed the benefit of this reduction in CD, it could have saved ₹ 15.88 lakh (as detailed in the **Appendix 3.3**) on account of demand charges paid during the period from April 2008 to November 2013.

Thus, the failure of the Company in reducing the CD as *per* the actual requirement resulted in an avoidable payment of ₹ 15.88 lakh.

The State Government stated (June 2014) that Hotel Peterhoff is being used as a State Guest House apart from commercial usages. The heating system and other facilities are required to be kept ready for the comfortable stay of state guests and other customers.

The reply (June 2014) of the State Government was not acceptable as maximum recorded demand for CHS had never exceeded 10 KVA during April 2008 to November 2013 (excluding winter months of December to March). This clearly indicates that there was much scope for saving by revising the CD for the lean months from April to November every year.

Himachal Pradesh Road and other Infrastructure Development Corporation Limited

3.10 Avoidable payment of land compensation

Failure of the Company in initiating action to withhold the payment of land compensation in respect of land demarcated outside the construction limit area of road resulted in avoidable payment of ₹ 29.33 lakh to the land owners.

The Government of Himachal Pradesh took up (August 2008) the up-gradation and improvement of Una-Ner Chowk Road portion through World Bank assistance. This work was assigned to the Himachal Pradesh Road and Other Infrastructure Development Corporation Limited (Company). The land required for the construction of this road was to be acquired as *per* the procedure laid down in the Land Acquisition Act, 1894 (Act) on payment of compensation to the concerned land owners.

To acquire land for the construction of this road, necessary land acquisition proceeding under the Act was started (February 2007) by the Land Acquisition Officer, Mandi to notify the required land. Out of notified *Khasra* numbers (KNs), KN. 408, (Village Har), KN. 144/2/1 and KN. 662 (Village Mundkher Gainda) were not to be acquired as they were outside the construction limit area. Therefore, it was proposed to delete these KNs. from the acquisition list during joint verification and demarcation of site conducted by the Land Acquisition staff, Company officers and officers of the Public Works Department (March 2009, May 2009 and January 2010). However, no action was initiated by the Company to get these KNs. deleted from the acquisition list. The Government of Himachal Pradesh approved the draft awards in respect of up gradation / improvement of Una - Ner Chowk road in Village Har for ₹ 98.80 lakh (December 2009) and Mundukhar Gainda for ₹ 248.23 lakh (February 2010).

Audit noticed (November 2011) that the awards included compensation of ₹ 1.78 lakh for private land comprising KN. 408 and ₹ 27.55 lakh for KN. 144/2/1 and KN. 662 which were proposed for deletion from the award. The Company though aware that the award included above mentioned KNs. did not initiate any action to withhold the amount and released (February 2010) the total awarded amount to LAO Mandi for further distribution to private land owners. The compensation amounting to ₹ 1.22 lakh (KN. 662), ₹ 1.78 lakh (KN. 408) and ₹ 26.33 lakh (KN. 144/2/1) was released to the concerned land owners in February 2010, March 2010 and November 2010 respectively.

Thus, the failure of the Company in initiating timely action for the deletion of these KNs. from the acquisition list before announcement of award as *per* the recommendations of the joint verification and land demarcation team resulted in avoidable payment of compensation amounting to ₹ 29.33 lakh to the concerned land owners. Further, the Company had also not initiated any action to de-notify these KNs. for initiating recovery of this amount from the landowners as *per* the Land Acquisition Act, 1894 so far (November 2014).

The matter was reported to the State Government / Management (May 2014); their reply was awaited (November 2014).

Ram Mohan Johri

Shimla **(R. M. JOHRI)**

The 23 MAR 2015 **Principal Accountant General (Audit)**

Himachal Pradesh

Countersigned

New Delhi **(SHASHI KANT SHARMA)**

The 27 MAR 2015 **Comptroller and Auditor General of India**

Appendices

Appendix 1.1

(Refer paragraph 1.1, 1.16 and 1.30)

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised as on 30 September 2014

(Figures in column 5 (a) to (11) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit/ Loss (-): Net Profit/ Loss (-) before Interest & Depreciation	Net Profit/ Loss (-): Interest	Net Profit/ Loss (-): Deprecia-tion	Net Profit/ Loss (-): Net Profit/ Loss (-)	Turnover	Impact of Accounts Comments[1]	Paid up Capital	Accumulated Profit / Loss (-)	Capital employed[2]	Return on capital employed[3]	Percentage return on capital employed
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. Working Government Companies														
AGRICULTURE & ALLIED														
1	Himachal Pradesh Agro Industries Corporation Limited	2011-12	2013-14	1.52	0.07	0.07	1.38	39.46	(-)16.32	18.85	(-)17.37	(-)3.67	1.45	(-)39.51
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	2012-13	2014-15	7.10	0.21	0.36	6.53	33.33	(-)10.88	38.76	(-)63.49	84.09	6.74	8.02
3	Himachal Pradesh State Forest Development Corporation Limited	2010-11 2011-12	2013-14 2014-15	14.11 (-) 3.38	2.20 0.12	0.57 0.67	11.34 (-) 4.17	167.37 151.33	(-) 64.14 under audit	11.71 11.71	(-) 31.66 (-) 35.83	124.29 (-) 23.72	13.54 (-) 4.05	10.89 (-) 17.07
Sector wise total				**5.24**	**0.40**	**1.10**	**3.74**	**224.12**	**(-) 27.20**	**69.32**	**(-)116.69**	**56.70**	**4.14**	**7.30**
FINANCING														
4	Himachal Backward Classes Finance and Development Corporation	2010-11	2013-14	0.67	0.26	0.01	0.40	1.79	-	10.00	4.74	24.95	0.66	2.65
5	Himachal Pradesh Mahila Vikas Nigam	2011-12	2013-14	0.25	-	-	0.25	0.48	-	7.19	0.67	7.74	0.25	3.23
6	Himachal Pradesh Minorities Finance and Development Corporation	2010-11	2012-13	0.01	0.32	0.02	(-)0.33	0.60	0.63	6.95	(-)3.11	16.94	(-)0.01	(-)0.06
Sector wise total				**0.93**	**0.58**	**0.03**	**0.32**	**2.87**	**0.63**	**24.14**	**2.30**	**49.63**	**0.90**	**1.81**

(Figures in column 5 (a) to (11) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit/ Loss (-)				Turnover	Impact of Accounts Comments[1]	Paid up Capital	Accumulated Profit/ Loss (-)	Capital employed[2]	Return on capital employed[3]	Percentage return on capital employed
				Net Profit/ Loss (-) before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss (-)							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
INFRASTRUCTURE														
7	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	2013-14	2014-15	-	-	-	-4	-	-	25.00	-	770.72	-	-
8	Himachal Pradesh State Industrial Development Corporation Limited	2012-13	2013-14	4.02	-	0.13	3.89	16.66	0.85	30.82	21.13	48.70	3.89	7.99
Sector wise total				**4.02**	**-**	**0.13**	**3.89**	**16.66**	**0.85**	**55.82**	**21.13**	**819.42**	**3.89**	**0.47**
MANUFACTURE														
9	Himachal Pradesh General Industries Corporation Limited	2012-13	2013-14	3.95	0.21	0.08	3.66	33.08	-	7.16	0.19	11.19	3.87	34.58
Sector wise total				**3.95**	**0.21**	**0.08**	**3.66**	**33.08**	**-**	**7.16**	**0.19**	**11.19**	**3.87**	**34.58**
POWER														
10	Beas Valley Power Corporation Limited	2013-14	2014-15	-	-	-	-5	-	-	300.00	-	-	-	-
11	Himachal Pradesh Power Corporation Limited	2012-13	2013-14	-	-	-	-5	-	-	1002.89	-	-	-	-
12	Himachal Pradesh Power Transmission Corporation Limited	2012-13	2013-14	-	-	-	-5	-	-	172.49	-	-	-	-
13	Himachal Pradesh State Electricity Board Limited	2011-12	2013-14	(-)51.89	261.11	199.76	(-)512.76	3830.56	(-)600.91	971.78	(-)1398.35	2318.15	(-)251.65	(-)10.86
Sector wise total				**(-)51.89**	**261.11**	**199.76**	**(-)512.76**	**3830.56**	**(-)600.91**	**2447.16**	**(-)1398.35**	**2318.15**	**(-)251.65**	**(-)10.86**

(Figures in column 5 (a) to (11) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalized	Net Profit/ Loss(-)				Turnover	Impact of Accounts Comments[1]	Paid up Capital	Accumulated Profit/ Loss (-)	Capital employed[2]	Return on capital employed[3]	Percentage return on capital employed
				Net Profit/ Loss (-) before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss (-)							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
SERVICE														
14	Himachal Pradesh State Civil Supplies Corporation Limited	2012-13	2013-14	5.19	0.25	1.02	3.92	1121.92	0.27	3.51	25.14	32.54	4.17	12.81
15	Himachal Pradesh State Electronics Development Corporation Limited	2013-14	2014-15	0.99	0.01	0.07	0.91	41.15	(-)1.06	3.72	2.11	8.10	0.92	11.36
16	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	2012-13	2013-14	2.74	-	0.06	2.68	25.07	(-)0.02	9.25	(-)17.70	(-)1.83	2.68	(-)146.45
17	Himachal Pradesh Tourism Development Corporation Limited	2012-13	2013-14	1.02	0.26	2.76	(-)2.00	76.07	(-)35.21	12.30	(-)19.11	15.64	(-)1.74	(-)11.13
Sector wise total				**9.94**	**0.52**	**3.91**	**5.51**	**1264.21**	**(-)36.02**	**28.78**	**(-)9.56**	**54.45**	**6.03**	**11.07**
Total A (All sector wise working Government companies)				**(-)27.81**	**262.82**	**205.01**	**(-)495.64**	**5371.50**	**(-)662.65**	**2632.38**	**(-)1500.98**	**3309.54**	**(-)232.82**	**(-)7.03**

(Figures in column 5 (a) to (11) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit/ Loss (-)				Turnover	Impact of Accounts Comments[1]	Paid up Capital	Accumulated Profit/ Loss(-)	Capital employed[2]	Return on capital employed[3]	Percentage return on capital employed
				Net Profit/ Loss(-) before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss (-)							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
B. Working Statutory corporations														
FINANCING														
1	Himacal Pradesh Financial Corporation	2013-14	2014-15	(-)10.70	5.21	0.58	(-)16.49	4.91	(-) 0.18	99.57	(-)143.92	233.17	(-)11.28	**(-)4.84**
Sector wise total				**(-)10.70**	**5.21**	**0.58**	**(-)16.49**	**4.91**	**(-) 0.18**	**99.57**	**(-)143.92**	**233.17**	**(-)11.28**	**(-)4.84**
SERVICE														
2	Himachal Road Transport Corporation	2012-13	2013-14	(-)78.03	12.34	20.58	(-)110.95	576.38[6]	(-)0.29	501.34	(-)764.40	(-)184.81	(-)98.61	**(-)53.36**
Sector wise total				**(-)78.03**	**12.34**	**20.58**	**(-)110.95**	**576.38[6]**	**(-)0.29**	**501.34**	**(-)764.40**	**(-)184.81**	**(-)98.61**	**(-)53.36**
Total B (All sector wise working Statutory corporations)				**(-)88.73**	**17.55**	**21.16**	**(-)127.44**	**581.29**	**(-)0.47**	**600.91**	**(-)908.32**	**48.36**	**(-)109.89**	**(-)227.23**
Grand Total (A + B)				**(-)116.54**	**280.37**	**226.17**	**(-)623.08**	**5952.79**	**(-) 663.12**	**3233.29**	**(-)2409.30**	**3357.90**	**(-)342.71**	**(-)10.21**
C. Non working Government companies														
AGRICULTURE & ALLIED														
1	Agro Industrial Packaging India Limited	2013-14	2014-15	(-)0.04	-	-	(-)0.04	-	(-)5.58	17.72	(-)78.23	0.53	(-)0.04	(-)7.55
Sector wise total				**(-)0.04**	-	-	**(-)0.04**	-	**(-)5.58**	**17.72**	**(-)78.23**	**0.53**	**(-)0.04**	**(-)7.55**

(Figures in column 5 (a) to (11) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit/ Loss (-)				Turnover	Impact of Accounts Comments[1]	Paid up Capital	Accumulated Profit Loss (-)	Capital employed[2]	Return on capital employed[3]	Percentage return on capital employed
				Net Profit/ Loss (-) before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss (-)							
(1)-1	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
MANUFACTURE														
2	Himachal Worsted Mills Limited	2000-01	2001-02	(-)0.01	-	-	(-)0.01	-	-	0.92	(-)5.44	(-)0.64	(-)0.01	(-)1.56
Sector wise total				**(-)0.01**	**-**	**-**	**(-)0.01**	**-**	**-**	**0.92**	**(-)5.44**	**(-)0.64**	**(-)0.01**	**(-)1.56**
Total C (All sector wise non working Government companies)				**(-)0.05**			**(-)0.05**	**-**	**(-)5.58**	**18.64**	**(-)83.67**	**(-)0.11**	**(-)0.05**	**(-)45.45**
Grand Total (A+B+C)				**(-)116.59**	**280.37**	**226.17**	**(-)623.13**	**5952.79**	**(-)668.70**	**3251.93**	**(-)2492.97**	**3357.79**	**(-)342.76**	**(-)10.21**

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

2 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).

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

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

5 Companies (serial no. A-10, 11 and 12) have not prepared the profit and loss accounts.

6 Includes subsidy of ₹ 155.00 crore received during the year on account of issue of free /concessional passes and running buses on uneconomical routes.

Appendix 1.2

(Refer paragraphs 1.1 and 1.7)

Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2014 in respect of Government companies and Statutory corporations

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

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital[7]				Loans[8] outstanding at the close of 2013-14				Debt equity ratio for 2013-14 (Previous year)	Manpower (No. of employees) (as on 31.3.2014)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
A. Working Government companies													
AGRICULTURE & ALLIED													
1.	Himachal Pradesh Agro Industries Corporation Limited	Horticulture	September 1970	16.89	1.96	-	18.85	2.50	1.19	-	3.69	0.20:1 (0.68:1)	143
2.	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	Horticulture	June 1974	31.19	1.50	6.07	38.76	12.00	-	0.11	12.11	0.31:1 (0.32:1)	279
3.	Himachal Pradesh State Forest Development Corporation Limited	Forest	March 1974	11.71	-	-	11.71	-	-	101.80	101.80	8.69:1 (8.69:1)	2,236
Sector wise total				**59.79**	**3.46**	**6.07**	**69.32**	**14.50**	**1.19**	**101.91**	**117.60**	**1.70:1 1.96:1**	**2,658**
FINANCING													
4.	Himachal Backward Classes Finance and Development Corporation	Social Justice & Empowerment	January 1994	11.00	-	-	11.00	-	-	14.81	14.81	1.35:1 (1.22:1)	19
5.	Himachal Pradesh Mahila Vikas Nigam	Social Justice & Empowerment	April 1989	7.69	0.10	-	7.79	-	-	-	-	-	5
6.	Himachal Pradesh Minorities Finance and Development Corporation	Social Justice & Empowerment	September 1996	9.39	-	-	9.39	-	-	18.09	18.09	1.93:1 (1.80:1)	14
Sector wise total				**28.08**	**0.10**	-	**28.18**	-	-	**32.90**	**32.90**	**1.17:1 (1.06:1))**	**38**
INFRASTRUCTURE													
7.	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	Public Works	June 1999	25.00	-	-	25.00	-	-	-	-	- -	2
8.	Himachal Pradesh State Industrial Development Corporation Limited	Industries	November 1966	30.82	-	-	30.82	-	-	-	-	-	158
Sector wise total				**55.82**	-	-	**55.82**	-	-	-	-	-	**160**

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

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of Incorporation	Paid-up Capital [7]				Loans[8] outstanding at the close of 2013-14				Debt equity ratio for 2013-14 (Previous year)	Manpower (No. of employees) (as on 31.3.2014)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
MANUFACTURE													
9.	Himachal Pradesh General Industries Corporation Limited	Industries	November 1972	7.04	-	0.12	7.16	2.97	-	-	2.97	0.41:1 (0.41:1)	122
Sector wise total				**7.04**	**-**	**0.12**	**7.16**	**2.97**	**-**	**-**	**2.97**	**0.41:1 (0.41:1)**	**122**
POWER													
10.	Beas Valley Power Corporation Limited	MPP & Power	March 2003	-	-	300.00	300.00	-	-	548.74	548.74	1.83:1 (1.87:1)	227
11.	Himachal Pradesh Power Corporation Limited	MPP & Power	December 2006	532.68	-	650.21	1182.89	1522.69	-	30.81	1553.50	1.31:1 (1.13:1)	753
12.	Himachal Pradesh Power Transmission Corporation Limited	MPP & Power	August 2008	71.79	-	108.70	180.49	110.56	-	39.84	150.40	0.83:1 (0.36:1)	113
13	Himachal Pradesh State Electricity Board Limited	MPP & Power	December 2009	478.28	-	-	478.28	19.11	-	3237.31	3256.42	6.81:1 (1.78:1)	19,763
Sector wise total				**1082.75**	**-**	**1058.91**	**2141.66**	**1652.36**	**-**	**3856.70**	**5509.06**	**2.57:1 (1.43:1)**	**20,856**
SERVICE													
14.	Himachal Pradesh State Civil Supplies Corporation Limited	Food & Supplies	September 1980	3.51	-	-	3.51	-	-	-	-	- (-)	918
15.	Himachal Pradesh State Electronics Development Corporation Limited	Industries	October 1984	3.72	-	-	3.72	1.49	-	-	1.49	0.40:1- (0.44:1)	66
16.	Himachal Pradesh State Handicrafts and Handloom Corporation Limit ed	Industries	March 1974	9.22	0.03	-	9.25	-	-	-	-	- -	70
17.	Himachal Pradesh Tourism Development Corporation Limited	Tourism & Civil Aviation	September 1972	12.30	-	-	12.30	-	-	-	-	- -	1,622
Sector wise total				**28.75**	**0.03**	**-**	**28.78**	**1.49**	**-**	**-**	**1.49**	**0.05:1 (0.06:1)**	**2,676**
Total A (All sector wise working Government companies)				**1262.23**	**3.59**	**1065.10**	**2330.92**	**1671.32**	**1.19**	**3991.51**	**5664.02**	**2.43:1 (1.39:1)**	**26510**

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

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of Incorpo-ration	Paid-up Capital[7]				Loans[8] outstanding at the close of 2013-14				Debt equity ratio for 2013-14 (Previous year)	Manpower (No. of employees) (as on 31.3.2014)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
B. Working Statutory corporations													
FINANCING													
1.	Himachal Pradesh Financial Corporation	Industries	April 1967	92.98	-	6.59	99.57	27.71	-	95.50	123.21	1.24:1 (1.30:1)	62
Sector wise total				**92.98**	**-**	**6.59**	**99.57**	**27.71**	**-**	**95.50**	**123.21**	**1.24:1 (1.30:1)**	**62**
SERVICE													
2.	Himachal Road Transport Corporation	Transport	Septem-ber 1974	525.90	15.44	-	541.34	-	-	71.99	71.99	0.13:1 0.09:1	8,419
Sector wise total				**525.90**	**15.44**	**-**	**541.34**	**-**	**-**	**71.99**	**71.99**	**0.14:1 (0.09:1)**	**8,419**
Total B (All sector wise working Statutory corporations)				**618.88**	**15.44**	**6.59**	**640.91**	**27.71**	**-**	**167.49**	**195.20**	**0.30:1 (0.30:1)**	**8,481**
Grand Total (A + B)				**1881.11**	**19.03**	**1071.69**	**2971.83**	**1699.03**	**1.19**	**4159.00**	**5859.22**	**1.97:1 (1.19:1)**	**34,991**
C. Non working Government companies													
AGRICULTURE & ALLIED													
1.	Agro Industrial Packaging India Limited	Horticulture	February 1987	16.75	-	0.97	17.72	60.15	-	-	60.15	3.39:1 (3.39:1)	1
Sector wise total				**16.75**	**-**	**0.97**	**17.72**	**60.15**	**-**	**-**	**60.15**	**3.39:1 (3.39:1)**	**1**

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

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of Incorpo-ration	Paid-up Capital [7]				Loans[8] outstanding at the close of 2013-14				Debt equity ratio for 2013-14 (Previous year)	Manpower (No. of employees) (as on 31.3.2014)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
MANUFACTURE													
1.	Himachal Worsted Mills Limited	Industries	October 1974	-	-	0.92	0.92	-	-	-	-	-	-
Sector wise total				-	-	**0.92**	**0.92**	-	-	-	-	-	-
Total C (All sector wise non working Government companies)				**16.75**	-	**1.89**	**18.64**	**60.15**	-	-	**60.15**	3.23:1 (3.23:1)	**1**
Grand Total (A + B + C)				**1897.86**	**19.03**	**1073.56**	**2990.47**	**1759.18**	**1.19**	**4159.00**	**5919.37**	**1.98:1 (1.21:1)**	**34992**

Notes: Above includes three Section 619-B companies at Sr. No. A-10 to A-12.

7 Paid up capital includes share application money.

8 Loans outstanding at the close of 2013-14 represent long-term loans only.

Appendix 1.3

(Refer paragraph 1.10 and 1.12)

Statement showing grants and subsidy received / receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2014

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

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year[9]		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
A. Working Government Companies													
AGRICULTURE & ALLIED													
1	Himachal Pradesh Agro Industries Corporation Limited	-	-	-	-	-	-	1.19	1.19	-	7.05	-	-
2.	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	-	-	2.48	5.50	0.15	8.13	8.00	0.67	-	-	-	-
3.	Himachal Pradesh State Forest Development Corporation Limited	-	-	-	-	-	-	90.00	90.00	-	-	-	-
Sector wise total		**-**	**-**	**2.48**	**5.50**	**0.15**	**8.13**	**99.19**	**91.86**	**-**	**7.05**	**-**	**-**
FINANCING													
4.	Himachal Backward Classes Finance and Development Corporation	0.72	-	-	-	-	-	20.00	14.81	-	-	-	-
6.	Himachal Pradesh Minorities Finance and Development Corporation	1.30	-	-	0.12	-	0.12	20.00	20.01	-	-	-	-
Sector wise total		**2.02**	**-**	**-**	**0.12**	**-**	**0.12**	**40.00**	**34.82**	**-**	**-**	**-**	**-**

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

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year9		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
INFRASTRUCTURE													
7.	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	-	-	-	237.20	-	237.20	-	-	-	-	-	-
Sector wise total		**-**	**-**	**-**	**237.20**	**-**	**237.20**	**-**	**-**	**-**	**-**	**-**	**-**
POWER													
8.	Himachal Pradesh Power Corporation Limited	180.00		-	-	-	-	-	-	-	-	-	-
9.	Himachal Pradesh Power Transmission Corporation Limited	8.00	49.20	-	-	-	-	-	-	-	-	-	-
10	Himachal Pradesh State Electricity Board Limited	31.75	-	1.10	18.54	6.25	25.89	1962.50	2531.19	-	-	-	-
Sector wise total		**219.75**	**49.20**	**1.10**	**18.54**	**6.25**	**25.89**	**1962.50**	**2531.19**	**-**	**-**	**-**	**-**
SERVICE													
11.	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	-	-	3.56	0.67	-	4.23	0.60	0.60	-	-	-	-
12.	Himachal Pradesh Tourism Development Corporation Limited	-	-	8.64	0.81	-	9.45	-	-	-	-	-	-
Sector wise total		**-**	**-**	**12.20**	**1.48**	**-**	**13.68**	**0.60**	**0.60**	**-**	**-**	**-**	**-**
Total A (All sector wise working Government companies)		**221.77**	**49.20**	**15.78**	**262.84**	**6.40**	**285.02**	**2102.29**	**2658.47**	**-**	**7.05**	**-**	**-**

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

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year[9]		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
B. Working Statutory corporations													
FINANCING													
1.	Himachal Pradesh Financial Corporation	-	-	-	-	-	-	95.25	47.23	-	-	-	-
Sector wise total		-	-	-	-	-	-	**95.25**	**47.23**	-	-	-	-
SERVICE													
2.	Himachal Road Transport Corporation	40.00	-	-	155.00	-	155.00	135.00	62.33	-	-	-	-
Sector wise total		**40.00**	-	-	**155.00**	-	**155.00**	**135.00**	**62.33**	-	-	-	-
Total B (All sector wise working Statutory corporations)		**40.00**	-	-	**155.00**	-	**155.00**	**230.25**	**109.56**		-	-	-
Grand Total (A + B)		**261.77**	**49.20**	**15.78**	**417.84**	**6.40**	**440.02**	**2332.54**	**2768.03**	-	**7.05**	-	**7.05**

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

Appendix 1.4

(Refer paragraph 1.22)

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

Sl. No.	Name of PSU	Year up to which accounts finalised	Paid-up capital as *per* latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears			
				Equity	Loan	Grants/subsidy	Others
Working companies/corporations			₹ in crore				
1	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	2012-13	31.19	-	-	5.65	-
2	Himachal Backward Classes Finance and Development Corporation	2010-11	10.00	0.28 (2012-13) 0.72 (2013-14)	-	-	-
3	Himachal Pradesh Mahila Vikas Nigam	2011-12	7.09	0.60 (2013-14)	-	-	-
4	Himachal Pradesh Minorities Finance and Development Corporation	2010-11	6.95	0.50 (2011-12) 0.64 (2012-13) 1.30 (2013-14)	-	0.01 (2011-12) 0.02 (2012-13) 0.12 (2013-14)	-
5	Himachal Pradesh Power Transmission Corporation Limited	2012-13	63.49	8.00 (2013-14)	49.20	-	-
6	Himachal Pradesh State Electricity Board Limited	2011-12	971.78	50.00 (2012-13) 31.75 (2013-14)	-	18.54	-
7	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	2012-13	9.22	-	-	0.67	-
8	Himachal Pradesh Tourism Development Corporation Limited	2012-13	12.30	-	-	0.81	-
9	Himachal Road Transport Corporation	2012-13	485.90	40.00 (2013-14)		155.00	
	Total		**1597.92**	**133.79**	**49.20**	**180.82**	

Appendix 1.5

(Refer paragraph 1.30)

Statement showing the detail of comments made by Statutory Auditors in respect of internal control/internal audit of working PSUs

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as *per* Appendix 1.1
1.	Non-existence of system of preparing short/ long-term business plan	3	1, 3 and 16
2.	Inadequate monitoring of outstanding dues from outside parties	9	1, 2, 3, 5, 12, 13, 15, 16 and 17
3.	Non-existence of system of sending statement of accounts and obtaining confirmation from the debtors	11	1, 2, 3, 5, 6, 11, 12, 13, 15, 16 and 17
4.	Non-provision of retirement benefits as *per* AS-15	11	1, 2, 3, 6, 7, 12, 13, 14, 15, 16 and 17
5.	Non-maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	10	2, 3, 6, 8, 10, 11, 13, 15, 16 and 17
6.	Non-fixation of minimum/ maximum limits of store and spares	8	1, 2, 5, 13, 14, 15, 16 and 17
7.	Absence of internal audit system commensurate with the nature and size of business of the company	12	1, 2, 3, 5, 6, 10, 11, 12, 13, 14, 15 and 17
8.	Non-preparation of internal audit manual/standards/guidelines	11	2, 3, 5, 6, 7, 10, 11, 12, 15, 16 and 17
9.	No approved IT strategy/plan	15	1, 2, 3, 5, 6, 7, 8, 10, 11, 12, 13, 14, 15, 16 and 17
10.	Non-formulation of Corporate Social Responsibility policy	6	5, 7, 8, 10, 15 and 17

Appendix 1.6

(Refer paragraph 1.33)

Statement showing the department wise outstanding Inspection Reports and paragraphs

Sl. No.	Name of Department	No. of PSUs	No. of outstanding I.Rs.	No. of outstanding paragraphs	Years from which outstanding
1	Horticulture	3	16	53	2006-07
2	Industries	4	12	49	2005-06
3	Forest	1	8	104	2005-06
4	Pubic Works	1	4	26	2009-10
5	Welfare	3	5	18	2007-08
6	Food and Supplies	1	4	25	2009-10
7	Tourism and Civil Aviation	1	4	10	2007-08
8	MPP and Power	4	879	3738	2005-06
9	Transport	1	120	496	2005-06
10	IT	1	2	3	2009-10
	Total	**20**	**1,054**	**4,522**	

Appendix 2.1

Details of major works *vis a vis* time overrun after scheduled completion period

(Refer paragraph 2.7)

Sl. No.	Detail of work	Date of award	Scheduled date of completion	Time of completion in months	Revised date of completion	Present status	Time over run (in months) with reference to date of completion as *per* award
1	Head Race Tunnel	18/06/2007	17/07/2011	48	April 2017[10]	Balance Work yet to be awarded	69
2	Power House	22/01/2009	03/06/2012	39	September 2014	Work is in progress	27
3	E & M works	05/02/2009	28/06/2012	38	December 2014	Work is in progress	30
4	Barrage/ Intake	25/08/2009	07/06/2012	32	December 2014	Work is in progress	30

10 Original work rescinded in January 2014.

Appendix 2.2

Details of major works *vis a vis* cost overrun up to March 2014

(Refer paragraph 2.7)

Sl. No.	Component	As *per* original cost	As *per* revised cost	Cost over run	Percentage increase
		(₹ in crore)			
1	Head Race Tunnel	94.24	125.90	31.66	34
2	Power House	39.87	164.55	124.68	313
3	Diversion, Barrage, Intake, Desanding works	84.54	283.81	199.27	236
4	Environment and ecology	10.14	19.46	9.32	92
5	Establishment	21.40	55.17	33.77	158
6	Transmission works	38.09	50.00	11.91	31
7	IDC	63.29	85.00	21.71	34
8	LADF	Nil	16.92	16.92	1692

Appendix 2.3

Details of irregular expenditure on staff deployed in excess of sanctioned strength

{Refer paragraph 2.10 (i)}

Sl. No.	Designation	Excess / Surplus	Year-wise Gross Salary from the date of Joining							
			2008	2009	2010	2011	2012	2013	2014	Total
			(₹ in lakhs)							
1	AGM/DGM	1	-	-	-	2.09	16.39	15.81	7.90	42.19
2	CHDM	1	1.48	4.44	4.72	6.17	8.25	7.77	3.88	36.71
3	HDM	1	-	3.88	4.24	5.29	6.96	6.60	3.30	30.27
4	D/Man	3	-	-	2.92	12.62	17.17	3.24	2.78	38.73
5	Kanungo	1	-	-	2.06	3.81	3.57	4.99	2.58	17.01
6	Patwari	2	-	1.37	0.46	-	-	-	-	1.83
7	Patwari	1	-	-	1.49	2.21	2.37	0.66	-	6.73
8	Steno Typist	1	-	1.78	2.61	3.28	3.43	4.53	2.38	18.01
9	Supervisor	1	-	1.75	0.58	-	-	-	-	2.33
10	Supervisor AJE	1	-	-	12.16	14.12	0.96	-	-	27.24
11	Supervisor AJE	2	-	-	-	5.30	7.70	9.47	4.74	27.21
12	Auto Helper	3	-	-	1.55	7.37	9.52	9.83	-	28.27
13	Auto Helper	5	-	-	0	-	-	11.26	1.64	12.90
Total			**1.48**	**13.22**	**32.79**	**62.26**	**76.36**	**74.16**	**29.20**	**289.43**

Appendix 3.1

(Refer paragraph 3.1.3.2)

Details of avoidable payment on account of sample testing from private laboratories at higher rates

Sl. No.	Name of the laboratory	Pulses		Oil		Iodised salt		Other items		Extra payment [11] (₹ in lakh)
		No. of samples	Rate *per* sample (₹)	No. of samples	Rate *per* sample (₹)	No. of samples	Rate *per* sample (₹)	No. of samples	Rate *per* sample (₹)	
1.	Delhi Test House	102	3000	47	4500	13	4000	33	3000	3.66
2.	Fare Labs	121	3000	29	3000	16	3000	14	3000	2.59
3.	International Testing Centre	137	**1500**	46	**2300**	35	**2500**	10	**1500**	--
4.	Shriram Institute for Industrial Research	16	9450	13	9450	8	11250	48	13500	9.73
5.	TUV SUD South Asia Pvt. Ltd.	42	1950	18	8300	11	6850	16	6600	2.88
6	**Total samples analysed**	**418**		**153**		**83**		**121**		**18.86**
7	Percentage of orders placed to L1 as compared to total samples analysed	32.78		30.07		42.17		8.26		

11 (including service tax at the rate of 12.36 *per cent*.

Appendix 3.2

Statement showing the detail of Loss due to non recovery of fixed demand charges from consumers

(Refer paragraph 3.3)

Sl. No.	Name/A/C. No. of the Consumer	Sanctioned Load (KW)	Sanctioned contract demand (KVA)	Contract demand (CD) availed (KVA)	90 *per cent* of CD unaviled (KVA)	Date of readiness to give supply	Rate *per* KVA (₹)	Period for charging Demand charges	No of months	Demand charges short levied (₹) (6x8x10)
1	2	3	4	5	6	7	8	9	10	11
1	LWSS Dudar Stage-I (ED Mandi)	149.2	133	Nil	120	Nov. 2009	150 175	02/2010 to 03/2011 04/2011 to 01/2012	14 10	252000 210000
2	LWSS Dudar Stage-II (ED Mandi)	149.2	133	Nil	120	Nov. 2009	150 175	02/2010 to 03/2011 04/2011 to 01/2012	14 10	252000 210000
3	LWSS Navolya & Gharan (ED Mandi)	89.52	76	Nil	68	Sep. 2011	175	12/2011 to 01/2012	2	23800
4	LWSS Danyari Stage-I (ED Mandi)	298.4	265	Nil	239	Dec. 2010	150 175	03/2011 4/2011 to 01/2012	1 10	35850 418250
5	LWSS Danyari Stage-II (ED Mandi)	328.240	**295**	Nil	266	Dec. 2010	150 175	03/2011 4/2011 to 01/2012	1 10	39900 465500
6	LWSS from Uhl to Tung Bijni (Op. Circle Mandi)	280	249	Nil	224	June 2011	175 220 300	09/2011 to 03/2012 04/2012 to 03/2013 04/2013 to 09/2013	7 12 6	274400 591360 403200
7	LWSS Baruri (Op. Circle Nahan)	180	160	Nil	144	Aug. 2012	220 300	11/2012 to 03/2013 04/2013 to 06/2013	5 3	158400 129600
8	LWSS Kalikoti (Op. Circle Nahan)	112	100	Nil	90	July 2012	220 300	10/2012 to 03/2013 04/2013 to 06/2013	6 3	118800 81000
9	LWSS Rangwa Pabhar Mashoo (Op. Circle Nahan)	390	347	Nil	312	April 2012	220 300	07/2012 to 03/2013 04/2013 to 06/2013	9 3	617760 280800
10	LWSS Beta Mandi, Satiwala (Op. Circle Nahan)	118.70	106	Nil	95	July 2011	175 220 300	10/2011 to 03/2012 04/2012 to 03/2013 04/2013 to 06/2013	6 12 3	99750 250800 85500

11	LWSS Bhatanwali -kishanpura (Op. Circle Nahan)	114	101		Nil	91	Dec. 2012	220 300	03/2013 04/2013 to 06/2013	1 3	20020 81900
12	LIS LOH Area of Kishankat (Op. Circle Nahan)	257	228		Nil	205	June 2012	220 300	09/2012 to 03/2013 04/213 to 06/2013	7 3	315700 184500
13	LIS Shilla Bag, Rajgarh (Op. Circle Nahan)	171	152		Nil	137	Sep. 2012	220 300	12/2012 to 03/2013 04/2013 to 06/2013	4 3	120560 123300
14	IPH-LIS Chandol, Tehsil-Rajgarh (Op. Circle Nahan)	179	159		Nil	143	Aug. 2012	220 300	11/2012 to 03/2013 04/2013 to 06/2013	5 3	157300 128700
15	IPH-LIS Ajuli, Nariwala-Jwalapur (Op. Circle Nahan)	269	239		Nil	215	Aug. 2012	220 300	11/2012 to 03/2013 04/2013 to 06/2013	5 3	236500 193500
16	IPH-LIS Dhamander & adjoining villages (Op. Circle Nahan)	269	239		Nil	215	Aug. 2012	220 300	11/2012 to 03/2013 04/2013 to 06/2013	5 3	236500 193500
17	IPH-C/o LIS Dimber in GP Dimber (Op. Circle Nahan)	552	491		Nil	442	Aug. 2012	220 300	11/2012 to 03/2013 04/2013 to0 6/2013	5 3	486200 397800
18	IPH-C/o LIS Dhamoon Nai-Nati (Op. Circle Nahan)	530	471		Nil	424	Aug. 2012	220 300	11/2012 to 03/2013 04/2013 to 06/2013	5 3	466400 381600
19	IPH-C/o LIS Kotla Mangan in GP Kathli Bharan (Op. Circle Nahan)	75	67		Nil	60	Aug. 2012	220 300	11/2012 to 03/2013 04/2013 to 06/2013	5 3	66000 54000
20	IPH-LIS Uttri (Op. Circle Nahan)	302	268		Nil	241	July 2011	175 220 300	10/2011 to 03/2012 04/2012 to 03/2013 04/2013to 06/2013	6 12 3	253050 636240 216900
22	LIS Rehana (ED Solan)	104	92		Nil	83	Feb. 2012	220	05/2012 to 03/2013	11	200860

23	LWSS stage-1st at Tundal Basha (ED Solan)	90	80	Nil	72	Aug. 2012	220 300	11/2012 to 03/2013 04//2013 to 6/2013	5 3	79200 64800
24	LWSS stage-2nd at Tundal Basha (ED Solan)	60	53	Nil	48	Aug. 2012	220 300	11/2012 to 03/2013 04/2013 to 06/2013	5 3	52800 43200
25	LWSS Ganyari Bellidhar (ED Gohar)	150	133	Nil	120	Aug. 2012	220 300	11/2012 to 03.2013 04/2013 to 07/2013	5 4	132000 144000
26	LWSS Nandi Chaprahan (ED Gohar)	150	133	Nil	120	June 2010	150 175	09/2010 to 03/2011 04/2011 to 02/2012	7 11	126000 231000
27	LWSS Khummi (ED Gohar)		33	Nil	30	March 2011	175	06/2011 to 08/2011	3	15750
28	LIS for Horticul-ture Areain GP Tikkar	225	200	Nil	180	March 2013	220 300	06/2012 to 03/2013 04/2013 to 05/2013	10 2	396000 108000
29	LWSS Chirimu, Nahol (ED Theog)		172.400	Nil	155	Dec. 2012	220 300	03/2013 04/2013 to 11/2013	1 8	34100 372000
30	LWSS Shirgul Kadharan (ED Theog)		71.100	Nil	64	Feb. 2013	300	05/2013 to 11/2013	7	134400
31	LWSS Bagri (ED Theog)		71.100	Nil	64	April 2013	300	07/2013 to 11/2013	5	96000
32	LWSS Basa (ED Theog)		100	Nil	90	May 2013	300	08/2013 to 11/2013	4	108000
33	M/s. Ras Resort (P) Ltd. (ED Theog)		219	Nil	197	April 2012	220 300	07/2012 to 03/2013 04/2013 to 05/2013	9 2	390060 118200
34	Smt. Sanjana Garg (ED Parwanoo) (SP)		90	Nil	81	Mar. 2013	80	06/2012 to 12/2013	7	45360
35	M/s. Janta Land Promotors (ED Parwanoo) (Comm.)		225	Nil	203	Mar. 2013	140	06/2012 to 12/2013	7	198940
36	M/s. Scott Edil Parabolic (ESD Barotiwala)	1500	500	Nil	450	Oct. 2010	185 240	01/2011 to 03/2011 04/2011 to 11/2012	3 8	249750 864000
								Total:		**14153260**

1	M/s. Dabur India Ltd. Manpura (ED Baddi)	2100	1600	1000	540	July 2010	225 240	10/2010 to 03/2011 04/2011 to 03/2012	6 12	729000 1555200
2	Ms. Transcan Hi-Tech Equipment, Santosh-garh (ESD Dhaula-kuan)	200	200	95.820	93.762	March 2010	225 240 300 200	06/2010 to 03/2011 04/2011 to03/2012 04/2012 to 03/2013 04/2013 to 07/2013	10 12 12 4	210964 270034 337543 75009
3	Ms. Vij Engineering (ESD Dhaula-kuan)	600	600	386.54	192.114	June 2010	225 240 300 200	09/2010 to 03/2011 04/2011 to 03/2012 04/2012 to 03/2013 04/2013 to 07/2013	7 12 12 4	302580 553288 691610 153691
								Total:		**4878919**
								G.total:		**19032179**

Appendix 3.3

Statement showing the detail of avoidable demand charges paid from April 2008 to December 2013

(Refer paragraph 3.9)

	Connected load:1084 KW		Contract demand:373 KVA				
Sl. No.	Month	Maximum recorded demand (KVA)	Actual demand charges paid (Rs)	Rate of demand charges *per* KVA (Rs)	Agreement was to entered into for CD 10 KVA during April to Nov. & full for 373 KVA for Dec. to March each year & Demand charges payable for 90% of CD	Dmand charges payable as *per* redcued CD (Rs)	Avoidable payment of demand charges (Rs)
1	Apr-08	0	33600	100	9	900	32700
2	May-08	0	33600	100	9	900	32700
3	Jun-08	0	33600	100	9	900	32700
4	Jul-08	0	33600	100	9	900	32700
5	Aug-08	0	33600	100	9	900	32700
6	Sep-08	0	33600	100	9	900	32700
7	Oct-08	0	33600	100	9	900	32700
8	Nov-08	0	33600	100	9	900	32700
9	Dec-08	0	33570	100	335.7	33570	0
10	Jan-09	489	45900	100	335.7	33570	0
11	Feb-09	9	33570	100	335.7	33570	0
12	Mar-09	4	33570	100	335.7	33570	0
13	Apr-09	4	33570	100	9	900	32670
14	May-09	5	33570	100	9	900	32670
15	Jun-09	0	33570	100	9	900	32670
16	Jul-09	0	33570	100	9	900	32670
17	Aug-09	0	33570	100	9	900	32670
18	Sep-09	0	33570	100	9	900	32670
19	Oct-09	0	33570	100	9	900	32670
20	Nov-09	0	33570	100	9	900	32670
21	Dec-09	0	33570	100	335.7	33570	0
22	Jan-10	7	33570	100	335.7	33570	0
23	Feb-10	5	67140	100	335.7	33570	0
24	Mar-10	3	33570	100	335.7	33570	0
25	Apr-10	6	33570	100	9	900	32670
26	May-10	4	33570	100	9	900	32670
27	Jun-10	0	33570	100	9	900	32670
28	Jul-10	9	33570	100	9	900	32670
29	Aug-10	0	33570	100	9	900	32670
30	Sep-10	0	33570	100	9	900	32670
31	Oct-10	0	33570	100	9	900	32670
32	Nov-10	0	33570	100	9	900	32670
33	Dec-10	25	33570	100	335.7	33570	0
34	Jan-11	157	33570	100	335.7	33570	0
35	Feb-11	19	33570	100	335.7	33570	0
36	Mar-11	0	33570	100	335.7	33570	0

37	Apr-11	0	33570	100	9	900	32670
38	May-11	0	33570	100	9	900	32670
39	Jun-11	0	33570	100	9	900	32670
40	Jul-11	0	33570	100	9	900	32670
41	Aug-11	0	33570	100	9	900	32670
42	Sep-11	0	33570	100	9	900	32670
43	Oct-11	0	33570	100	9	900	32670
44	Nov-11	0	33570	100	9	900	32670
45	Dec-11	4	33570	100	335.7	33570	0
46	Jan-12	5	33570	100	335.7	33570	0
47	Feb-12	5	33570	100	335.7	33570	0
48	Mar-12	5	33570	100	335.7	33570	0
49	Apr-12	4	33570	100	9	900	32670
50	May-12	3	40284	120	9	1080	39204
51	Jun-12	3	40284	120	9	1080	39204
52	Jul-12	3	40284	120	9	1080	39204
53	Aug-12	4	40284	120	9	1080	39204
54	Sep-12	4	40284	120	9	1080	39204
55	Oct-12	5	40284	120	9	1080	39204
56	Nov-12	5	40284	120	9	1080	39204
57	Dec-12	5	40284	120	335.7	40284	0
58	Jan-13	275	40284	120	335.7	40284	0
59	Feb-13	4	40284	120	335.7	40284	0
60	Mar-13	4	40284	120	335.7	40284	0
61	Apr-13	9	40284	120	9	1080	39204
62	May-13	9	46998	140	9	1260	45738
63	Jun-13	3	46998	140	9	1260	45738
64	Jul-13	3	46998	140	187	26180	20818
65	Aug-13	3	46998	140	187	26180	20818
66	Sep-13	3	46998	140	187	26180	20818
67	Oct-13	4	46998	140	187	26180	20818
68	Nov-13	4	46998	140	187	26180	20818
69	Dec-13	6	46998	140	335.7	46998	0
						Total	**1587548**

Glossary of Abbreviations

Glossary of abbreviations	
Abbreviation	**Expanded form**
ADB	Asian Development Bank
BG	Bank Guarantee
BHEL	Bharat Heavy Electrical Limited
BHEP	Binwa Hydro Electric Project
BOD	Board of Directors
BOQ	Bill of Quantities
BPL	Below Poverty Line
BVPC	Beas Valley Power Corporation
CAG	Comptroller and Auditor General of India
CD	Contract Demand
CDM	Clean Development Mechanism
CEA	Central Electricity Authority
CER	Certified Emission Reduction
CHS	Central Heating System
CKM	Circuit Kilometer
COPU	Committee on Public Undertakings
CPS	Control Performance Security
CVC	Central Vigilance Commission
CWC	Central Water Commission
DBID	Diversion, Barrage Intake Structure
DC	Data Centre/Departmental Charges
DFCS & CA	Director, Food , Civil Supplies & Consumers Affairs
DISCOMs	Distribution Companies
DIT	Department of Information & Technology
DPR	Detailed Project Report
EHT	Extra High Tension
EL	Elevation
FPSs	Fair Price Shops
FRL	Full Reservoir Level
FRP	Financial Restructuring Plan
GCC	General Conditions of Contract
GE & EML	Ganz Engineering and Energetic Machinery Limited
GEIPL	Ganz Energetic India Private Limited
GoI	Government of India
HPAIC	Himachal Pradesh Agro Industries Corporation Limited
HBCF&DC	Himachal Backward Classes Finances and Development Corporation
HEP	Hydro Electric Project
HPFC	Himachal Pradesh Financial Corporation
HPGIC	Himachal Pradesh General Industries Corporation Limited
HPMF&DC	Himachal Pradesh Minorities Finance and Development Corporation

HPPCL	Himachal Pradesh Power Corporation Limited
HPPTCL	Himachal Pradesh Power Transmission Corporation Limited
HPRIDC	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited
HPSEB	Himachal Pradesh State Electricity Board
HPSEBL	Himachal Pradesh State Electricity Board Limited
HPSIDC	Himachal Pradesh State Industrial Development Corporation Limited
HRT	Head Race Tunnel
HRTC	Himachal Road Transport Corporation
IDC	Interest During Construction
JV	Joint Venture
LADA	Local Area Development Activities
LADF	Local Area Development Fund
LD	Liquidated Damages
MDCC	Material Dispatch Clearance Certificate
MUs	Million Units
MW	Mega Watt
PCC	Particular Conditions of Contract
PCN	Project Concept Note
PDD	Project Design Document
PDS	Public Distribution System
PFC	Power Finance Corporation
PH	Power House
PSUs	Public Sector Undertakings
PTC	Power Trading Corporation
PVC	Price Variation Claim
PVPCL	Pabbar Valley Power Corporation Limited
SARs	Separate Audit Reports
SJVNL	Satluj Jal Vidyut Nigam Limited
SKHEP	Sawra Kuddu Hydro Electric Project
SLP	Special Leave Petition
SPV	Special Purpose Vehicle
STL	Short Term Liabilities
TEC	Techno Economic Clearance
TGMIPL	Technip Ganz Machinery India Private Limited
TPDS	Targeted Public Distribution System
UNFCCC	United Nation Framework Convention on Climate Control
VAT	Value Added Tax
ZESPL	Zenith Energy Services Private Limited