The Report of
the Comptroller and Auditor General of India

on

Economic Sector
(Public Sector Undertakings)

for the year ended 31 March 2012

Government of Himachal Pradesh

Report No. 4 of the year 2012

TABLE OF CONTENTS

APPENDICES

PREFACE

1. This Report has been prepared for submission to the Government of Himachal Pradesh under section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time.

2. Government commercial concerns, the accounts of which are subject to audit by the Comptroller and Auditor General of India (CAG), fall under three categories i.e. Government companies, Statutory corporations, and Departmentally managed commercial undertakings. This Report deals with the of audit of Government companies and Statutory corporations falling under Social, General, Revenue and Economic Sectors. The results of audit relating to departmentally managed commercial undertakings are presented separately.

3. The Report contains four Chapters. Chapter-I deals with introduction; Chapter-II deals with the findings of the Performance Audit of Power Transmits-utilities; Chapter-III deals with Thematic Audit of Corporate Governance in State Government Companies and Chapter-IV deals with Audit of Transactions of Government Enterprises and Corporations.

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

5. In respect of Himachal Road Transport Corporation which is a Statutory corporation, the Comptroller and Auditor General of India is the sole Auditor. In respect of Himachal Pradesh Financial Corporation, he has the right to conduct the audit of accounts in addition to the audit conducted by the Chartered Accountants appointed by the State Government in consultation with the CAG. In respect of Himachal Pradesh Electricity Regulatory Commission, the CAG is the sole auditor. The Audit Reports on the Annual Accounts of all these Corporations are forwarded separately to the State Government.

6. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 2011-12 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 2011-12 have also been included, wherever necessary.

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

CHAPTER-I
INTRODUCTION

About the State Public Sector Undertakings

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Himachal Pradesh, the State PSUs occupy an important place in the state economy. The working PSUs registered a turnover of ₹ 4,990.22 crore in 2011-12 **(Appendix 1.1)** as *per* their latest finalised Annual Accounts as of 30 September 2012. This turnover was equal to 7.91 *per cent* of State Gross Domestic Product (GDP) of ₹ 63,084 crore in 2011-12. Major activities of Himachal Pradesh State PSUs are concentrated in power sector. The working PSUs incurred a loss of ₹ 223.05 crore **(Appendix 1.1)** in the aggregate during the year 2011-12 as *per* their latest finalised accounts as of 30 September 2012. All State PSUs had employed 37,032 employees as on 31 March 2012.

1.2 As on 31 March 2012, there were 21 PSUs as *per* the details given in ***Table 1.1*** below:

Table-1.1

Type of PSUs	Working PSUs	Non-working PSUs[1]	Total
Government Companies[2]	17	2[3]	19
Statutory Corporations	2[4]	-	2
Total	**19**	**2**	**21**

One company, *i.e.*, Himachal Pradesh General Industries Corporation Limited was listed on the stock exchange.

1.3 During the year 2011-12, one PSU *viz*. Nahan Foundry Limited was merged with the Himachal Pradesh State Industrial Development Corporation Limited.

[1] Non-working PSUs are those which have ceased to carry on their operations.
[2] Includes two 619-B companies (Beas Valley Power Corporation Limited and Himachal Pradesh Power Corporation Limited).
[3] Agro Industrial Packaging India Limited and Himachal Worsted Mills Limited.
[4] Himachal Pradesh Financial Corporation and Himachal Road Transport Corporation.

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 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 of the Companies Act, 1956.

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

Investment in State PSUs

1.7 As on 31 March 2012, the investment (capital and long-term loans) in 21 PSUs (including 619-B company) was ₹ 6,527.75 crore as *per* details given in ***Table 1.2*** below:

Table-1.2

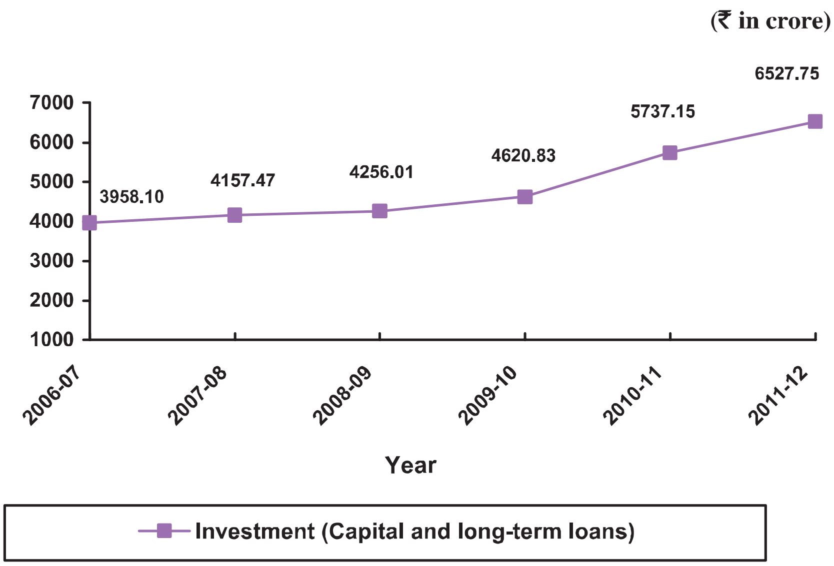
(Amount: ₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	2,372.75	3,330.78	5,703.53	538.57	209.94	748.51	6,452.04
Non-working PSUs	18.64	57.07	75.71	-	-	-	75.71
Total	**2,391.39**	**3,387.85**	**5,779.24**	**538.57**	**209.94**	**748.51**	**6,527.75**

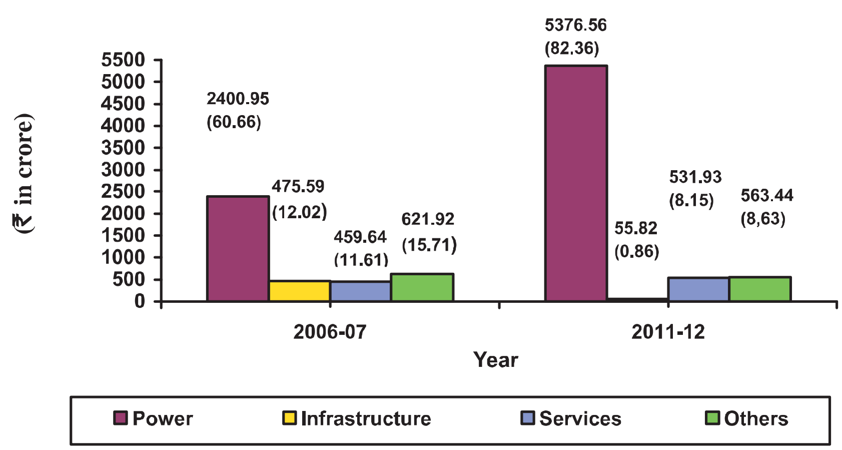
A summarised position of government investment in State PSUs is detailed in **Appendix 1.2**.

1.8 As on 31 March 2012, of the total investment in State PSUs, 98.84 *per cent* was in working PSUs and the remaining 1.16 *per cent* in non-working

PSUs. The total investment consisted of 44.88 *per cent* towards capital and 55.12 *per cent* in long-term loans. The investment has increased by 64.92 *per cent* from ₹ 3,958.10 crore in 2006-07 to ₹ 6,527.75 crore in 2011-12 as shown in the graph below:



1.9 The investment in various important sectors both in absolute and relative terms at the end of 31 March 2007 and 31 March 2012 is indicated below in the bar chart. During 2006-12, the major investment was in the power sector. The percentage of investment in power sector has increased from 60.66 *per cent* in 2006-07 to 82.36 *per cent* in 2011-12 of total investment due to incorporation of new companies.



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

Budgetary outgo, grants/subsidies, guarantees and loans

1.10 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Appendix 1.3**. The summarised details for the last three years ended 31 March 2012 are given in ***Table 1.3*** below:

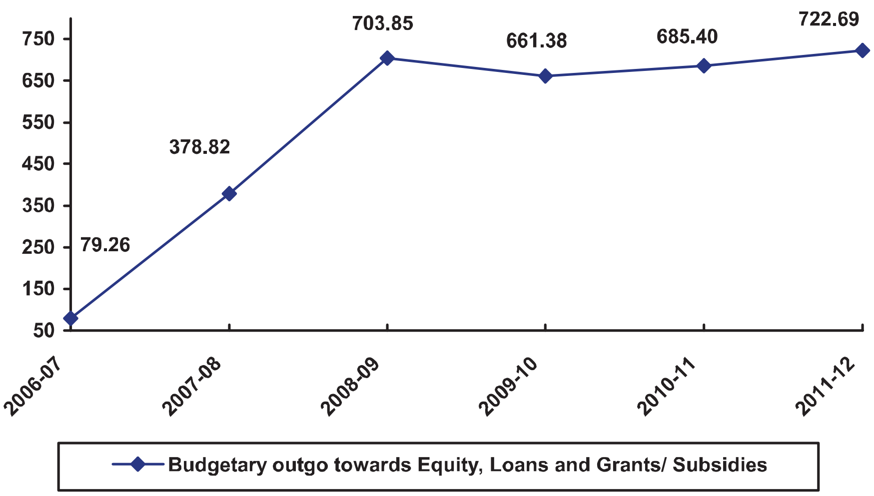
Table-1.3

(Amount: ₹ in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	9	310.13	5	162.91	5	227.19
2.	Loans given from budget	2	20.28	1	175.01	-	-
3.	Grants/Subsidy received	9	330.97	5	347.48	7	495.50
4.	Total Outgo (1+2+3)	14[5]	661.38	10[5]	685.40	10[5]	722.69
5.	Loans converted into equity	1	17.46	-	-	-	-
6.	Guarantees issued	5	41.60	5	54.65	6	1,278.60
7.	Guarantee Commitment	7	1,537.58	6	1,272.16	8	1,159.87

1.11 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the past six years are given in the graph below:

(₹ in crore)



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

The budgetary support in the form of equity, loans and grants/subsidies by the State Government during the years 2006-07 to 2011-12 showed a varying trend. The budgetary outgo which stood at ₹ 79.26 crore in 2006-07 and was lowest during the six years, increased to ₹ 722.69 crore in 2011-12 mainly due to significant extension of equity/loans and grants/subsidy to the power sector.

1.12 During 2011-12, the Government had guaranteed loans aggregating ₹ 1,278.60 crore obtained by six PSUs. At the end of 2011-12, guarantee commitment stood at ₹ 1,159.87 crore (eight PSUs) as against ₹ 1,537.58 crore (seven PSUs) and ₹ 1,272.16 crore (six PSUs) during 2009-10 and 2010-11, respectively.

Reconciliation with Finance Accounts of the Government

1.13 The figures in respect of equity, loans and guarantees outstanding as *per* records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the 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 2012 is indicated in ***Table 1.4*** below:

Table-1.4

(Amount: ₹ in crore)

Outstanding in respect of	Amount as *per* Finance Accounts	Amount as *per* records of PSUs	Difference
Equity	1,254.35	1,415.59	(-) 161.24
Loans	-[6]	809.74	-
Guarantees	1,291.32	1,159.87	131.45

1.14 Audit observed that the differences occurred in respect of seven PSUs and the difference in respect of one company[7] was pending reconciliation since 1995-96. The concerned administrative departments, PSUs and Finance Department were requested every quarter to take necessary action to reconcile the differences. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of Public Sector Undertakings (PSUs)

1.15 The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in **Appendices 1.1, 1.5 and 1.6**

[6] Government companies and Statutory corporations wise statement of outstanding loans is not included in the Finance Accounts for 2011-12.

[7] Himachal Backward Classes Finance and Development Corporation.

respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. The details of working PSU turnover and State GDP for the period 2006-07 to 2011-12 are given in ***Table 1.5*** below:

Table-1.5

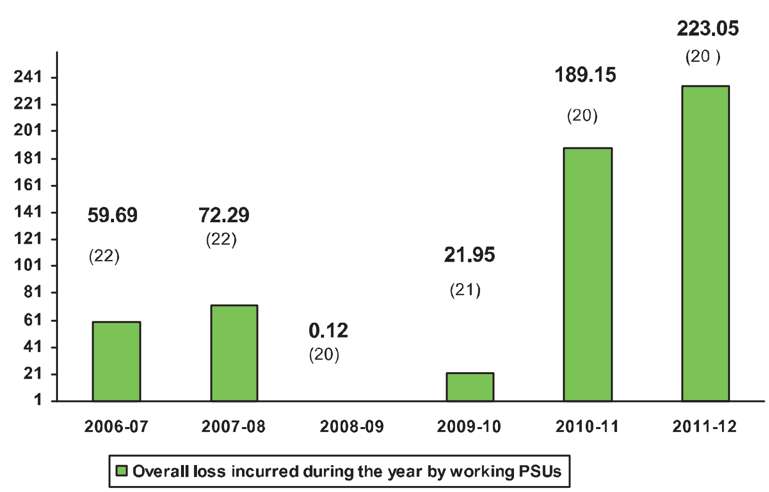
(Amount: ₹ in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Turnover[8]	3,029.68	3,476.06	4,629.88	4,642.23	4,964.59	4,990.22
State GDP	28,358	31,974	36,940	42,278	52,426	63,084
Percentage of Turnover to State GDP	10.68	10.87	12.53	10.98	9.47	7.91

It can be noticed that there was an overall rise in turnover of PSUs during 2006-12 with growth in the State GDP. The percentage of turnover to the State GDP increased from 10.68 in 2006-07 to 12.53 in 2008-09 but declined from 10.98 in 2009-10 to 7.91 in 2011-12.

1.16 Losses incurred by working PSUs during 2006-07 to 2011-12 are given below in the bar chart.

(₹ in crore)



(Figures in brackets show the number of working PSUs in respective years. The figures for the years 2010-11 and 2011-12 include losses incurred by Himachal Pradesh State Electricity Board also which was converted into Government Company in 2010-11)

[8] Turnover as *per* the latest finalised accounts as of 30 September.

During 2006-12, the working PSUs incurred huge losses, which indicated poor functioning of PSUs except during 2008-09, when the overall losses incurred by State PSUs were ₹ 0.12 crore and were comparatively low.

Out of 19 working PSUs for which the accounts for latest years were received up to 30 September 2012, eight PSUs earned profit of ₹ 17.37 crore and seven PSUs incurred loss of ₹ 240.42 crore. Three[9] working Government companies have not prepared their profit and loss accounts while one Company *viz.* Himachal Pradesh State Electricity Board Limited has not prepared its first accounts since incorporation. In case of one working Government company (Himachal Pradesh Road and Other Infrastructure Development Corporation Limited), excess of expenditure over income is reimbursable by the State Government. The major contributors to profit were Himachal Pradesh State Civil Supplies Corporation Limited (₹ 6.04 crore), Himachal Pradesh Tourism Development Corporation Limited (₹ 1.58 crore) and Himachal Pradesh State Forest Development Corporation Limited (₹ 7.71 crore). The heavy losses were incurred by Himachal Pradesh State Electricity Board (₹ 152.62 crore) and Himachal Road Transport Corporation (₹ 80.65 crore).

1.17 The losses of working PSUs are mainly attributable to deficiencies in financial management, planning, implementation of projects, running their operations and monitoring. A review of latest three years Audit Reports of the CAG shows that the State PSUs incurred losses of ₹ 2,980.43 crore and infructuous investment of ₹ 1.91 crore which were controllable with better management. The year wise details from Audit Reports are given in ***Table 1.6*** below:

Table-1.6

(Amount: ₹ in crore)

Particulars	2009-10	2010-11	2011-12	Total
Net loss	21.95	189.15	10.05	221.15
Controllable losses/avoidable expenditure as *per* CAG's Audit Report	953.38	703.53	1,323.52	2,980.43
Infructuous Investment	-	-	1.91	1.91

1.18 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

[9] Beas Valley Power Corporation Limited, Himachal Pradesh Power Corporation Limited and Himachal Pradesh Power Transmission Corporation Limited.

1.19 Some other key parameters pertaining to State Public Sector Undertakings are given in ***Table 1.7*** below:

Table-1.7

(Amount: ₹ in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Return on Capital Employed (*Per cent*)	2.74	3.93	5.54	4.16	0.48	0.00
Debt	3,136.86	2,918.66	2,841.21	2,672.18	3,075.69	3,597.79
Turnover[10]	3,029.68	3,476.06	4,629.88	4,642.23	4,964.59	4,990.22
Debt/ Turnover Ratio	1.04:1	0.84:1	0.61:1	0.58:1	0.62:1	0.72:1
Interest Payments	166.55	210.64	201.39	207.20	207.13	199.50
Accumulated Profits/(losses)	(939.66)	(1,021.00)	(1,028.60)	(846.73)	(1,286.19)	(1,360.45)

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

1.20 The percentage of return on Capital Employed showed a rising trend from 2.74 *per cent* in 2006-07 to 5.54 *per cent* in 2008-09 and declined from 4.16 in 2009-10 to zero in 2011-12. The debt position also did not show any improvement as total debt increased from ₹ 3,136.86 crore in 2006-07 and to ₹ 3,597.79 crore in 2011-12. The outgo of PSUs towards payment of interest increased from ₹ 166.55 crore in 2006-07 to ₹ 210.64 crore in 2007-08 and decreased to ₹ 199.50 crore in 2011-12. The turnover position showed an improving trend from ₹ 3,029.68 crore in 2006-07 to ₹ 4,990.22 crore in 2011-12; the debt-turnover ratio improved from 1.04 in 2006-07 to 0.62 in 2010-11 and marginally increased to 0.72 in 2011-12. The position of accumulated losses has, however, deteriorated with increase from ₹ 939.66 crore in 2006-07 to ₹ 1,360.45 crore in 2011-12 except in 2009-10 when it declined to ₹ 846.73 crore.

1.21 The State Government had formulated (August 1982) a dividend policy under which all PSUs are required to pay a minimum return of three *per cent* on the paid up share capital contributed by the State Government. As *per* their latest finalised accounts, eight PSUs earned an aggregate profit of ₹ 17.37 crore and only Himachal Pradesh State Civil Supplies Corporation Limited declared a dividend of ₹ 0.35 crore, which was 10 *per cent* of its paid up capital (₹ 3.51 crore).

Arrears in finalisation of accounts

1.22 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

[10] Turnover of working PSUs as *per* the latest finalised accounts as of 30 September.

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 1.8*** below:

Table-1.8

Sl. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1.	Number of working PSUs	22	20	21	19	19
2.	Number of accounts finalised during the year	20	19	22	21	15
3.	Number of accounts in arrears	17	15	14	12	16
4.	Average arrears *per* PSU (3/1)	0.77	0.75	0.67	0.63	0.84
5.	Number of working PSUs with arrears in accounts	13	12	12	10	10
6.	Extent of arrears	1 to 3 years	1 to 3 years	1 to 2 years	1 to 2 years	1 to 2 years

1.23 The average number of accounts in arrears *per* working PSUs ranged between 0.63 and 0.84 in 2007-12. The PSUs having arrears of accounts need to take effective measures for early clearance of backlog and make the accounts up-to-date.

1.24 Out of two non-working PSUs, Himachal Worsted Mills Limited had gone into liquidation process and Agro Industrial Packaging India Limited had not finalised its accounts for the year 2011-12.

1.25 The State Government had invested ₹ 85.27 crore (Equity: ₹ 52.94 crore and grants: ₹ 32.33 crore) in five 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 and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

1.26 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by 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 2012) with the Chief Secretary/Finance Secretary to expedite clearance of backlog of arrears in accounts in a time bound manner.

Winding up of non-working PSUs

1.27 The number of non-working companies at the end of each year during the past five years is given in ***Table 1.9*** below:

Table-1.9

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Number of non-working companies	2	3	3	3	2

There were two non-working PSUs (all companies) as on 31 March 2012. Of these, Himachal Worsted Mills Limited has commenced liquidation process.

1.28 The stages of closure in respect of non-working PSUs are given in ***Table 1.10*** below:

Table-1.10

Sl. No.	Particulars	Companies
1.	Total No. of non-working PSUs	2
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

1.29 During the year 2011-12, one PSU *viz*. Nahan Foundry Limited merged with the Himachal Pradesh State Industrial Development Corporation with retrospective effect (1 April 2009), though it had finalised its accounts up to 31 March 2011. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/pursued vigorously. The Government may consider expediting the process of winding up of non-working company.

Accounts Comments and Internal Audit

1.30 Fifteen working companies forwarded their 15 accounts to Audit during the period from October 2011 to September 2012. Of these, 14 accounts of 14 working companies were selected for supplementary audit. 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. The details of aggregate money value of comments of the Statutory auditors and the CAG are given in ***Table 1.11*** below:

Table-1.11

(Amount: ₹ in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	0.33	6	45.20	2	56.40
2.	Increase in loss	6	42.60	3	17.18	3	12.49

It can be seen that average impact of audit comments *per* account causing 'increase in loss' or 'decrease in profit' increased from ₹ 6.13 crore (2009-10) to ₹ 13.78 crore (2011-12). The deterioration in the quality of maintenance of accounts by PSUs is, thus, apparent and needs to be improved.

1.31 During the year, the Statutory auditors had given qualified certificates for nine accounts and adverse certificates (which means that accounts do not reflect a true and fair position) for five accounts. The compliance of companies with regard to the Accounting Standards remained poor as there were 45 instances of non-compliance in twelve Annual Accounts during the year.

1.32 Some of the important comments in respect of the Annual Accounts of the companies during the period from October 2011 to September 2012 are stated below:

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

Income was understated by ₹ 11.96 lakh due to non-accountal of sale value of plot at ₹ 35.00 lakh. This resulted in overstatement of Loss by ₹ 11.96 lakh and Inventories by ₹ 23.04 lakh.

Himachal Pradesh Power Corporation Limited (2011-12)

Non-provisioning of ₹ 3.24 crore (leave salary: ₹ 1.85 crore and pension contribution: ₹ 1.39 crore) payable as on 31 March 2012 to employees of Himachal Pradesh State Electricity Board Limited on deputation with the Company resulted in understatement of Incidental Expenditure - Employees benefits expenses and Current Liabilities to that extent.

Himachal Pradesh Power Transmission Corporation Limited (2010-11)

Salary and wages included ₹ 75.37 lakh paid to the employees on account of salary and wages for the period from July 2010 to March 2011 who had simultaneously performed the work of Himachal Pradesh State Electricity Board Limited. As the expenditure would be shared equally by both

Companies, the same should have been shown as recoverable from HPSEBL. This resulted in overstatement of Pre-operative Expenditure and understatement of Current Assets by ₹ 37.68 lakh.

Himachal Pradesh State Forest Development Corporation Limited (2009-10)

Non-provision of interest on payment of royalty after due dates to the Forest Department resulted in understatement of Sundry Creditors as well as Accumulated Loss by ₹ 6.02 crore.

Excess provision of royalty, sales tax and interest in respect of timber lots pertaining to the period prior to 1993-94 resulted in overstatement of Sundry Creditors as well as Accumulated Loss by ₹ 3.47 crore.

No provision had been made on account of arrears of additional dearness allowance (₹ 0.67 crore) and pay and allowances (₹ 0.06 crore) from January 2010 to March 2010 and pay and allowances (₹ 0.36 crore) payable to employees of the Company, which resulted in overstatement of Profit by ₹ 0.73 crore and understatement of Accumulated Loss by ₹ 1.09 crore.

1.33 Similarly, two working statutory corporations forwarded their two accounts to Audit during the period from October 2011 to September 2012. Of these, one account of a statutory corporation (Himachal Road Transport Corporation) pertained to sole audit by the CAG, which was under audit. 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 are given in ***Table 1.12*** below:

Table-1.12

(Amount: ₹ in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	141.55	-	-	-	-
2.	Increase in loss	2	14.03	2	157.62	1	2.74

The huge impact of audit comments mainly pertains to Himachal Pradesh State Electricity Board during 2009-10, Himachal Road Transport Corporation during 2010-11 and during 2011-12, it pertains to Himachal Pradesh Financial Corporation.

1.34 During the year, the audit of accounts of Himachal Pradesh Financial Corporation for the year 2011-12 was completed and received qualified certificate. An important comment in respect of the accounts of the Statutory corporation is stated that no provision had been made for liability of

₹ 2.74 crore on account of leave encashment payable to employees of the Corporation resulting in understatement of Loss and Other Current Liabilities by ₹ 2.74 crore.

Internal Control / Internal Audit

1.35 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 two companies[11] for the year 2009-10, four companies[12] for the year 2010-11 and seven companies[13] for the year 2011-12 is given in ***Table 1.13*** below:

Table-1.13

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.	Non-existence of system of preparing short/long-term business plan	2	9 and 15
2.	Inadequate monitoring of outstanding dues from outside parties	5	2,3,9,12 and 17
3.	Non-existence of system of sending statement of accounts and obtaining confirmation from the debtors	10	2, 4,9,10,11,12,14,15, 16 and 17
4.	Non-provision of retirement benefits as *per* AS-15	8	2,3,7,9, 10,12,15 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	5	2, 10, 15, 16 and 17
6.	Non-fixation of minimum/ maximum limits of store and spares	6	2, 9, 14, 15, 16 and 17
7.	Absence of internal audit system commensurate with the nature and size of business of the company	4	1, 2, 3 and 17
8.	Non-preparation of internal audit manual/standards/guidelines	4	2,9,15 and 17
9.	No approved IT strategy/plan	12	1, 2, 3, 7,8,9,10,12,14 15, 16 and 17
10.	Non-formulation of Corporate Social Responsibility policy	7	7, 8, 9, 14, 15, 16 and 17

11 Sr. No. 3 and 4 of Appendix 1.
12 Sr. No. 2, 8, 12 and 17 of Appendix 1.
13 Sr. No. 7, 9, 10, 11, 14, 15 and 16 of Appendix 1.

Recoveries at the instance of audit

1.36 During the course of audit in 2011-12, recoveries of ₹ 44.64 crore were pointed out to the Management of various PSUs, which were admitted by PSUs. Against this, an amount of ₹ 14.78 crore was recovered during the year 2011-12.

Status of placement of Separate Audit Reports

1.37 Separate Audit Reports (SARs) issued by the CAG on the accounts of the two Statutory Corporations for the period up to 2010-11 have been placed in the State Legislature by the State Government.

Disinvestment, Privatisation and Restructuring of PSUs

1.38 During the year 2011-12, the State Government had disinvested ₹ 537.15 crore in respect of one Government Company (Himachal Pradesh Power Corporation Limited) and there was no case of privatisation of Government companies. The State Government had not prepared any plan for disinvestment of State PSUs.

CHAPTER-II
PERFORMANCE AUDIT

Power Transmission Utilities

Executive Summary

Transmission of electricity and Grid operations in Himachal Pradesh are managed and controlled by Himachal Pradesh State Electricity Board Limited (HPSEBL) and Himachal Pradesh Power Transmission Corporation Limited (HPPTCL). HPSEBL and HPPTCL were incorporated on 3 December 2009 and 27 August 2008 respectively under the Companies Act, 1956. The HPPTCL had not yet started transmission of power.

Planning and Development

The HPSEBL had transmission network of 32 Extra High Tension (EHT) Sub-stations (SSs) with a transmission capacity of 2,362 MVA and 2,186.450 Circuit Kilometer (Ckm) as on 31 March 2007, which increased to 35 EHT SSs with a transformation capacity of 2,997 Mega Volts Ampere (MVA) and 2,296.567 Ckm as on 31 March 2012. HPPTCL has so far not created its own transmission network. However, 78 Ckm lines valuing ₹ 69.21 crore were transferred (June 2009) by Himachal Pradesh Power Corporation Limited (HPPCL- Power Generating Company) to HPPTCL. Subsequently, HPSEBL (October 2009) also transferred 200.860 Ckm EHT lines valuing ₹ 199.08 crore to HPPTCL. The maintenance of these lines was, however, being carried out by HPSEBL at the cost of HPPTCL.

Project management of transmission system

Notwithstanding the guidelines given by the Task Force Committee for timely completion of the projects, the HPSEBL failed to execute several SSs and Lines in time during 2007-12 resulting in cost overrun of ₹ 99.62 crore and non realisation of anticipated revenue of ₹ 1,031.27 crore. Both the companies failed to achieve the targets for construction of new SSs, capacity addition and laying of EHT lines by 57, 59 and 51 *per cent* respectively during the last five years ended 31 March 2012.

Performance of transmission system

The overall transmission capacity of HPSEBL was in excess of the requirement. The excess transmission capacity as on 31 March 2012 excluding 30 *per cent* towards redundancy worked out to 560.89 MVA valued at ₹ 28.04 crore which was a burden passed on to the consumer. Existence of extra/idle capacity in the transmission network and prevalence of overloads, high voltages on certain places reflects deficient planning in creation of transmission network. Further, the percentage of transmission losses exceeded the Central Electricity Authority (CEA) and State Electricity Regulatory Commission (SERC) norms during all the five years ending March 2012. The value of total transmission loss of 114.12 MUs suffered by the Company over and above the norms fixed by the SERC during the five year period ending March 2012 was ₹ 46.81 crore.

Grid Management

Remote Terminal Units/Sub-station Management Systems (RTUs/SMSs) are essential for monitoring the efficiency of the transmission. There were nine 220 KV Sub-Stations (SS) and nine generators, out of which eight 220 KV SS (89 *per cent*) and four generators (44 *per cent*) only were provided with RTUs. Further, the State Load Despatch Centre (SLDC) did not have any data storing or back up facilities thus reducing it to merely an observation center.

The SLDC established in HPSEBL (August 2002) under Northern Region Electricity Board (NREB) scheme is responsible for scheduling generation *etc.* as *per* Indian Electricity Grid Code and manages the un-scheduled drawal under Unscheduled Interchange (UI) mechanism. It was noticed that the SLDC allowed drawal of 1,021.42 MUs valued at ₹ 432.49 crore under UI rates during 2007-08 to 2011-12.

Energy Accounting and Audit

High percentage of energy losses ranging between 4.03 and 6.88 *per cent* were noticed in six feeders due to inaccurate/defective meters during the period 2007-08 to 2011-12.

Financial Management

The loss of the HPSEBL increased by 435.53 *per cent* from ₹ 262.67 crore in 2007-08 to ₹ 1,406.68 crore in 2011-12 (provisional). HPPTCL had loss of ₹ 0.27 crore to ₹ 4.09 crore during 2008-09 to 2011-12 (provisional).

The Borrowings of HPSEBL increased from ₹ 2,300.27 crore in 2007-08 to ₹ 4,177.79 crore in 2011-12.

Debt Equity Ratio decreased from 6.89:1 (2007-08) to 4.30:1 (2011-12) due to increase of equity from ₹ 334 crore (2007-08) to ₹ 971.78 crore (2011-12). Percentage of Return on Capital employed decreased from 5.47 in 2007-08 to (-) 6.44 in 2011-12 due to increase in Current Liabilities from ₹ 2,423.12 crore (2007-08) to ₹ 2,733.98 crore (2011-12).

Working results

Per unit revenue realisation of HPSEBL increased from ₹ 3.78 to ₹ 4.63 during 2007-12 (22.49 *per cent*) as compared to *per* unit cost which increased from ₹ 3.82 to ₹ 4.96 (29.84 *per cent*) during the corresponding period. The employees cost and interest and finance charges constitute the major elements of cost in 2007-12 which represented 22.67 and 5.70 *per cent* of the total cost respectively. Sale of power constitutes the major elements of revenue which represented 96.82 *per cent* of the total revenue (2011-12).

Tariff Fixation

Though there was no delay in filing the ARR petitions by HPSEBL yet the tariff orders for the year 2008-09, 2010-11 and 2011-12 were approved after the effective date (April of each financial year) due to delayed compliance of SERC observations. The late approval of tariff for these years by SERC had affected the cash flow of the Company by ₹ 161.85 crore for three months during April to June in the years 2008-09, 2010-11 and 2011-12.

Conclusion and Recommendations

Various projects of the Companies were not completed within scheduled time resulting in time and cost over-run, shortfall in capacity addition, under achievement of targets for reduction in losses and blockade of funds. HPSEBL had incurred huge expenditure on purchase of power under UI due to ill planning. HPSEBL failed to recover maintenance charges and expenditure incurred for the up-gradation and capacity addition from consumers. The reasons for excessive Transmission losses were not investigated despite repeated instructions of SERC to spell out remedial steps for each feeder wherein losses were on higher side. Further, HPSEBL also could not comply with the orders of the regulator regarding recovery of SLDC fee/charges due to non-filing of separate Annual Revenue Requirement.

We have made six recommendations to improve transmission segment in the State. The HPSEBL needs to review physical and financial progress of incomplete schemes, plan day ahead requirement of power on a realistic basis, initiate adequate steps for recovery of cost share in respect of capacity addition, install meters of matching accuracy class at both ends, investigate reasons for excessive transmission losses and initiate action to file separate Annual Revenue Requirement to recover SLDC charges.

Introduction

2.1 With a view to supply reliable and quality power to all by 2012, the Government of India (GoI) prepared the National Electricity Policy (NEP) in February 2005, which stated that the Transmission System required adequate and timely investment besides efficient and coordinated action to develop a robust and integrated power system for the country. It also *inter-alia* recognised the need for the development of a National and State Grid with the coordination of Central/State Transmission Utilities. Transmission of electricity and Grid operations in Himachal Pradesh are managed and controlled by Himachal Pradesh State Electricity Board Limited (HPSEBL) and Himachal Pradesh Power Transmission Corporation Limited (HPPTCL) which are mandated to provide an efficient, adequate and properly coordinated Grid management and transmission of energy. HPSEBL and HPPTCL were incorporated on 3 December 2009 and 27 August 2008 respectively under the Companies Act, 1956, and report to the Multi Purpose Projects & Power Department (MPP&P), Government of Himachal Pradesh. The execution of all new works, formulation, up-dation, execution of transmission master plan, coordination of transmission related issues with Central/State Public Sector Undertakings as well as facilitation of evacuation of power from upcoming generation plants was entrusted to HPPTCL. However, it has not yet commenced its work of transmission of power due to non-creation of its infrastructure.

2.2 The Management of HPSEBL is vested with the Board of Directors comprising six members appointed by the State Government. The day-to-day operations of the HPSEBL are carried out by the Managing Director who is the Chief Executive of the Company with the assistance of Director (Technical), Director (Projects), Director (Operation), Director (Finance & Administration) and Director (Personnel). The Management of HPPTCL is vested with the Board of Directors comprising seven members appointed by the State Government. The day-to day operations are carried out by the Managing Director who is the Chief Executive of the Company with the assistance of two whole time Directors (Technical) and four part time Directors.

During 2007-08, 7,189.20 Million Units (MUs) of energy was transmitted by HPSEBL[1], which increased to 9,694.92 MUs in 2011-12, *i.e.* an increase of 34.85 *per cent* during 2007-12. As on 31 March 2012, the Company had transmission network of 2,296.567 Circuit Kilometer (Ckm)[2] and 35 Sub-Stations (SSs) with installed capacity of 2,997 Mega Volts Ampere (MVA), capable of annually transmitting 23,628.35 MUs at 66 Kilo Volts (KV) and above. The turnover of the Company was ₹ 3,818.03 crore in 2011-12[3], which was equal to 6.05 *per cent* of State Gross Domestic Product. HPSEBL and HPPTCL employed 1,495 and 105 employees as on 31 March 2012 respectively on transmission activities.

1 The HPPTCL had not yet started function of transmission of power.
2 This includes 278.860 Ckm lines transferred to HPPTCL.
3 Provisional figure as the balance sheet of the Company for the year 2011-12 was under finalisation.

A Performance Review on Implementation of Transmission and Distribution Schemes (66KV and above) was included in the Report of the Comptroller and Auditor General of India (Civil and Commercial) Volume II, Government of Himachal Pradesh for the year ended 31 March 2006. The Report was discussed by Committee on Public undertakings (COPU) in July 2010. The COPU gave (September 2011) its recommendations in its 51st Report.

Scope and Methodology of Audit

2.3 The present Performance Audit conducted during January 2012 to June 2012 covers performance of the Companies during 2007-08 to 2011-12. Audit examination involved scrutiny of records of different wings at the Head Office, State Load Despatch Centre (SLDC), all circles (two[4]) headed by Superintending Engineers and six[5] out of 16 Divisions headed by Senior Executive Engineers/Additional Superintending Engineers of HPSEBL and Corporate Office of the HPPTCL as the Company is yet to open its field units.

The HPSEBL constructed three new SSs (222.3 MVA) and 10 lines (110.117 Ckm) as well as augmented existing transformation capacity by 635 MVA during the review period. Out of these, two new SSs (216 MVA), eight old SSs (303 MVA), nine lines (124.418 Ckm including old and new) and augmentation of existing transformation capacity by 132.2 MVA were examined.

The units were selected on the basis of simple random sampling method, without replacement. The methodology adopted for attaining audit objectives with reference to audit criteria consisted of explaining audit objectives to top management, scrutiny of records at Head Office and selected units, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with the Management and issue of draft review to the Management/Government for comments.

Audit Objectives

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

- Perspective Plan was prepared in accordance with the guidelines of the National Electricity Policy/Plan and State Electricity Regulatory Commission (SERC) and assessment of impact of failure on plan, if any;

- the transmission system was developed and commissioned in an economical, efficient and effective manner;

4 Electrical System Circles: Shimla and Hamirpur.
5 Electrical System Divisions: Nahan, Hamirpur, Bilaspur, Mandi, Nalagarh and Shimla.

- operation and maintenance of transmission system was carried out in an economical, efficient and effective manner;
- disaster Management System was set up to safeguard operations against unforeseen disruptions;
- effective failure analysis system was set up;
- effective and efficient financial management system with emphasis on timely raising and collection of bills and filing of Aggregate Revenue Requirement (ARR) for tariff revision in time was in place;
- efficient and effective system of procurement of material and inventory control mechanism were in place;
- efficient and effective energy conservation measures were undertaken in line with the National Electricity Plan (NEP) and establishment of Energy Audit System; and
- there is a monitoring system in place to review existing/ongoing projects, take corrective measures to overcome deficiencies identified, respond promptly and adequately to Audit/Internal audit observations.

Audit Criteria

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

- Provisions of National Electricity Policy/Plan and National Tariff Policy;
- Perspective Plan and project reports of the Company;
- Standard procedures for award of contracts with reference to principles of economy, efficiency, effectiveness, equity and ethics;
- ARR filed with SERC for tariff fixation, circulars, manuals and MIS reports;
- Manual of Transmission Planning Criteria (MTPC);
- Code of Technical Interface (CTI)/Grid Code consisting of planning, operation, connection codes;
- Directions from State Government /Ministry of Power (MoP);
- Norms/Guidelines issued by SERC/Central Electricity Authority (CEA);

- Report of the Committee constituted by the MoP recommending the "Best Practices in Transmission";
- Report of the Task Force constituted by the MoP to analyse critical elements in transmission project implementation; and
- Reports of Regional Power Committee (RPC)/SLDC).

Audit Methodology

2.6 Audit followed the following mix of methodologies:

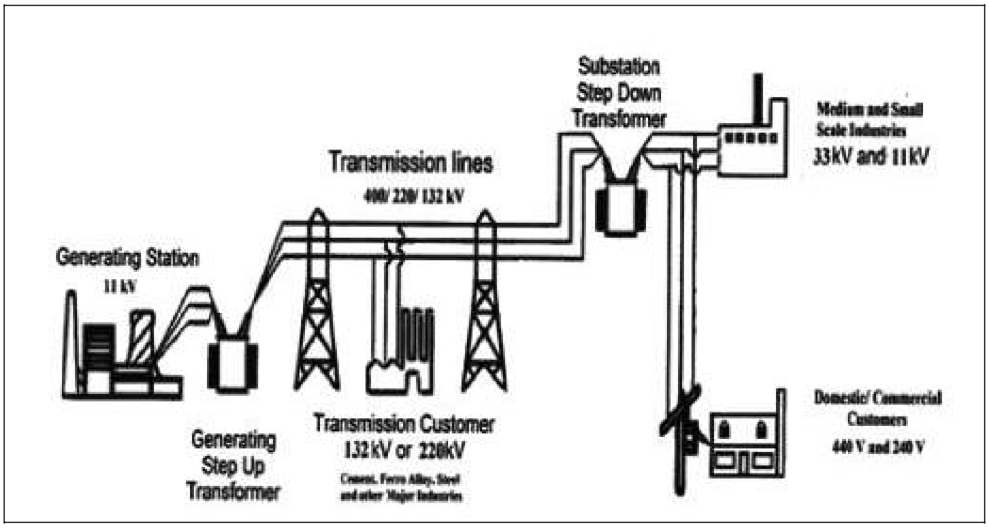
- Review of agenda notes and minutes of Company/Board/RPC/SLDC, annual reports, accounts and regional energy accounts (REA);
- Scrutiny of loan files, physical and financial progress reports;
- Analysis of data from annual budgets and physical as well as financial progress with completion reports;
- Scrutiny of records relating to project execution, procurement, receipt of funds and expenditure; and
- Interaction with the Management during entry and exit conferences.

Brief description of transmission process

2.7 Transmission of electricity is defined as bulk transfer of power over long distances at high voltages, generally at 132 KV and above. Electric power generated at relatively low voltages in power plants is stepped up to high voltage before it is transmitted, to reduce the loss in transmission and to increase efficiency of the Grid. Sub-stations (SSs) are facilities within high voltage electric system used for stepping-up/stepping down voltages from one level to another, connecting electric systems and switching equipment in and out of the system. The step up transmission SSs at the generating stations use transformers to increase the voltages for transmission over long distances.

Transmission lines carry high voltage electric power. The step down transmission SSs decreases voltage to sub transmission voltage levels for distribution to consumers. The distribution system includes lines, poles, transformers and other equipment needed to deliver electricity at specific voltages.

Electrical energy cannot be stored; hence generation must be matched to need. Therefore, every transmission system requires a sophisticated system of control called Grid management to ensure balancing of power generation closely with demand. A pictorial representation of the transmission process is given below:



Audit Findings

2.8 The audit objectives were explained to the HPSEBL and HPPTCL during an 'Entry Conference' held on 22 December and 23 December 2011 respectively. Subsequently, audit findings were reported to the Companies and the State Government on 7 September, 2012 and discussed in an 'Exit Conference' held on 12 November, 2012. The Exit Conference was attended by the Additional Chief Secretary, Multi Purpose Projects & Power Department (MPP & Power), Government of Himachal Pradesh. The views expressed by them during the exit conference have been considered while finalising this Performance Audit. The replies of the State Government/Management were awaited as of November 2012. The audit findings are discussed in subsequent paragraphs.

Planning and Development

National Electricity Policy/Plan

2.9 The Central Transmission Utility (CTU) and State Transmission Utilities (STUs) have the key responsibility of network planning and development based on the National Electricity Plan (NEP) in coordination with all the concerned agencies. At the end of 10^{th} Plan (March 2007), the transmission system in the country at 765/HVDC/400/230/220/KV stood at 1.98 lakh Ckm, which was planned to be increased to 2.93 lakh Ckm by the end of 11th Plan *i.e.* March 2012. The NEP assessed the total inter-regional transmission capacity at the end of 2006-07 as 14,100 MW and further planned to add 23,600 MW during the 11th plan bringing the total inter-regional capacity to 37,700 MW.

The transmission network of HPSEBL at the beginning of 2007-08 consisted of 32 Extra High Tension (EHT) SSs with a transmission capacity of 2,362 MVA and 2,186.450 Ckm of EHT transmission lines. The transmission network as on 31 March, 2012 consisted of 35 EHT SSs with a transformation capacity of 2,997 MVA and 2,296.567 Ckm of EHT lines against the target increase of 40 EHT SSs with a transmission capacity of 3,902.800 MVA and 2,410.874 Ckm of EHT lines as on that date. Thus, there was shortfall of 5 EHT SSs, 905.800 MVA in capacity addition and 114.307 Ckm in EHT lines. HPPTCL has so far not created its own transmission network. However, 220 KV Kashang-Bhaba lines (78 Ckm) valuing ₹ 69.21 crore were transferred (June 2009) by Himachal Pradesh Power Corporation Limited to HPPTCL. Subsequently, HPSEBL (October 2009) also transferred 200.860 Ckm EHT lines valuing ₹ 199.08 crore to HPPTCL. The maintenance of these lines was being carried out by HPSEBL at the cost of HPPTCL.

The STU is responsible for planning and development of the intra-state transmission system. Assessment of demand is an important pre-requisite for planning capacity addition. The State Electricity Regulatory Commission (SERC) authorised (July 2006) the Board (now HPSEBL) to strengthen transmission network for meeting out the growing power need, facilitate Open Access, explore multi-lateral funding arrangement along with extracting the maximum advantage from its unique status of being power surplus entity during summers in view of deficient power in northern part of the country by developing suitable trading strategies and system matching with transmission network as *per* Transmission Planning Report. The SERC again advised (May 2008) the Board to strengthen the intra-state and inter-state transmission system.

Audit noticed (January 2012) that the Board, in compliance of the directions *ibid.* stated (April 2007) that a scheme for ₹ 95.67 crore had been prepared and proposed to be funded by Rural Electrification Corporation for up-gradation of transmission infrastructure in industrial areas. The execution of scheme was examined during audit and deficiencies noticed are discussed in the succeeding paragraphs.

Transmission network and its growth

2.10 The transmission capacity (power in MVA) of both the Companies at EHT level during 2007-08 to 2011-12 is given in ***Table 2.1*** below:

Table-2.1

Sl. No	Description	2007-08	2008-09	2009-10	2010-11	2011-12	Total
A. Number of Sub-stations (Numbers)							
1	At the beginning of the year	32	33	33	34	35	
2	Additions planned for the year	2	-	-	-	5[6]	7
3	Added during the year	1[7]	-	1	1	-	3
4	Total sub stations at the end of the year **(1+3)**	33	33	34	35	35	
5	Shortfall in additions **(2-3)**	(-)1	-	(+)1	(+)1	(-) 5	4
B. Transformers capacity (MVA)							
1	Capacity at the beginning of the year	2,362.0	2,481.3	2,641.5	2,750.5	2,966.0	
2	Additions/ augmentation planned for the year	132.1	180.2	172.0	231.0	825.5	1,540.80
3	Capacity added during the year	119.3	160.2	109.0	215.5	31.0	635.00
4	Capacity at the end of the year **(1+3)**	2,481.3	2,641.5	2,750.5	2,966.0	2,997.0	
5	Shortfall in additions/ augmentation	12.8	20.0	63.0	15.5	794.5	905.80
C Transmission lines (CKM)							
1	At the beginning of the year	2,186.450	2,195.408	2,198.977	2,206.97	2,234.539	
2	Additions planned for the year	18.439	3.569	9.900	57.059	135.457	224.424
3	Added during the year	8.958	3.569	7.993	27.569	62.028	110.117
4	Total lines at the end of the year **(1+3)**	2,195.408	2,198.977	2,206.97	2,234.539	2,296.567	
5	Shortfall in additions **(2-3)**	9.481	-	1.907	29.490	73.429	114.307

6 This includes two Sub stations proposed in NEP to be executed by HPPTCL by the end of 11th Plan.

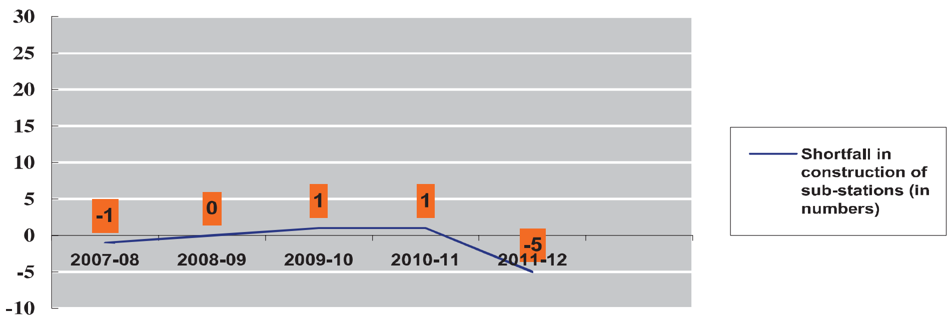
7 This includes spill over transformation and transmission capacity.

From the above table it could be seen that during the last five years, the companies had failed to achieve the targets for construction of new SSs, capacity addition and laying of EHT lines by 57, 59 and 51 *per cent,* respectively.

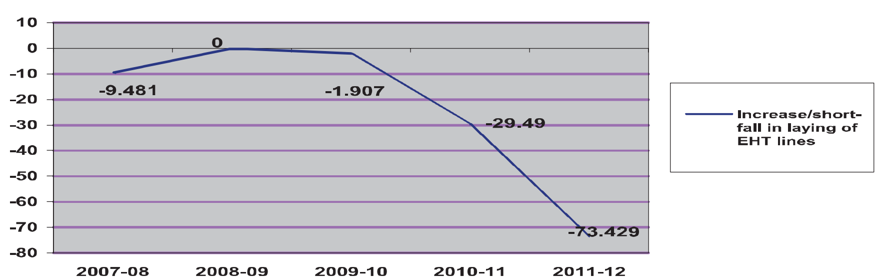
Delay in construction of sub-stations

2.10.1 As *per* NEP, HPPTCL was to construct 10.380 Ckm of 132 KV line and two Sub-stations having capacity of 294.5 MVA by the end of March 2012. Audit observed that the work for the construction of 10.380 Ckm 132 KV Prini - Palchan Line along with 31.5 MVA Sub-station at Palchan awarded (January 2010) was abandoned (November 2011) after incurring an expenditure of ₹ 1.91 crore as the site had to be shifted due to right of way problem. The work for the construction of another Sub-station at Wangtoo was yet to be awarded due to non receipt of forest clearance.

The companies could not achieve the targets for construction of SSs during 2007-08 to 2011-12 as shown in the line graph:



The companies also could not achieve the targets for laying of EHT lines during 2007-08, 2009-10, 2010-11 and 2011-12 as shown in the line graph:



Against the targeted construction of seven EHT SSs and laying of 224.424 Ckm lines, the HPSEBL constructed three EHT SSs and 110.117 Ckm lines during the five year period (achievement of 43 *per cent* and 49 *per cent* respectively). The transmission capacity added was 635 MVA for the five year period ending 2011-12.

The particulars of voltage-wise capacity additions planned, actual additions, shortfall in capacity, *etc*. during the performance audit period are given in **Appendix 2.1.**

From the table it could be seen that the Companies failed to add proposed transformation capacity of 905.8 MVA and 114.307 Ckm EHT lines during 2007-12. The main reasons for shortfall in achievement of targets were delay in arranging funds and award of works, slow pace of work by the contractor and non receipt of forest clearance.

Project management of transmission system

2.11 A transmission project involves various activities from concept to commissioning. Major activities in a transmission project are (i) Project formulation, appraisal and approval phase and (ii) Project Execution Phase. For reduction in project implementation period, the MoP, Government of India constituted a Task Force on transmission projects (February 2005) with a view to:

- analyse the critical elements in transmission project implementation,
- implementation from the best practices of CTU and STUs, and
- suggest a model transmission project schedule for 24 months' duration.

The task force recommended (July 2005) the following remedial actions to accelerate the completion of transmission systems:

- Undertake various preparatory activities such as surveys, design & testing, processing for forest & other statutory clearances, tendering activities *etc.* in advance/parallel to project appraisal and approval phase and go ahead with construction activities once Transmission Project sanction/approval is received;
- Break-down the transmission projects into clearly defined packages so that the packages can be procured & implemented requiring least coordination & interfacing and at the same time it attracts competition facilitating cost effective procurement; and
- Standardise designs of tower fabrication so that 6-12 months can be saved in project execution.

Short-comings of the HPSEBL with regard to the recommendations of the Task Force

2.11.1 The HPSEBL did not follow the recommendations of the Task Force regarding processing for forest & other statutory clearances *etc.* in advance/parallel to project appraisal and approval phase and went ahead with the award of construction activities in anticipation of approval. Consequently, the Company failed to execute several sub-stations and lines in time. The details of works executed during 2007-12 and time/cost overrun are given in ***Table 2.2*** below:

Table-2.2

Capacity in KV	Total No. constructed		No. test checked by Audit		Delay in construction (Numbers)		Time overrun (range in months)		Cost overrun (₹ in crore)	
	SSs	**Lines**	**SSs**	**Lines**	**SSs**	**Lines**	**SSs**	**Lines**	**SSs**	**Lines**
220	8	5	5	3	4	3	27 to 138	12 to 256	35.79	57.32
132/66	19	8	8	4	3	4	24 to 67	28 to 147	4.47	95.02
Total	**27**	**13**	**13**	**7**	**7**	**7**			**40.26**	**152.34**

The reasons for delay noticed during audit were mismatch in award and execution of work, delay in execution, delay in vacation of stay granted by the regulator *etc.* as discussed in the succeeding paragraphs:

Blockade of funds

2.11.2 As *per* Para 4.4 of the guidelines on Forest (Conservation) Act, 1980 issued by the, GoI, Ministry of Environment & Forest, no work should be commenced in cases where forest and non-forest land is involved, until the approval of the Central Government is received. In three cases, the HPSEBL awarded construction of 65.761 Ckm lines and one Sub Station (31.5 MVA) between May 2010 and June 2010 with stipulated completion period ranging between four and eight months at a cost of ₹ 53.08 crore without requisite forest clearance. Consequently, out of the awarded works for 65.761 Ckm lines and capacity addition of 31.5 MVA, actual achievement (April 2012) was only 50 *per cent*. The remaining works could not be completed for want of forest clearance. This resulted in time over-run ranging between 13 and 18 months besides blockade of funds of ₹ 30.18 crore.

Delay in completion of work

2.11.3 Further, it was also noticed that in eight works the erection of 163.579 Ckm lines and addition/augmentation of 1,078 MVA capacity could not be completed within the stipulated period **(Appendix 2.2)** mainly due to slow pace of work by the contractors resulting in time over-run ranging between 10 and 256 months with consequential cost over-run of ₹ 99.62 crore besides non realisation of envisaged financial benefit of ₹ 1,031.27 crore. The cases regarding extension of time and imposition of penalty for delay were yet to be decided (June 2012).

Construction of Sub-stations without assessing load requirements

2.11.4 For construction of a Sub-station, the load growth and anticipated increase in future demand along with permissible limits of voltage regulations are required to be considered/mandatory, prior to taking up of the project, so that unnecessary expenditure can be avoided. The load forecasts for the proposed new schemes should also consider the anticipated physical and financial benefit to be derived. Audit observed that the HPSEBL had not assessed the capacity constraint while going for transformation capacity addition resulting in blockade of funds of ₹ 13.27 crore as discussed below:

2.11.5 The Board (now HPSEBL) approved (August 2005) a Short-term Plan for augmentation of existing transformation capacity of 132/33 KV, Sub-station, Kala Amb from 48 MVA to 114.5 MVA, which was completed (March 2011) at a cost of ₹ 6.15 crore. The increased capacity of the Sub-station was to be utilised by constructing a new line as the existing line could accommodate the load only up to 83.3 MVA. The work for construction of 132 KV Single Circuit (S/C) line from Devni to Kala Amb required to transmit the augmented load awarded (May 2010) had not been completed so far (June 2012). Therefore, the capacity addition of 31.2 MVA made after incurring an expenditure of ₹ 2.89 crore could not be utilised since March 2011.

Further, the above Short term Plan had a provision for augmentation of existing Power Transformation capacity of 66 KV Nalagarh Sub-station from 40 MVA to 80 MVA by installing four transformers (2 transformers each on 66/11 and 66/33 KV system). As the existing 66 KV S/C Baddi - Nalagarh line was fully loaded and had no capacity to cater to the proposed additional load of 40 MVA, the construction of 66 KV Double Circuit (D/C) Baddi - Nalagarh line on 132 KV towers was proposed.

2.11.6 Audit observed that two transformers (66/11 KV) were commissioned during December 2005 and December 2006 and other two (66/33 KV) during February 2006 and September 2007 after incurring an expenditure of ₹ 10.38 crore. The augmented capacity could not be utilised as the required transmission line was not completed simultaneously due to delay in award of transmission line work, which was completed in July 2009 against the scheduled date of completion in January 2007. Thus, due to delay in completion of transmission line the upgraded transformation capacity of 40 MVA could not be utilised for 31 months. This resulted in blockade of ₹ 10.38 crore and interest loss of ₹ 2.95 crore due to non-synchronisation of capacity augmentation and line work.

Performance of transmission system

2.12 The performance of the HPSEBL mainly depends on efficient maintenance of its EHT transmission network for supply of quality power with minimum interruptions. In the course of operation of sub-stations and lines, the supply-demand profile within the constituent sub-systems is identified and system improvement schemes are undertaken to reduce line losses and ensure reliability of power by improving voltage profile. These schemes are for augmentation of existing transformer capacity, installation of additional transformers, laying of additional lines and installation of capacitor banks. The performance of the Company with regard to O&M of the system is discussed below:

Annual charges for the operation and maintenance of transmission system/lines of transmission licensee/independent power producers/consumers are required to be recovered on norms (scheduled staff strength & material head) fixed by HPSEBL. Audit observed that an amount of ₹ 10.56 crore was not recovered by the HPSEBL from five parties[8] during the period covered under audit, for which no reasons were on record.

Transmission capacity

2.12.1 The Company in order to evacuate power from the Generating Stations and to meet the load growth in different areas of the State constructs lines and Sub-stations at different EHT voltages. A Transformer converts Alternate Current (AC) voltage and current to a different voltage and current at a very high efficiency. The voltage levels can be stepped up or down to obtain an increase or decrease of AC voltage with minimum loss in the process. The evacuation is normally done at 220 KV Sub-stations. The transmission capacity (220 KV) created *vis-à-vis* the transmitted capacity (peak demand met) at the end of each year by the HPSEBL during the five years ending March 2012 are given in ***Table 2.3*** below:

Table-2.3

Transmission capacity (in MVA)				
Year	**Installed capacity**	**After leaving 30 *per cent* towards margin**	**Peak demand including non-coincident demand**	**Excess/ shortage (3-4)**
(1)	(2)	(3)	(4)	(5)
2007-08	2,472.86	1,731	1,108.72	622.28
2008-09	2,492.86	1,745	1,114.37	630.63
2009-10	2,492.86	1,745	1,217.87	527.13
2010-11	2,492.86	1,745	1,283.61	461.39
2011-12	2,492.86	1,745	1,184.11	560.89

8 HPPTCL, M/s JP Associates, M/s Ambuja Cement Ltd., HEP Malana and PSEB.

From the above table it could be observed that the overall transmission capacity was in excess of the requirement for every year. The existing transmission capacity excluding 30 *per cent* towards redundancy worked out to an excess of 560.89 Mega Volts Amperes (MVA) to the end of March 2012 valued at ₹ 28.04 crore {₹ five crore *per* 100 MVA/Power Transformer (PTR)} which was a burden passed on to the consumer. Existence of extra/idle capacity in the transmission network and prevalence of overloads, high voltages on certain places reflects unscientific planning in creation of transmission network.

Transformation Capacity

2.12.2 Audit noticed that out of nine power transformers (damaged between June 1997 and August 2009) valued at ₹ 4.86 crore, eight were declared beyond economical repair due to non-existence of repair facilities (March 2012) and one transformer was lying for repair since October 2009 (Larji Power House). In addition, six working transformers worth ₹ 1.43 crore were dismantled (between November 1998 and January 2008) due to augmentation of SSs which were also lying un-utilised since then. No reasons for the same were on the record. The committee constituted (April 1996) to rationalise the manpower requirement of the HPSEBL had also recommended the establishment of workshops at Una and Sundernagar to repair the damaged power transformers but the same had not been established till date (March 2012). No reasons for the same were found on record.

Sub-Stations (SS)

Adequacy of Sub-stations

2.12.3 Manual on Transmission Planning Criteria (MTPC) stipulates the permissible maximum capacity for different Sub-stations *i.e.*, 320 MVA for 220 KV and 150 MVA for 132 KV SSs and for every Sub-station of 132 KV capacity and above should have at least two transformers. Further, the Transmission Planning and Security Standards (TPSS) issued (June 2004) by State Electricity Regulatory Commission (SERC) indicated that the size and number of transformers in the Sub-station shall be planned in such a way that in the event of outage of any single transformer the remaining transformer(s) could still supply 80 *per cent* of the load. Audit observed that in case of seven Sub-stations[9] constructed to provide power at 66/33/11 KV, there was only a single transformer which was not as *per* TPSS.

Voltage management

2.12.4 The licensees using intra-state transmission system should make all possible efforts to ensure that grid voltage always remains within limits. As *per* Indian Electricity Grid Code, STUs should maintain voltages ranges

9 220/132 Kangoo, 132/66 KV Solan, 132/33 KV Malana and Kunihar, 132/11 KV Paonta, Amb and Darlaghat.

between 198-245 KV and 119-145 KV in 220 KV and 132 KV lines respectively. Audit observed that out of eight 220 KV SSs, the voltage at three[10] SSs ranged between 192 and 247 KV while in three[11] 132 KV SSs out of 25 SSs, voltage recorded ranged between 114 and 145 KV. Thus, to provide quality power and reduce the transmission losses the Company should have ensured that the maximum and minimum voltages limits were maintained as *per* the norms.

Lines

EHT lines

2.12.5 As *per* Manual of Transmission Planning Criteria (MTPC), permissible line loading cannot be more than the Thermal Loading Limit (TLL). The TLL limits the temperature attained by the energised conductors and restricts sag and loss of tensile strength of the lines. Further, TLL limits the maximum power flow of the lines. As *per* MTPC, the TLL of 132 KV line with ACSR Panther (210 sq. mm) conductor was 366 amps. Scrutiny of line loadings on the 132 KV feeders revealed that out of 15 feeders in three Divisions[12] were loaded above 366 amps (ranged between 380 and 470 Amps). Loading of the lines beyond capacity resulted in voltage fluctuations, higher transmission losses and frequent interruptions/breakdowns.

Bus Bar Protection Panel (BBPP)

2.12.6 Bus bar is used as an application for interconnection of the incoming and outgoing transmission lines and transformers at an electrical Sub-station. BBPP limits the impact of the bus bar faults on the entire power network which prevents unnecessary tripping and is selective to trip only those breakers necessary to clear the bus bar fault. As *per* Grid norms and Best Practices in Transmission System, BBPP is to be kept in service for all 220 KV Sub-stations to maintain system stability during Grid disturbances and to provide faster clearance of faults on 220 KV buses.

Audit observed (March 2012) that out of eight 220 KV Sub-stations, BBPPs at six Sub-stations were installed (between 1998 and 2010) and out of these BBPP at one Sub-station (Jassure) had not been made functional for which no recorded reasons were found in audit. The BBPPs at remaining two Sub-stations (Kangoo and Kotla) were yet to be installed (March 2012) and the remaining three BBPPs had been working satisfactorily.

---

10 Uperala Nangal, Katha (Baddi) and Kangoo.
11 Bajaura, Bijni and Kangoo.
12 ESDs: Hamirpur, Mandi and Bilaspur.

Maintenance

Performance of Current transformers (CT)

2.13 Current transformers are one of the most important and cost-intensive components of electrical energy supply networks, thus it is of special interest to prolong their life duration while reducing their maintenance expenditure. In order to gather detailed information about the operation conditions of CTs, various kinds of oil analysis like the standard oil Dissolved Gas Analysis (DGA) tests are generally conducted. For CT insulation a combination of an insulating liquid and a solid insulation impregnated therewith are used. For an evaluation of the actual condition of this insulating system usually a DGA is used, as failures inside the CT lead to a degradation of the liquid insulation in such a way that the compound of the gases enables an identification of the failure cause. The status of failure of transformers during the years 2007-08 to 2011-12 is given ***Table 2.4*** below:

Table-2.4

(₹ in lakh)

Year	No of transformers at the beginning of the year	No. of transformers failed	No. of transformers failed within guarantee period	No. of transformers failed within normal working life	Expenditure on repair and maintenance
1	**2**	**3**	**4**	**5**	**6**
2007-08	1,515	1	-	1	0.19
2008-09	1,527	1	-	1	1.72
2009-10	1,590	1	-	1	-
2010-11	1,620	8	-	8	11.79
2011-12	1,617	5	-	5	-
Total		**16**	**0**	**16**	**13.70**

The above table indicates that no transformer failed within guarantee period. The year wise percentage of transformers failed with in normal life ranged between 0.07 and 0.49 *per cent*. The Company incurred total expenditure of ₹ 13.70 lakh on the repair of 16 transformers during 2007-12.

Transmission losses

2.13.1 While energy is carried from the generating station to the consumers through the Transmission & Distribution (T&D) network, some energy is lost which is termed as T&D loss. Transmission loss is the difference between energy received from the generating station/Grid and energy sent for further distribution. The details of transmission losses of 132 KV feeder Larji I & II, Bijni, Bajaura and Hamirpur I & II during the period from 2007-08 to 2011-12 are given in ***Table 2.5*** below:

Table-2.5

Particulars	Unit	Year				
		2007-08	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Power received for transmission	MUs	764.77	1,182.32	1,464.46	1,566.49	1,174.08
Net power transmitted	MUs	718.49	1,114.40	1,386.72	1,483.73	1,106.40
Actual Transmission loss	MUs	46.28	67.92	77.74	82.76	67.68
	percentage	6.05	5.74	5.31	5.28	5.76
Transmission loss as *per* the CEA norm	percentage	4.00	4.00	4.00	4.00	4.00
Transmission loss as *per* SERC norms	percentage	3.71	3.71	3.71	3.71	3.71
Transmission loss in excess of SERC norm	MUs	17.90	24.05	23.41	24.64	24.12
	₹ *per* Unit	3.78	4.26	4.29	4.05	4.05
	₹ in crore	6.77	10.25	10.04	9.98	9.77

Source: Information supplied by the Company

It could be seen from the table that the percentage of transmission losses exceeded the CEA and SERC norms during all the five years ending March 2012 due to installation of meters of different accuracy classes at outgoing and incoming ends**.** The value of transmission losses suffered by the Company in excess of the norms fixed by the SERC for 2007-08 to 2011-12 was 114.12 MUs valued at ₹ 46.81 crore. The reasons for excessive losses were not investigated despite repeated instructions of SERC to spell out remedial steps for each feeder wherein losses were on higher side.

Non-achievement of anticipated saving in Transmission & Distribution losses

2.13.2 For reduction in losses, the Extra High Voltage committee in its 48th meeting (July 2008) *inter alia* decided to construct 220 KV Single Circuit (S/C) line from Rauri to Kunihar with diversion of 50 *per cent* load of existing (three) 132 KV feeders to 220 KV system. The line was to be completed within 14 months from August 2008 and with the construction of this line, the Company had anticipated to achieve 60 *per cent* reduction in T&D losses.

Audit observed that the 220 KV S/C line has not been constructed so far (March 2012), which resulted in non-achievement of anticipated saving in T&D losses by ₹ 18.07 crore for the period from October 2009 to March 2012.

Grid Management

Maintenance of Grid and performance of SLDC

2.14 Transmission and Grid Management are essential functions for smooth evacuation of power from generating stations to the consumers. Grid Management ensures moment-to-moment power balance in the interconnected power system to take care of reliability, security, economy and efficiency of the power system. Grid management in India is carried out in accordance with the standards/directions given in the Grid Code issued by CEA. National Grid consists of five regions *viz.*, Northern, Eastern, Western, North Eastern and Southern Grids, each of these having a Regional Load Despatch Centre (RLDC), an apex body to ensure integrated operation of the power system in the concerned region. The SLDC, a constituent of Northern Regional Load Despatch Centre (NRLDC), Delhi, ensures integrated operation of power system in the State. The State Government notified (August 2002) that the SLDC shall be operated by the HPSEBL. The SLDC is assisted by two Area Load Despatch Centers (ALDCs) for data acquisition and supervisory control of 132 KV and 33 KV equipments. The SLDC levies and collect such fees and charges from the generating companies and licensees engaged in intra-state transmission of electricity as specified by the SERC. The performance of the Company with regard to maintenance of Grid and SLDC is discussed in the subsequent paragraphs.

Infrastructure for load monitoring

2.14.1 Remote Terminal Units/Sub-station Management Systems (RTUs/SMSs) are essential for monitoring the efficiency of the transmission system and the loads during emergency in load despatch centers as *per* the Grid norms for all Sub-stations. Audit observed that there were nine 220 KV Sub-stations and nine generators, out of which eight 220 KV Sub-stations (89 *per cent*) and only four generators (44 *per cent*) were provided with RTUs for recording real time data for efficient Energy Management System. Further, the SLDC did not have any data storage or back up facilities in RTUs installed at different locations and no steps had been taken to develop the system.

Grid discipline by frequency management

2.14.2 As *per* Grid Code, the transmission utilities are required to maintain Grid discipline for efficient functioning of the Grid. All the constituent members of the Grid are expected to maintain a system frequency between 49 and 50.5 Hertz (Hz) (49.2 and 50.3 Hz with effect from March 2009) for various reasons such as shortages in generating capacities, high demand, Grid indiscipline in maintaining load generation balance, inadequate load monitoring and management and Grid frequency going below or above the permitted frequency levels. To enforce the Grid discipline, the SLDC issues three types of violation messages (A, B, C). Message A is issued when the frequency is less than 49.2 Hz and over-drawal is more than 50 MW or

10 *per cent* of schedule whichever is less. Violation B message is issued when frequency is less than 49.2 Hz and over-drawal is between 50 and 200 MWs for more than ten minutes or 200 MW for more than five minutes. Message C (serious nature) is issued 15 minutes after the issue of message B when frequency continues to be less than 49.2 Hz and over drawal is more than 100 MW or ten *per cent* of the schedule whichever is less.

Audit observed that HPSEBL received 2 C messages in 2009-10 which increased to 4 messages during 2011-12. Thus, increase in C messages due to drawal of power at less than 49.2 Hz for more than 15 minutes put a question mark on the Grid discipline although no penalty was imposed by Central Electricity Regulatory Commission (CERC) (till March 2012).

Backing Down Instructions (BDI)

2.14.3 When the frequency exceeds the ideal limits, *i.e.*, situation where generation is more and drawal is less (at a frequency above 50 Hz) SLDC takes action by issuing BDI to the Generators to reduce the generation for ensuring the integrated Grid operations and for achieving maximum economy and efficiency in the operation of the power system in the State. Failure of the generators to follow the SLDC instructions would constitute violation of the Grid code and entail penalties not exceeding ₹ five lakh. The Company had not maintained any record of BDI issued to it telephonically, in the absence of which compliance of BDI could not be checked in audit.

Planning for power procurement

2.14.4 The Company draws up a long term supply plan taking into account the contracted generation capacity, allocation from central sector and future committed projects and evolve net additional requirement of power in the State. It also draws up a day ahead plan for assessing its day to day power requirement. The details of total requirement of the State, total power supplied and shortage of power for the five years 2007-08 to 2011-12 are given in ***Table 2.6*** below:

Table-2.6

(Figures in MUs)

Sl.No.	Details	2007-08	2008-09	2009-10	2010-11	2011-12
1	Total power requirement	7,340.94	8,041.51	8,500.87	9,691.26	9,761.48
2	Total power supplied [13]	7,189.20	8,014.50	8,322.24	9,582.91	9,694.92
3	Power short supplied	151.74	27.01	178.63	108.35	66.56
4	Percentage of shortage	2.07	0.34	2.10	1.12	0.68

13 Including generation, short and long term purchases and drawal from Central Generating Stations.

It could be seen from the above that there was shortage of power supply during the period from 2007-08 to 2011-12 ranging between 0.34 *per cent* and 2.10 *per cent*.

The gap in demand supply position also leads to variation between actual generation or actual drawal and scheduled generation or scheduled drawal which is accounted through Unscheduled Interchange (UI) charges, worked out by SLDC for each 15 minutes time block. UI charges are levied for the supply and consumption of energy in variation from the pre-committed daily schedule. This charge varies inversely with the system frequency prevailing at the time of supply/consumption. Hence, it reflects the marginal value of energy at the time of supply. The levying of UI charges acts as a commercial deterrent to curb over drawals from CGS during low frequency conditions.

The SLDC established in HPSEBL (August 2002) under Northern Region Electricity Board scheme, is responsible for scheduling generation, a day ahead load requirement on day to day basis, regulate load on different feeders, drawal from regional grid as *per* Indian Electricity Grid Code and manage/restrict the un-scheduled/overdrawal during low frequency regime on higher rates under UI mechanism. Audit noticed that the SLDC allowed drawal of 1,021.42 MUs valued at ₹ 432.49 crore under UI rates during 2007-08 to 2011-12 as details given in ***Table 2.7*** below:

Table-2.7

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Scheduled energy (MUs)	1,416.24	783.69	1,393.06	1,222.84	1,300.35
Actual Drawal (MUs)	1,587.65	867.94	1,673.50	1,480.67	1,527.84
Excess Drawal (MUs)	171.41	84.25	280.44	257.83	227.49
UI Charges (₹ in crore)	82.45	48.91	124.95	90.35	85.83
Average *per* unit UI Rate in ₹	4.81	5.81	4.46	3.50	3.77

The Company neither resorted to load scheduling/shedding of Industrial Large Supply Consumers to avoid Un-scheduled drawal of energy during low frequency regime nor investigated the reasons for un-realistic a day ahead scheduling despite receipt of type C messages during the year 2009-10 and 2011-12. The reasons for unscheduled drawal of power, during exit conference, were stated as low generation of power in HPSEBL power houses during winter season and floods. The reasons stated during the exit conference were not acceptable as it was due to improper planning and drawal of power in low frequency regimes.

Disaster Management

2.14.5 Disaster Management (DM) aims at mitigating the impact of a major break down on the system and restoring it in the shortest possible time. As *per* the best practices, DM should be set up by all power utilities for immediate restoration of transmission system in the event of a major failure. It is carried out by deploying Emergency Restoration System, DG sets, vehicles, firefighting equipments, skilled and specialised manpower.

Disaster Management Centre, National Load Despatch Centre, New Delhi acts as a Central Control Room in case of disasters. As a part of DM programme, mock drill for starting up generating stations during black start[14] operation had been done by the Company only during January and February 2012.

Inadequate facilities for Disaster Management

2.14.6 The SLDC identified 13 major generating stations (having installed capacity of 5 MW and above) owned by the Company in the State. Out of these, black start facility was available only in Andhra Power House (16.96 MW) in Shimla district and commissioning of DG set at Bhabha Power House (120 MW commissioned during 1989) in Kinnaur district was in progress (March 2012).

Energy Accounting and Audit

2.15 Energy accounting and audit is necessary to assess and reduce the transmission losses. The transmission losses are calculated from the Meter Reading Instrument (MRI) readings obtained from Generation to Transmission (GT) and Transmission to Distribution (TD) Boundary metering points.

As on 31 March 2012, out of six GT points test checked under three divisions[15], in two cases meters of same accuracy class (0.2 in one case and 0.5 in one case) were provided at generating Sub-stations and Transmission sub-stations, whereas in other four cases meters of different accuracy classes (0.2 and 0.5 in two cases and 0.5 and 0.2 in two cases) were provided.

In addition, out of 12 TD points test checked, in six cases meters of same accuracy classes (0.2 in 4 cases and 0.5 in 2 cases) were installed, whereas in remaining six cases meters of different accuracy classes (ranging between 0.2 and 0.5) at sending and receiving ends had been installed. Further, analysis of data for the period 2007-08 to 2011-12 of five[16] divisions with ten feeders indicated existence of high percentage of losses in six feeders ranging between 4.03 and 6.88 *per cent.* Also, five feeders had inaccurate/defective meters and negative losses ranging between 0.76 and 7.07 *per cent* were noticed. It was also noticed that the negative losses were due to usage of different class of meters at input and output points and replacement of meters without compatibility to CTs and PTs resulted in un-realistic working of energy accounting and transmission losses.

14 The procedure necessary to recover from partial or a total black out.
15 Electrical System Divisions: Bilaspur, Mandi and Totu.
16 Electrical System Divisions: Hamirpur, Nahan, Totu, Bilaspur and Mandi.

Financial Management

2.16 One of the major objectives of the NEP, 2005 was ensuring financial turnaround and commercial viability of Power Sector. The financial position of both HPSEBL for the period from 2007-08 to 2011-12 and HPPTCL for the period from 2008-09 to 2011-12 is indicated in ***Table-2.8*** below:

Table-2.8

(₹ in crore)

	HPSEBL[17]					HPPTCL			
Particulars	**2007-08**	**2008-09**	**2009-10**	**2010-11[18]**	**2011-12 [18]**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
A. Liabilities									
Paid up Capital	334.00	372.23	971.78	971.78	971.78	11.00	56.70	116.70	166.70
Reserves & Surplus (including Capital Grants)	1,333.86	1,530.08	1,775.68	2,471.58	2,706.60	-	-	-	-
Borrowings (Loan Funds)	2,300.27	1,940.39	2,234.26	3,680.14	4,177.79	1.50	0.44	-	-
Security Deposit of consumers				228.50	243.57			-	-
Current Liabilities & Provisions (CL)	2,423.12	3,049.60	3,391.70	2,245.29	2,733.98	2.81	1.57	2.27	8.77
Total	**6,391.25**	**6,892.30**	**8,373.42**	**9,597.29**	**1,0833.72**	**15.31**	**58.71**	**118.97**	**175.47**
B. Assets									
Gross Block	3,564.76	4,271.34	4,644.54	4,713.68	5,293.85	0.28	0.63	1.01	6.49
Less: Depreciation	552.91	649.56	754.91	889.14	1,082.42	0.04	0.20	0.45	0.57
Net Fixed Assets	3,011.85	3,621.78	3,889.63	3,824.54	4,211.43	0.24	0.43	0.56	5.92
Capital Works-in-Progress (CWIP)	1,098.53	997.78	1,040.28	1,266.78	1,266.08	3.94	8.27	11.97	15.47
Deferred cost	104.81	135.72	129.22	128.20	125.34	-	-	-	-
Investments	815.66	1,121.04	1,907.56	2,126.71	2,233.03	-	-	-	-
Current Assets, oans and Advances (CA)	1,091.80	779.56	1,017.80	1,350.01	1,584.19	10.86	48.05	101.46	149.99
Miscellaneous expenditure	5.93	6.06	5.75	6.90	6.97	-	-	-	-
Accumulated losses	262.67	230.36	383.18	894.15	1406.68	0.27	1.96	4.98	4.09
Total	**6,391.25**	**6,892.30**	**8,373.42**	**9,597.29**	**1,0833.72**	**15.31**	**58.71**	**118.97**	**175.47**
Debt equity ratio	6.89:1	5.21:1	2.30:1	3.79:1	4.30:1	0.14:1	0.01:1	-	-
Interest (net of IDC[19] capitalised)	72.99	75.39	76.81	85.57	391.96	-	-	-	-
Total return	152.09	204.58	23.39	(-) 249.11	(-) 278.86	-	-	-	-
Capital Employed	2,779.06	2,349.52	2,556.01	4,196.04	4,327.72	12.23	55.18	111.72	162.61
Percentage return on Capital Employed	5.47	8.70	0.94	(-)5.94	(-)6.44	-	-	-	-

It may be seen from the above that the accumulated loss of the HPSEBL increased by 435.53 *per cent* from ₹ 262.67 crore in 2007-08 to ₹ 1,406.68 crore in 2011-12 (Provisional). The Company's borrowings stood at ₹ 4,177.79 crore as at March 2012. Further, debt equity ratio of HPSEBL decreased from 6.89:1 (2007-08) to 4.30:1 (2011-12) due to increase of equity

---

17 As the HPSEBL is carrying out all the three activities (Generation, Transmission and Distribution) and consolidated figures are given in the accounts, hence no separate figures for transmission activity could be ascertained.

18 Provisional figures (un-audited accounts).

19 Interest during construction.

from ₹ 334 crore (2007-08) to ₹ 971.78 crore (2011-12). Percentage of Return on Capital employed decreased from 5.47 in 2007-08 to (-) 6.44 in 2011-12 due to increase in Current Liabilities from ₹ 2,423.12 crore (2007-08) to ₹ 2,733.98 crore (2011-12).

The cases of losses/non-recovery/short recovery/irregular expenditure noticed in audit are discussed below:

2.16.1 Sub Regulation 8 of Expenditure Regulations (April 2005) stipulates that the applicant shall, before the commencement of work, deposit 100 *per cent* payment on notice of demand. Audit observed that the utility released/enhanced load (2008 to 2011) to 12 consumers without obtaining 100 *per cent* cost share based on Rural Electrification Corporation (REC) cost data plus departmental charges resulting in non-recovery of ₹ 17.12 crore (worked out on actual expenditure *per* KVA/MVA) as detailed in **Appendix 2.3**.

2.16.2 HPSEBL awarded (April 2011) the contract for construction of (supply of material and erection *etc*) 66/11 KV, 1x20 MVA Sub-station at Batolikalan (Nalagarh) under the deposit head on behalf of Himachal Urban Development Authority (HIMUDA) on receipt of partial deposit of ₹ 5.40 crore against the estimated cost of ₹ 10.57 crore. The remaining amount of ₹ 5.17 crore was still outstanding.

2.16.3 State Level Window Clearance and Managing Agency (SLSWC & MA) of the State Government approved (May 2008) the release of 15 MVA additional load to the consumer (M/s JPAL Cement Plant at Bagga) from 220 KV Sub-station, Kunihar at the cost of the consumer. The Extra High Voltage (EHV) committee of HPSEBL decided (August 2009) that the consumer would construct the 220 KV line from Kunihar to Rauri *etc.* on equal sharing basis between the consumer and HPSEBL in contravention of the decision of the State Government. As a result, HPSEBL shared the avoidable 50 *per cent* liability of ₹ 15.93 crore and extended undue benefit to the consumer.

2.16.4 The HPPTCL released an amount of ₹ 1.10 crore as interest bearing advance in May 2010 to the contractor for construction of 220 KV D/C Palchan - AD Hydro Switch yard transmission line. The advance was to be recovered at the rate of 20 *per cent* from each bill of the contractor. But the Company could recover only ₹ 33.17 lakh and balance amount of ₹ 76.83 lakh has not been recovered since June 2010 due to abandonment of the work and non submission of any bill by the Contractor. Thus, the total recoverable amount works out to ₹ 93.73 lakh including interest of ₹ 16.90 lakh (June 2010 to March 2012).

2.16.5 The work for construction of EHV lines and Sub-stations from the coming up hydel projects was entrusted by HPSEBL to HPPTCL. Against the sanctioned strength of 33 incumbents of certain categories, 57 officers/officials had been posted (April 2010) on secondment basis from HPSEBL for which no justification was found on record. Resultantly, the HPPTCL had incurred irregular expenditure of ₹ 2.11 crore on salaries of 24 incumbents deployed in excess of sanctioned posts up to March 2012.

2.16.6 The details of working results like revenue realisation, net surplus/loss and earnings/cost *per* unit are given in ***Table 2.9*** below:

Table-2.9

(₹ in crore)

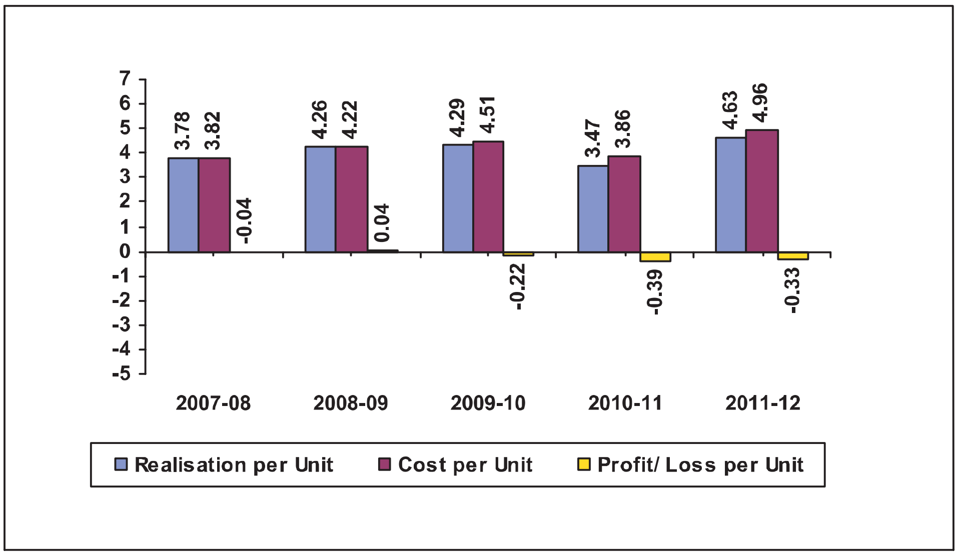
		HPSEBL					HPPTCL			
Sl.No	**Description**	**2007-08**	**2008-09**	**2009-10**	**2010-11[20]**	**2011-12[20]**	**2008-09**	**2009-10**	**2010-11**	**2011-12[20]**
1	**Income**									
	Revenue	2,139.50	2,813.37	2,838.35	2,914.60	3,818.03	-	-	-	-
	Other income including interest/subsidy	212.98	152.69	210.39	76.60	125.60	2.16	1.32	3.84	10.28
	Total Income	**2,352.48**	**2,966.06**	**3,048.74**	**2,991.20**	**3,943.63**	**2.16**	**1.32**	**3.84**	**10.28**
2	**Transmission**									
(a)	Installed capacity (MVA)	2,481.30	2,641.50	2,750.50	2,966.00	2,997.00				
(b)	Power received from generation units (MUs[21]	1,763.43	1,967.01	1,705.89	1,933.72	1,905.63				
(c)	Power purchased (MUs)	5,425.76	6,047.50	6,616.35	7,649.19	7,789.29				
	Total	**7,189.19**	**8,014.51**	**8,322.24**	**9,582.91**	**9,694.92**				
(d)	Loss in transmission & distribution (MUs)	972.14	1,055.79	1,223.89	968.94	1,179.32				
(e)	**Net power (Sold) transmitted (b)+(c)-(d) in MUs**	**6,217.05**	**6,958.72**	**7,098.35**	**8,613.97**	**8,515.60**				
3	**Expenditure**									
(a)	**Fixed cost**									
(i)	Employees cost	547.96	612.77	729.64	724.48	1027.65	0.24	2.28	4.56	6.18
(ii)	Administrative and General Expenses	31.38	49.34	48.31	39.84	44.46	0.10	0.62	1.83	2.40
(iii)	Depreciation	87.99	96.96	105.53	110.44	193.42	0.04	0.17	0.25	0.25
(iv)	Interest and Finance charges (net after capitalisation)	177.47	172.25	176.21	141.59	248.14	-	-	-	-
(v)	Other Expenses	(-) 21.95[22]	20.86	(-) 60.17[22]	1.36	0.15	-	-	-	-
	Total fixed cost	**822.85**	**952.18**	**999.52**	**1017.71**	**1513.82**	**0.38**	**3.07**	**6.64**	**8.83**
(b)	**Variable cost -** Repairs & Maintenance	1,555.01	1,981.57	2,202.04	2,309.85	2,711.58	-	-	-	-
(c)	**Total cost 3 (a) + 3 (b)**	2,377.86	2,933.75	3,201.56	3,327.56	4,225.40	0.38	3.07	6.64	8.83
4	Net profit/Loss (1-3)	(25.38)	32.31	(152.82)	(336.36)	(281.77)	1.78	(-) 1.75	(-) 2.80	1.45
5	Realisation (₹ *per* unit)	3.78	4.26	4.29	3.47	4.63				
6	Fixed cost (₹ *per* unit)	1.32	1.37	1.41	1.18	1.78				
7	Variable cost (₹ *per* unit)	2.50	2.85	3.10	2.68	3.18				
8	Total cost (₹ *per* unit) (6+7)	3.82	4.22	4.51	3.86	4.96				
9	Contribution (₹ *per* unit) (5-7)	1.28	1.41	1.19	0.79	1.45				
10	Profit (+)/Loss(-) (5-8) (₹ *per* unit)	(-) 0.04	0.04	(-) 0.22	(-) 0.39	(-) 0.33				
11	Surplus (+)/Deficit (-) Profit/loss *per* unit x Net power sold x 10	(-)24.87	27.83	(-)156.16	(-)335.94	(-)281.01				

20 Provisional figures (un-audited accounts).
21 Including generation of private generating units.
22 The figures are negative due to prior period adjustment.

It may be seen from the above that the realisation *per* unit though increased from ₹ 3.78 to ₹ 4.63 during 2007-12 (22.49 *per cent*), yet the same was, however, not sufficient to cover the cost *per* unit during the same period which increased from ₹ 3.82 to ₹ 4.96 (29.84 *per cent*) *per* unit during the same period. Further, the employees cost of ₹ 3,642.50 crore constituted the major element of cost in 2007-12, which represented 22.67 *per cent* of the total cost.

Recovery of cost of operations

2.16.7 During the last five years ending 31 March 2012, the loss *per* unit of HPSEBL was as given in the graph below:

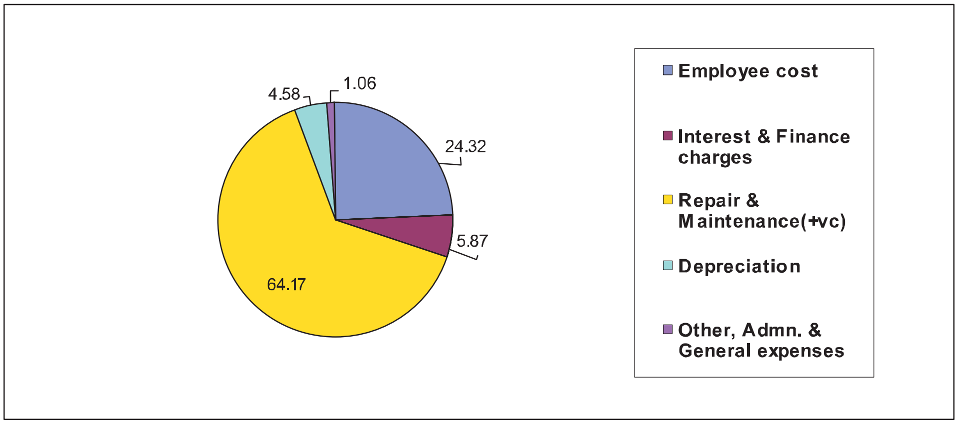


From the above graph it would be seen that there was deficit ranging between 0.04 paise and 0.39 paise *per* unit with reference to realisation and cost of power *per* unit during 2007-12, except surplus of 0.04 paise *per* unit during 2008-09, resulting in total deficit of ₹ 770.15 crore. This deficit could have been covered by reducing employee cost, interest and finance charges and ideal scheduling of drawal of power at higher rates during low frequency regime during the above period.

Elements of Cost

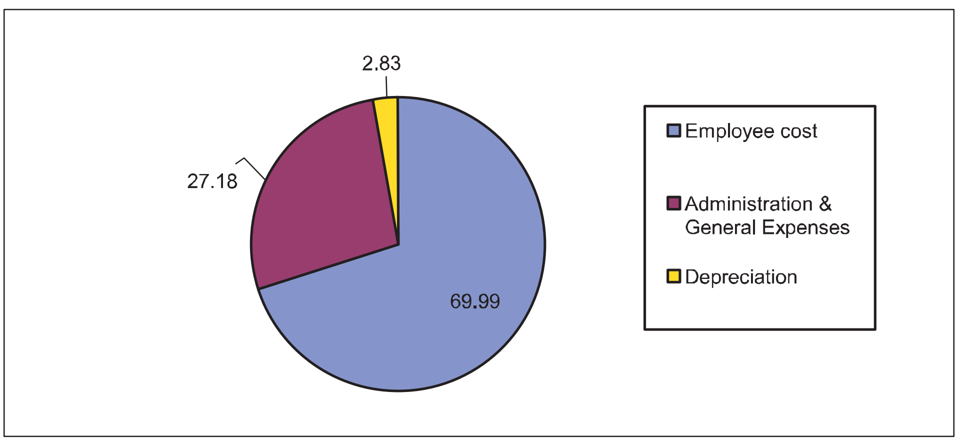
2.16.8 The percentage break-up of major elements of costs in respect of HPSEBL and HPPTCL during 2011-12 is given below:

HPSEBL



The pie chart depicts the percentage of elements of cost wherein repair and maintenance cost inclusive of purchase of power (64.17 *per cent*) and employee cost (24.32 *per cent*) were the major heads for application of funds.

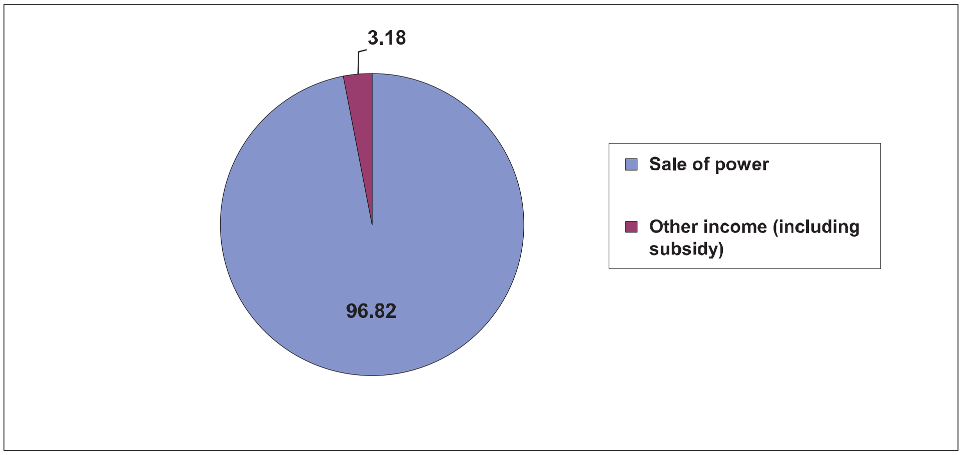
HPPTCL



The pie chart reflects that the employee cost (69.99 *per cent*) and Administration & General expenses (27.18 *per cent*) were the major elements of expenses.

Elements of revenue

2.16.9 Sale of power constitutes the major element of revenue. The HPPTCL (constituted on 27 August, 2008) is yet to start its commercial operations due to improper deployment of manpower and non creation of required infrastructure. Hence, the Company did not earned any income from transmission of power. The percentage break-up of revenue earned by HPSEBL for 2011-12 is given below in the pie chart**.**



The pie chart reflects the revenue position of HPSEBL wherein revenue from sale of power is the major source of income (96.82 *per cent*).

Collection of SLDC charges

2.16.10 The SLDC fee and Operating Charges were introduced (October 2007) by HPERC under Electricity Act, 2003. In accordance with these regulations, the fee was to be recovered annually from users based on the quantum of electricity transmitted in MWs computed on capital cost of SLDC and total contracted capacity of the user (capital cost/total contracted capacity) whereas the SLDC operation charges (Regulation 34) were to be collected/levied monthly or part thereof *per* MW. The HPSEBL had been operating SLDC in co-ordination with Power Grid Corporation of India Limited (PGCIL) since August 2002. Now, as *per* the notification issued (November 2010) by the State Government, the SLDC would be operated by Himachal Pradesh State Load Despatch Society registered (February 2011) under H.P. Societies Regulations Act, 2006. But the society had not started functioning due to staff and other constraints as of March 2012. Further, the SERC *vide* its Tariff Regulation (1,476 of October 2007) had also fixed the fee and SLDC charges with the direction to HPSEBL to prepare separate Annual Revenue Requirement (ARR) for SLDC activities, which had not been prepared so far (March 2012).

Tariff Fixation

2.16.11 The financial viability of the Company depends upon generation of surplus (including fair returns) from the operations to finance their operating needs and future capital expansion programmes by adopting prudent financial practices. Revenue collection is the main source of generation of funds for the Company. The issues relating to tariff are discussed in the subsequent paragraphs.

The tariff structure of the power transmission company is subject to revision approved by the respective SERC after the objections, if any, received against ARR petition filed by them within the stipulated dates. The Company was required to file the ARR petitions for each year 120 days before the commencement of the respective year. The SERC accepts the application filed by the Company with such modifications/conditions as may be deemed just and appropriate and after considering all suggestions and objections from public and other stakeholders. The details of due date of filing ARR petitions, actual date of filing, date of approval of tariff petition and the effective date of the revised tariff, are given in ***Table 2.10*** below:

Table-2.10

Year	Due date of filing	Actual date of filing	Delay in days	Date of approval	Effective date
2007-08	30.11.2006	30.11.2006	Nil-	16.04.2007	01.04.2007
2008-09	30.11.2007	30.11.2007	Nil-	30.05.2008	01.04.2008
2009-10	30.11.2008	30.11.2008	Nil	24.08.2009	01.09.2009
2010-11	30.11.2009	30.11.2009	Nil	10.06.2010	01.04.2010
2011-12	30.11.2010	30.11.2010	Nil	19.07.2011	01.04.2011

Though there was no delay in filing the ARR petition yet the tariff orders for the year 2008-09, 2010-11 and 2011-12 were approved after the effective date (April of each financial year) due to delayed submission of compliance report on SERC observations by HPSEBL. The late approval of tariff for these years by SERC affected the cash flow of the Company to the extent of ₹ 161.85 crore for three months (April to June).

Defective agreement for wheeling of energy

2.16.12 HPSEBL and Power Grid Corporation India Limited (PGCIL) entered into agreements (March 1999 and April 1999) with M/S Malana

Power Company Ltd. (MPCL) for purchasing/wheeling power from Nalagarh onwards through its system. HPSEBL fixed wheeling charges of ₹ 0.06 paise/unit (with in State periphery) for 12 years whereas PGCIL committed to regulate the same as *per* the rate fixed by CERC from time to time.

Audit noticed that HPSEB wheeled 14,062.77 MUs (April 2007 to October 2011) of energy of Malana HEP at the rate of ₹ 0.06 paise/unit whereas the wheeling rates fixed by SERC for wheeling energy within State during this period ranged between ₹ 0.16 paise and ₹ 0.43 paise/unit. Had HPSEBL committed to charge floating wheeling rates from MPCL on the analogy of PGCIL since the wheeling rates had been increased from time to time during the said period based on *per* unit cost of transmission of power, it could have generated extra revenue of ₹ 26.66 crore considering the differential wheeling rates from time to time.

Material Management

2.17 The key functions in material management are laying down inventory control policy, procurement of materials and disposal of obsolete inventory. The HPSEBL issued (July 2005) instructions that the material procured should be consumed within six months. In case the material remained un-utilised after six months, the value of the same should be placed in the Personal Ledger Account (PLA) of the procuring officer besides initiating disciplinary action against him.

Non-utilisation of material

2.17.1 Audit noticed that the material valued at ₹ 3.30 crore procured in seven units[23] of the utility was not utilised within six months and had been lying un-utilised for the period exceeding six months. Out of this, material valuing ₹ 2.03 crore had been lying un-utilised for more than five years. However, no action was initiated against the authorities responsible for procuring this material without requirement.

Further, line material valuing ₹ 1.88 crore procured between May 2010 and May 2011 for the construction of 220 KV Palchan-Prini Line being constructed by HPPTCL was lying un-utilised. The line could not be constructed by the Contractor due to objections raised by public. Consequently, the line route had to be shifted for which resurvey had been completed (April 2011) and the construction work of line was yet to be awarded (July 2012).

23 Electrical System Divisions: Totu, Bilaspur, Mandi, Hamirpur, Nahan, Nalagarh and Una.

Non-conducting of physical verification of stock

2.17.2 There are 11 Area Stores under the control of the HPSEBL. No physical verification (PV) of stores was conducted during 2009-10. During 2008-09 and 2010-11, PV of eight stores each and PV of five stores was conducted during 2011-12. The PV of two stores (Bhaba and Kotla) had not been conducted for the last three years. The material valued ₹ 2.10 crore was found lying un-utilised in five stores[24] for more than three years as *per* physical verification reports. Audit further observed that no action to declare the material surplus or to divert the same to other needy units was initiated so far.

Monitoring and Control

2.18 The performance of sub-stations and lines of 400/220/132 KV on various parameters like Maximum and Minimum voltage levels, breakdowns, voltage profiles should be recorded /maintained as *per* the Grid code standards.

- Audit noticed that the year-wise cumulative performance of Sub-stations and lines were neither being maintained nor consolidated for evaluation of their annual performance. However, the field divisions compile the monthly MIS reports indicating the performance of the units as well as equipments installed and forward them to Corporate Office of HPSEBL, where these reports are not being kept month-wise and year-wise for information/reference.

- The HPSEBL had not devised a centralised system to monitor the loading position of Sub-station/feeder.

- There existed no mechanism in HPSEBL to review the division-wise physical progress of various schemes from time to time so as to initiate timely action to gear-up the progress to avoid the time and cost over run.

- The HPSEBL had not developed programme for online access to its inventory to minimise the blockage therein.

- There was no shortfall in coverage of units by Internal Audit (Works Audit). However, the numbers of outstanding Inspection Reports/paras increased from 476/3960 in 2007-08 to 824/4864 in 2011-12.

24 Electrical System Divisions: Una, Hamirpur, Totu, Solan & Nalagarh.

Audit Committee

2.18.1 The HPSEBL constituted an Audit Committee (AC) in April 2010 as required under Section 292A of the Companies Act, 1956. As *per* the terms of reference, the AC should meet four times in a year. Thus, in a span of two years, the AC should have met for a minimum number of 7 times. However, the AC met only on two occasions. Further, the HPPTCL had also constituted the AC in June 2009. In a span of three years (10 quarter), the AC should have met for a minimum number of 10 times. However, the AC met only on three occasions. Further, as *per* Section 292A (5) of the Companies Act, 1956, the internal auditors should also attend all the meetings, but the same was not complied with by both the Companies in any of the meetings.

Conclusion

Various projects of the Companies were not completed within scheduled time resulting in time and cost over-run, shortfall in capacity addition, achievement of targets for reduction in losses and blockade of funds. HPSEBL had incurred huge expenditure on purchase of power under UI due to ill planning. HPSEBL failed to recover maintenance charges and expenditure incurred for the up-gradation and capacity addition from consumers. The reasons for excessive transmission losses were not investigated despite repeated instructions of SERC to spell out remedial steps for each feeder wherein losses were on higher side. Further, HPSEBL also could not comply with the orders of the regulator regarding recovery of SLDC fee/charges due to non-filing of separate ARR. The physical verification of stores of HPSEBL was not conducted regularly. Proper MIS did not exist to evaluate the execution of scheme and performance of projects. The meetings of the Audit Committee were not held regularly.

Recommendations

The Company needs to:

- review physical and financial progress of incomplete schemes periodically for remedial action to avoid time and cost overrun;

- plan a day ahead requirement of power on realistic basis so as to avoid payment of UI charges on over drawal of power;

- initiate adequate and effective steps for recovery of cost share in respect of capacity addition and operation & maintenance charges from consumers;

- install meters of matching accuracy classes at sending and receiving sub-stations to facilitate effective audit of energy losses,

- investigate the reasons for excessive transmission losses as *per* the instructions of the State Electricity Regulatory Commission for each feeder wherein losses were on higher side;

- initiate action to file separate Annual Revenue Requirement to recover State Load Despatch Centre fees and charges as fixed by the regulator.

The matter was reported to the Government/Company in September 2012; their reply was awaited (November 2012).

CHAPTER-III
THEMATIC AUDIT

Corporate Governance in State Government Companies

Executive Summary

Himachal Pradesh General Industries Corporation Limited (HPGIC) is the only listed Company in the State. Though the consent for delisting the Company has been accorded in September 2002 no action to de-list has been initiated so far. Further no discussions were held by Audit Committee with auditors during the period from 2007-12 as required under section 292 A of the Companies Act, 1956 and clause 49 II (D) of the Listing Agreement.

In three companies the meetings of Board of Directors were held after a delay ranging between 27 days and 146 days. Against total four annual meetings of the BOD required, the HPTDC had only two meetings each during 2007-08, 2008-09 and 2010-11 and three meetings each during 2009-10 and 2011-12.

There were delays in holding AGMs in eight companies ranging between 3 (Three) and 30 months. In four Companies absence of internal audit system commensurate with the nature and size of business of the Company since 2007-08 was also commented by the Statutory auditors. Further in three Companies appointment of Company secretaries were in contravention of the provision of Companies Act, 1956.

Introduction

3.1 Corporate Governance refers to the set of systems, principles and processes by which a Company is governed. These provide the guidelines as to how the Company can fulfil its goals and objectives in a manner that add to the value of the Company and are also beneficial for all stakeholders in the long term. The management of the Company assumes the role of a trustee for all the other stakeholders. The absence of good governance structures and lack of adherence to the governance principles increases the risk of corruption and misuse of entrusted power by the management in public sector.

Corporate Governance legislations

3.2 The amendments to Sections 217 and 292 of the Companies Act, 1956 (made applicable from December 13, 2000) set the tone for Corporate

Governance in the country. The changes relate to the following:

Directors' Responsibility Statement [Section 217 (2AA)]:

3.2.1 With a view to increase the accountability of Directors, a Company is required to include a Directors' Responsibility Statement in the Report of the Board of Directors (BOD) which should affirm the following:

- The Annual accounts have been prepared in accordance with applicable accounting standards with proper explanations relating to material departures;
- The selection and application of Accounting Policies by the Directors is consistent and prudent so as to exhibit a true and fair view of the state of affairs of the Company;
- Proper and sufficient care has been taken by the Directors for the maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting frauds and irregularities; and
- The Annual accounts of the Company are prepared on a 'going concern basis'.

Formation of Audit Committee:

3.2.2 Section 292A of the Companies Act, 1956 provides that every public limited company having paid up capital of not less than rupees five crore shall constitute an Audit Committee at the Board level. The terms of reference of the Audit Committee include all matters related to financial reporting process, internal control and risk management system of the Company, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

Scope of Audit

3.3 Out of 17 working Government companies, Audit reviewed matters relating to corporate governance of 12 companies (one[1] listed and 11[2] unlisted) covering the period from 2007-08 to 2011-12. Audit findings are discussed in the subsequent paragraphs:

[1] HPGIC.

[2] (i) HPSFDC (ii) HPSCSC (iii) HPSHHC (iv) HPPCL (v) HPPTCL (vi) HPTDC (vii) HPMC (viii) HPSIDC (ix) HPMFDC, (x) HPSEDC and (xi) HPAIC.

3.4 Listed Company

Casual approach in delisting the Company

3.4.1 Himachal Pradesh General Industries Corporation Limited (HPGIC) is the only listed company in the State and its shares have not been traded since 1976. The Company had requested (December 1994) Delhi Stock Exchange (DSE) to de-list it. Security and Exchange Board of India (SEBI) on the request of DSE, accorded (September 2002) consent for delisting the Company subject to compliance of clause 40 A (ii) of the Listing Agreement and Regulation 21 (3) of SEBI Regulation 1997 relating to minimum number of shares to be acquired by the acquirer. No action to de-list has been initiated until February 2012 when the Company requested the State Government to accord sanction of ₹ 11 lakh (including annual listing fee from the year of listing with the DSE, *i.e.* 1976) for delisting process. The State Government advised (March 2012) the Company to do the needful from its own funds. The action in the matter was still pending (June 2012) on the part of the Company due to non-compliance of provisions under clause 40 A (ii) of the Listing Agreement and Regulations 21 (3) of SEBI Regulation 1997.

3.4.2 ***Non compliance of various clauses of listing agreement***

(a) The Company (HPGIC) had not complied with the clause 49 {I(A)} of the Listing Agreement during 2008-12, which envisages that the BOD shall have an optimum combination of executive and non-executive directors with not less than fifty *per cent* of the BOD comprising non-executive Directors. During 2008-12, all the five appointed directors were executive directors and no non-executive director was appointed.

(b) Further, listing agreement provision regarding publishing of periodical interim statement of its working/earnings in a approved[3] format to the Exchange had not been complied with by the Company.

Holding of Meetings

3.4.3 The Director nominated from Financial Institution attended three Board meetings during 2007-08 out of required four meetings. Thereafter, no Director from financial institution was nominated and appointed until 2011-12.

The State Government appointed eight Managing Directors (MD) during 2007-12 to manage day to day affairs of the Company. The tenure of only one

[3] Format approved by Exchange (Clause 18), notification regarding meetings of BOD (clause 19), notification regarding change in the status of Company's Directorate, Managing Directors and Auditors (Clause 30) and furnishing of copies of the annual financial results (Clause 31).

MD was more than a year and the tenure of remaining seven MDs ranged between one and five months.

Appointment of Company Secretary

3.4.4 According to Section 383A of the Companies Act, 1956, all Companies having paid up capital of ₹ 5 crore and above shall have a whole time Company Secretary (CS). Audit observed that during April 2007 to June 2009, services of one part time CS were hired by the Company (HPGIC), who was also Internal Auditor/CS of Himachal Pradesh State Civil Supplies Corporation Limited and the services of another part time CS were hired during August 2009 to January 2012, who also worked as part time CS in Himachal Pradesh Agro Industries Corporation Limited.

Whistle Blower Policy

3.4.5 Clause 49 II (D) 12 of the Listing Agreement also requires the Audit Committee to review the functioning of the 'whistle blower mechanism' in case the same exists in the Company (HPGIC). The Listing Agreement contemplates that the Company may establish a mechanism for employees to report to the management the concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy. This mechanism could also provide for adequate safeguards against victimisation of employees who avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases.

The Company did not establish any mechanism for employees to report to the management about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy.

Audit Committee

3.4.6 Audit Committee was constituted in July 2001 after issuance of amendment *vide* Notification in December 2000 making the constitution of Audit Committee mandatory in order to establish good corporate governance in the country. Further, as *per* the Sub-Section 6 of Section 292 A of the Companies Act, 1956 and Clause 49 II (D) of the Listing Agreement, Audit Committee should have discussions with auditors periodically about internal control systems, scope of audit including observations of the auditors and ensure compliance of internal control systems. Audit noticed that no such discussions were held by Audit Committee with auditors during the period from 2007 to 2012. Further, Audit Committee had neither given any recommendations nor a system of preparation of Annual Reports on its working was introduced as required under the provisions *ibid.*

3.5 Un-listed Companies

Meetings of the Board of Directors.

3.5.1 Section 285 of the Companies Act, 1956 provides that the Board of Directors of a Company shall meet at least once in every three months and at least four such meetings shall be held in a year. Audit observed that in three Companies[4], the meetings were held after a delay ranging between 27 days and 146 days. Besides, the Himachal Pradesh Tourism Development Corporation Limited (HPTDC) held only 2 meetings each in a year during 2007-08, 2008-09 & 2010-11 and three meetings each during 2009-10 and 2011-12 instead of requisite four meetings in each year.

Further, Companies registered under Section 25 of the *ibid* Act Himachal Pradesh Minority Finance and Development Corporation Ltd (HPMF&DC) and Himachal Pradesh State Electronic Development Corporation Ltd (HPSEDC) are also required to hold at least one meeting within every six calendar months and two meetings in a year as *per* provision under Section 285 of the Companies Act, 1956. Against this HPSEDC held only one meeting each during 2009-10 and 2010-11 and HPMF&DC held one meeting during 2010-11 against the requirement of two meetings in a year.

Attendance of the Directors in the meetings of the Board/Annual General Meetings (AGM)

3.5.2 The attendance of the Directors nominated by Central Government and Financial Institution in the Board meetings/AGMs of the companies was not regular in following three cases:

- Directors nominated by the Central Government in HPMC had attended only one Board meeting during 2007-12;
- Directors nominated by the Central Government as well as by the Financial Institution in H.P. Agro Industries Corporation Limited and HPMF&DC never attended any meetings/AGMs.

As the Directors are the nominees of the Government to the Board, their absence defeated the very purpose of their nomination.

Annual General Meetings (AGM)

3.5.3 Section 166 read with Section 210 of the Companies Act, 1956, *inter alia* provides that the AGMs are to be held at the earliest of the following dates:

- 15 months from the date of last AGM;

[4] HPMC, HPSCSC and HPSH & HC.

- The last day of the calendar year; and
- Six months from the close of the financial year.

The earliest of above happens to be six months from the close of the financial year. Audit observed that eight Companies held the AGMs belatedly, *i.e.*, beyond six months from the date of close of financial years during 2007-11. The delay beyond six months ranged between 3 and 30 months, as detailed below:-

Sl.No	Name of Company	2007-08	2008-09	2009-10	2010-11
		(In months)			
1	Himachal Pradesh State Forest Development Corporation Limited	30	23	18	7 (up to April 2012)
2	Himachal Pradesh State Handicrafts and Handlooms Corporation Limited	3	4	3	-
3	Himachal Pradesh State Electronics Development Corporation Limited	3	3	9	-
4	Himachal Pradesh Tourism Development Corporation Limited	3	3	3	3
5	Himachal Pradesh State Industrial Development Corporation Limited	-	-	-	3
6	Himachal Pradesh Minority Finance and Development Corporation Limited	13	6	9	3
7	Himachal Pradesh State Civil Supplies Corporation Limited	3	-	-	-
8	Himachal Pradesh Horticulture Produce Marketing and Processing Corporation Limited	4	3	4	3

The reason for delay in holding AGMs was mainly due to late finalisation of Annual accounts.

Vacancy Position and frequent changes of Managing Directors

3.5.4 Three[5] Companies did not have whole time Managing Directors during April 2007 to March 2012. During this period, the charge was held by the Managing Directors or Head of the Departments of other State Government Companies/Departments as additional charge. Similarly, whole time Managing Directors of three[6] Companies also held the charge of other organisations during April 2004 to March 2012.

3.5.5 ***Appointment of Company Secretary (CS)***

(a) Three Companies[7] had hired the services of CS on fixed/monthly remuneration basis, who were also the whole time or part time CS of other State PSUs/Central PSUs.

(b) Clause 11 of the Chartered Accountants Act, 1949 First Schedule Part I) prescribes that a chartered accountant in practice shall be deemed to be guilty of professional misconduct, if he engages in any business or occupation other than the profession of chartered accountant unless permitted by the Council so to engage.

Audit noticed that the Himachal Pradesh State Civil Supplies Corporation Limited had hired the services of one CS during April 2007 to February 2011 who was also its Internal Auditor (a qualified Chartered Accountant) in contravention to *ibid* provision.

Internal Audit

3.6 Internal Audit has been recognized as an aid to the higher management for monitoring the financial performance and effectiveness of various programs, schemes and activities. Internal Audit also provides reasonable assurance that the operations are carried out effectively and efficiently, reliable financial reports and operational data and the applicable laws and regulations are complied with so as to achieve organisational objectives.

Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit system of 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. In compliance to this, the Statutory Auditors had regularly commented the absence of internal audit

[5] HPSEDC (4/2007 to 11/2008 and 3/2009 to 5/2011), HPTDC(4/2007 to 9/2010) & HPMF&DC (12/2008 to 9/2009 and 11/2010 to 3/2012).
[6] HPSIDC(4/2007 to 1/2008 and 9/2008 to 3/2012), HPSCSC (2/2011 to 3/2012) & HPMC (4/2008 to 3/2012).
[7] HPAIC, HPSEDC and HPH&HC.

system commensurate with the nature and size of business of four[8] company since 2007-08.

Despite repeated comments from the statutory auditors, no improvement has been made in this regard.

Conclusion

- Since the power to appoint Directors vests with the Government, induction of the requisite number of Independent Directors on the Board should be ensured in the State Public Sector Undertakings.
- Audit Committee did not have discussions with the statutory/internal auditors on important issues of internal control/internal audit before commencement and after completion of audit.
- Meetings of the Board of Directors as well as Annual General Meetings were not held regularly in eight Companies and attendance of Directors was also not satisfactory.
- In case of three Companies, appointment of Company Secretary was in contravention of the provisions of the Companies Act, 1956.
- Non existence of Whistle Blower Policy in listed Company had deprived the employees from the benefit of safeguarding them against any possible victimisation.
- In four Companies, the internal audit system was not commensurate with the nature and size of business despite repeated comments made by the Statutory Auditors.

The matter was referred to the Companies/Government in July 2012; their replies were awaited (November 2012).

[8] HPAIC, HPMC, HPSFDC and HPTDC.

CHAPTER-IV
AUDIT OF TRANSACTIONS

Transaction audit observations included in this Report highlight deficiencies in the management of State Government Companies / Corporations, which had serious financial implications. The irregularities pointed out were broadly of the following nature:

- Loss of ₹ 8.09 crore in seven cases due to non-compliance of rules, directives, procedure and conditions of contracts.

(Paragraphs 4.2, 4.3, 4.4, 4.5, 4.6, 4.7 & 4.8)

- Loss of ₹ 1.67 crore in three cases due to injudicious decision.

(Paragraphs 4.1, 4.9 & 4.10)

- Loss of ₹ 0.51 crore in one case due to inadequate/deficient monitoring.

(Paragraph 4.11)

GOVERNMENT COMPANIES

Himachal Pradesh State Civil Supplies Corporation Limited

4.1 Short recovery due to less claim of VAT

Failure of the Company in claiming full amount of VAT from the State Government resulted in short recovery of ₹ 0.43 crore.

The State Government implemented distribution of subsidised Wheat *Atta* scheme to the Above Poverty Line (APL) ration card holders in the State through the Himachal Pradesh State Civil Supplies Corporation Limited (the Company) with effect from 1 August 2007. Under the scheme, Wheat *Atta* (*atta*) was to be sold by the Company at uniform rate of ₹ 8.00 *per* Kg. from August 2007 and ₹ 8.50 from April 2010 as fixed by the State Government. The scheme further provides that the differential amount between the landed cost[1] up to the retail shops of the Company including retailers margin and the sale realised was to be reimbursed by the State Government to the Company as subsidy. In case the landed cost is lower than the sale realised, the excess sale realised (sale realised minus landed cost) was to be refunded to the State Government.

[1] Landed cost is a total cost of *Atta* up to retail shop.

Audit scrutiny (March/April 2011) of subsidy claims of *atta* in respect of five Districts[2] revealed that the Company claimed VAT only on the landed cost up to the wholesale godown of the Company. The landed cost of *atta* up to whole sale godown was lower than the actual cost which also included the freight from the whole sale godowns to retail shops and retailers margin as fixed by the State Government. During the period from August 2007 to December 2010, the Company by omission claimed VAT of ₹ 8.85 crore from the State Government in the subsidy claim on the landed cost of ₹ 230.06 crore up to wholesale godown whereas the Company had paid actual VAT of ₹ 9.28 crore on the actual cost of ₹ 241.18 crore incurred up to retailers shop. The difference of ₹ 11.12 crore in cost was due to freight from the wholesale godowns to retail shops and retailers margin on which the VAT amounting to ₹ 0.43 crore, though paid by the Company to tax authorities but the same was not claimed from the State Government in subsidy claims as *per* the *ibid* scheme. This resulted in short claim of subsidy of ₹ 0.43 crore on account of VAT from the State Government during the period from August 2007 to December 2010.

The Government endorsed (August 2012) the reply of the Management stating that the State Government had adjusted (May 2012) the revised wheat *atta* claims for the year 2007-08 amounting to ₹ 8.18 lakh at the instance of Audit and the remaining claim for the period from March 2008 to December 2012 will be adjusted very soon. The Management further stated that all the units had been directed to ensure claim of VAT element in fixation of rates in future.

The reply is an admission of the fact that the amount of VAT paid by the Company out of its own funds is still to be reimbursed by the State Government.

Himachal Pradesh State Electricity Board Limited

4.2 Undue favour to a consumer

The Company extended undue favour to a consumer by not recovering demand charges of ₹ 2.48 crore as *per* the provisions of Electricity Supply Code, 2009.

Chapter 3 (Para 3.9) of Electricity Supply Code, 2009 stipulates that in case of High Tension /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 fully 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* relevant Tariff Order.

[2] Hamirpur, Una, Kangra, Mandi and Kullu.

Himachal Pradesh State Electricity Board Limited (the Company) sanctioned (December 2009) a load of 10 MW with contract demand of 11.112 MVA in favour of a consumer[3] from 132/33 KV Sub-station, Kandrori with the condition that the load would be released after the installation of additional 132/33 KV, 1x16 MVA transformer and the consumer had to bear the proportionate cost of additional transformer. The test report (August 2010) of the consumer for availing sanction of 10 MW load was duly verified (October 2010) by the Company. However, due to non-completion of work relating to installations of additional 1x16 MVA 132/33 KV transformer, connection for a partial load of 4 MW was released (October 2010) to the consumer from the existing system and the balance load of 6 MW was to be released on commissioning of additional transformer.

Audit observed (March 2011) that the additional transformer was commissioned/energised during February 2011 and the consumer was also released additional load of 2 (Two) MW during May 2012 from this transformer, but no action had been taken by the Company as *per* the provisions of Electricity Supply Code, 2009 *ibid* to recover the fixed demand charges on the total sanctioned load of 10 MW so far (November 2012).

This had resulted in revenue loss of ₹ 2.48 crore during the period from May 2011 to October 2012 (after allowing 60 days period for notice).

The Management stated (July 2012) that the intimation as required under supply code of 2009 was not issued due to non-availability of load at 220/132 KV feeding Sub-station, Jassure and the balance load would be released after augmentation of its power transformer capacity.

The reply was not acceptable because non-availability of load at 220/132 KV 150 MVA Jassure feeding Sub-station was not due to increase in connected load/demand but was on account of excessive current on the feeding Sub-stations due to voltage drop, which resulted in flow of excessive current.

The Management should start billing the consumer as *per* the contract demand and recover demand charges from the consumers as *per* the provisions of the Electricity Supply Code, 2009 and fix the responsibility for not billing as *per* the contract demand.

The matter was referred to the Government in July 2012; their reply was awaited (November 2012).

[3] M/s Met Trade Indian Ltd.

4.3 Short recovery of infrastructure cost

Failure of the Company to recover full infrastructure cost in advance before the commencement of work as *per* HPERC Regulation, 2005 resulted in short recovery of ₹ 1.70 crore from a consumer.

Regulation 4 (1) (c) & (d) of the Himachal Pradesh Electricity Regulatory Commission (Recovery of expenditure for supply of electricity) Regulations, 2005 envisaged that in case where there is a need to erect new 33/11 KV Sub-station and High Tension (HT) line for extending power supply, the distribution licensee shall estimate and recover the entire estimated cost of such Sub-station and line from the applicant. Regulation 8 further envisaged that the applicant shall, before the commencement of work, deposit 100 *per cent* on notice of demand for amount payable under Regulation 4.

The Department of Industries, Government of Himachal Pradesh (the applicant) had been requisitioned load demand of 10 MVA in May 2004 by the erstwhile Himachal Pradesh State Electricity Board (now Company) for setting up of various industries at Raja-ka-Bag industrial area in Kangra district, under the special package of incentives to industries from Government of India. In view of this, the Company sanctioned (August 2005) a scheme at an estimated cost of ₹ 3.19 crore and also requested (December 2005) the Department to deposit the entire amount in advance.

The work for the construction of 33 KV HT line and Sub-station was awarded to a private company[4] (March 2007) at a cost of ₹ 2.54 crore (without power transformer) on turnkey basis. The work was completed during July 2008 at a total cost of ₹ 3.16 crore.

Audit observed (February 2009) that against the total expenditure of ₹ 3.16 crore, the Company recovered only a partial amount of ₹ 1.40 crore (₹ 90.00 lakh in March 2006 and ₹ 25.00 lakh each in July and December 2007) against 100 *per cent* recovery of cost before commencement of work from the Department. In addition, an amount of ₹ 0.06 crore was also recovered from four industrial consumers to whom service connections have not been released so far. However, the balance amount of ₹ 1.70 crore was neither recovered from the Department of Industries nor any action to charge the cost share from the consumers could be initiated as no major industrial units had been set up in the area. Consequently, the capacity utilisation of Sub-station constructed at a total cost of ₹ 3.16 crore (inclusive of cost of 33 KV HT line) also remained very low between 2.30 *per cent* and 22.85 *per cent*.

Thus, the execution of the work without receipt of full cost before the commencement of work resulted in short recovery of ₹ 1.70 crore from the consumer besides under-utilisation of the capacity of the Sub-station.

---

[4] M/s Dhaula Dhar Builder Private Limited.

The Management stated (January 2012) that due to imposition of ban (April 2010) by the GoI on special incentives, the proposed/new applicants were not coming forward to take power connections. It was further stated that the matter had already been taken up with the Department of Industries for deposit of balance amount, but the receipt of the same was still awaited.

The matter was referred to the Government in April 2012; their reply was awaited (November 2012).

4.4 Loss due to non-compliance of statutory provisions

Failure of the Company in conducting periodical testing of consumers' installation as *per* the statutory provisions resulted in non realisation of testing fee of ₹ 65.16 lakh.

Rule 46 of Indian Electricity Rules, 1956 *inter-alia* provides that where an installation is already connected to the supply system of the supplier, every such installation shall be periodically inspected and tested at intervals not exceeding five years either by the Inspector or by the supplier as may be directed by the State Government in this behalf. The fee for such inspection and test shall be determined by the Central or State Government, as the case may be, in the case of each class of consumer and shall be paid by the consumer in advance as per provisions of Rule 65 (5) & (7) of the Indian Electricity Rules, 1956.

In compliance with the *ibid* rules, the State Electricity Regulatory Commission (SERC) in its Tariff orders, issued in November 2001, fixed charges for inspection of new installation and routine periodical inspection recoverable from different class of consumers/installations. The testing charges for routine periodical inspections or first test and inspection of new installation having connected load above 50 KW and supply voltage of 11 KV or higher were fixed ₹ 5000 *per* Sub-station and visiting charges ₹ 1500 *per* day. These charges were revised to ₹ 10000 *per* Sub-station and visiting charges ₹ 3500 *per* day in tariff orders issued on 5 July 2004 and these charges have not been revised thereafter (March 2012).

In two industrial divisions[5] of Himachal Pradesh State Electricity Board (now Company), there were 307 consumers (32 consumers up to November 2001 and 275 added thereafter) having supply voltage of 11 KV or higher which required initial/periodical inspection of their installations as *per* the provisions *ibid*. It was noticed in audit (August 2011) that the mandatory testing of installation at initial stage and periodical intervals thereafter in respect of these consumers was not conducted by the Company during November 2001 to March 2012. This resulted in loss of revenue of ₹ 65.16 lakh due to non realisation of testing charges besides violation of statutory provisions *ibid*.

[5] Electrical Division: Nalagarh and Paonta.

The Superintending Engineer (M&T) Circle, Bilaspur stated (November 2011) that due to non availability of Tools and Plants (T&P)/testing equipment, only a single party could be deputed to carry out testing and the party was also assigned to remove/attend the faults in emergent cases on receipt of complaints from the field units. The reply added that most of the requisite T&P/equipment for testing/periodical inspection of High Tension consumers and vehicle facilities have now been provided to the concerned units with instructions to take necessary steps in this regard.

The reply was not acceptable as the State Regulatory Commission had considered the expenditure incurred on separate wing established by the Company for conducting such inspection and treated the inspection charges as non-tariff income (miscellaneous charges) while assessing the Annual Revenue Requirement of the Company for the purpose of tariff, besides violating the statutory requirement of testing of consumers installation at periodical interval.

The matter was referred to the Government in September 2012; their reply was awaited (November 2012).

4.5 Blockade of funds on partially completed Transmission Line

Failure of the Company in obtaining required permissions from the concerned authorities before award of work resulted in blockade of ₹ 70.77 lakh on partially constructed line with consequential interest loss of ₹ 14.24 lakh, which will increase further till its actual commissioning.

According to Rule 3(1) (a) of the Works of Licensees Rules, 2006 notified by the Government of India (GoI) under sub-section (2) of the Section 67 of the Electricity Act, 2003, a licensee was required to obtain prior consent of land owner or occupier of any building or land to carry out the works relating to laying down or placing any electric supply line. The rule further provides that in case where the owner of the land raises objections in respect of works to be carried out under the rule, the licensee shall obtain permission in writing from the District Magistrate or the Commissioner of Police or any other officer authorised by the State Government in this behalf.

Himachal Pradesh State Electricity Board Limited (the Company) approved (July 2008) construction of 10 Km long 33 KV Baner-Gopalpur transmission line (line), with the objective of saving energy losses valued at ₹ 56.57 lakh along with generation of additional revenue from sale of power to the extent of ₹ 45.21 lakh *per annum*. To execute this work, financial assistance at an interest rate of 11.50 *per cent per annum* was also tied up with Rural Electrification Corporation, New Delhi. The issue of obtaining necessary sanction for use of forest land was taken up with the Ministry of Environment and Forest (ME&F), Government of India (GoI) in January 2009.

Audit noticed (March 2011) that the Company awarded (August 2009) the work to a private firm[6] at a total cost of ₹ 0.83 crore with completion period of nine months without waiting for the statutory clearance from the ME&F. The delay in obtaining statutory clearance by the Company further resulted in restraining the contractor from completing the work of transmission line, as one of the private landowners obtained a court stay (May 2011). After incurring an expenditure of ₹ 88.35 lakh (up to December 2011) on the construction of total length of 10 Km of transmission line, only 1.99 Km could be energised as a temporary measure.

Thus, the failure of the Company in observing the procedure and initiating action as prescribed under Works of Licensees Rules, 2006 before award of construction of line to the contractor, resulted in blockade of borrowed funds of ₹ 70.77 lakh on partially completed line and consequential interest loss of ₹ 14.24[7], lakh which will increase further till its actual commissioning. Besides, the objective of reduction targets of T&D losses and for additional sale of power could also not be achieved.

The Management stated (February 2012) that the total length of 33 KV line from Baner Power House to Sub-station, Nagri had been erected up to both ends of disputed land and the Sub-station had been commissioned through 33KV line of 1.990 Km.

The reply is indicative of the fact that the line is still incomplete due to which the envisaged objective could not be achieved even after incurring an expenditure of ₹ 70.77 lakh.

The matter was referred to the Government in June 2012; their reply was awaited (November 2012).

Himachal Pradesh General Industries Corporation Limited

4.6 Undue favour to private parties

Non-adjustment of credit sales while allowing discount on monthly total sales resulted in payment of inadmissible discount amounting to ₹ 19.84 lakh to agents.

The Himachal Pradesh General Industries Corporation Limited (Company) manufactures country liquor in its Country Liquor Bottling Plants (CLBP) at Mehatpur and Parwanoo. For wholesale vending of its liquor to various retailers in each district of the State, the Company appointed private parties as its agents on commission basis. These agents lift the liquor from CLBP either on cash sale or credit sale basis. In order to boost the sale of liquor and

[6] M/s S.S Enterprises.

[7] Interest loss has been calculated from July 2010 to March 2012 at the rate of ₹ 11.50 *per cent per annum* at which the funds were borrowed by the Company from REC for this scheme.

encourage these agents to pay in cash, quantity discount was also allowed to them as *per* scheme introduced in April 2008. As *per* scheme, the rates of discount ranged between ₹ 8 *per* box and ₹ 13 *per* box (12 bottles) for lifting of six to 20 trucks *per* month and for lifting up to 5 trucks the rate of discount was to be allowed as *per* tender rates.

Audit scrutiny revealed (December 2010) that CLBP, Parwanoo (during 2008-10) and CLBP, Mehatpur (during 2009-10) while releasing liquor to the agents of five[8] districts allowed discount on quantity of liquor lifted on credit sales basis against the provision of above scheme allowing discount on monthly cash sale basis only. As a result, the Company suffered a loss of ₹ 19.84 lakh during the period 2008-09 to 2009-10 on payment of total discount of ₹ 97.00 lakh to these agents against actual discount of ₹ 77.16 lakh admissible on the quantity lifted by them on monthly cash sale basis also. This resulted in inadmissible discount of ₹ 19.84 lakh on the quantity of liquor lifted on credit sales basis during the respective months.

The Management stated (June 2012) that the quantity discount was calculated on total monthly lifting basis as it was not possible for the agents to lift the liquor from their plant in bulk on cash sales basis. It was further stated that in view of the above circumstances and to boost the sale of liquor, discount on entire quantity lifted on each month had to be given, otherwise the sale of liquor would have been affected adversely.

The reply was not acceptable as during the period from April 2008 to March 2010, total quantity of liquor valuing ₹ 12.29 crore was lifted and out of this, quantity valuing ₹ 9.49 crore was lifted on monthly cash basis and the remaining quantity was credit sale. Thus, allowing discount on entire quantity lifted on each month as stated in the reply was not only wilful bypassing of its own stated policy of allowing discount only on cash sales but it also did not help to boost the cash sales.

The matter was referred to the Government in May 2012; their reply was awaited (November 2012).

Himachal Pradesh State Industrial Development Corporation Limited

4.7 Loss due to non recovery of work charged staff expenses

Failure of the Company in recovering entire establishment expenses of its work charged staff deployed on operation and maintenance of water supply schemes of various industrial areas/estates of the Department of Industries resulted in loss of ₹ 30.74 lakh.

The Himachal Pradesh State Industrial Development Corporation Limited (Company) operates water supply schemes (schemes) in various industrial

[8] CLBP, Parwanoo : Shimla, Solan, Sirmour, Bilaspur and CLBP, Mehatpur: Chamba.

areas/estates on behalf of the Department of Industries, Government of Himachal Pradesh. The Company deployed work charged staff for operation and maintenance of these schemes and the expenditure so incurred is reimbursed by the Department of Industries on annual basis. The Company prepares the estimates for the expenditure to be incurred on operation and maintenance of each scheme including three *per cent* provision for contingencies. The estimates are got sanctioned from the Department of Industries every year and after sanction, the amount is deposited by the Department with the Company.

Test check of the records (August/September 2011) relating to operation and maintenance of these schemes revealed that while preparing the estimates the Company considered only the salary of work charged staff deployed on the operation of these schemes but failed to include other expenses such as employer's contribution towards CPF, leave salary contribution, medical expenses, performance linked incentive/bonus, *etc.* paid to them.

During the period from 2008-09 to 2010-11, the Company had incurred an expenditure of ₹ 26.22 lakh on this account but due to non-inclusion of this expenditure in the estimates, which were got sanctioned from the Department of Industries from time to time, the Company could not recover the same from the Department. Further, the expenditure of ₹ 4.52 lakh incurred on the contingencies was also not recovered though provided in the estimates. This resulted in non recovery of an expenditure of ₹ 30.74 lakh (₹ 26.22 lakh + ₹ 4.52 lakh) from the Department of Industries.

The Management stated (February 2012) that these expenses were contingent in nature and could not be included in the estimates as the Company was already charging maximum three *per cent* contingencies. It was further stated that the Company had started recovering three *per cent* towards contingencies on the amount of work done in the estimates with effect from June 2011 from the Department of Industries instead of earlier practice of recovering specific expenses of work charged employees.

The reply was not acceptable as the expenditure aggregating to ₹ 26.22 lakh incurred on the work charged staff towards their CPF, leave salary contribution, medical expenses and performance linked incentive/bonus was not a contingent expenditure but it was an establishment expenditure and should have been included in the estimates along with pay and allowances. The Company should be aware that the three *per cent* provision for contingencies was to cover the miscellaneous expenditure which was not known at the time of preparation of estimates and such provisions for contingencies could not be treated as part of establishment expenses on pay and allowances. Besides, it was also pertinent to mention that even the contingent expenditure of ₹ 4.52 lakh though included in the estimates, had also not been recovered for the said period.

The matter was referred to the Government in April 2012; their reply was awaited (November 2012).

Himachal Pradesh Power Corporation Limited

4.8 Undue benefit to a contractor in violation of Central Vigilance Commission guidelines

Non-recovery of mobilisation advance in a time bound manner as *per* CVC guidelines resulted in undue benefit of ₹ 2.61 crore to the contractor.

Central Vigilance Commission (CVC) guidelines (April 2007) stipulated that payment of mobilisation advance to the contractor should be need based and its recovery should be time based and not linked with progress of works for ensuring recovery of advance.

The Himachal Pradesh Power Corporation Limited (the Company) awarded (August 2009) the works[9] relating to construction of 111 MW Sawara Kuddu Hydro Electric Project to M/s Patel Engineering Limited at a total cost of ₹ 283.49 crore with the scheduled date of completion of March 2012 (32 months). As *per* the provisions contained in clause 14.2 of the contract agreement entered into (September 2009) with the contractor, an interest-free mobilisation advance aggregating ₹ 14.17 crore[10] was allowed to the contractor in three instalments between September 2009 and May 2010, which was released as *per* stipulated time schedule, against bank guarantee of the corresponding amount but its recovery was linked with the progress of work/certified interim payment exceeding 30 *per cent* of the accepted contract amount in violation of CVC's *ibid* guidelines of April 2007.

Audit observed (September 2011) that the entire amount of the advance so allowed remained with the contractor up to 23 November 2011 without any recovery as the contractor failed to execute specified 30 *per cent* quantity of work even after the expiry of 26 months (up to November 2011) from the date of award (August 2009) against the scheduled time of completion of work of 32 months. The recovery against mobilisation advance was, however, started from 24 November 2011 in the 25th running account bill when the agreed 30 *per cent* progress of works was achieved by the contractor due to slow pace of work attributed to him only. The delay in adjustment of advance assumes significance as the Company has been borrowing funds for the execution of this project from the Asian Development Bank carrying interest at the rate of 10 *per cent per annum*. Non-insertion of specific provisions in the agreement

---

9 Diversion Barrage, power intake, descending arrangements gates and hoisting arrangement.

10 ₹ 7.09 crore in September 2009, ₹ 3.54 crore in April 2010 and ₹ 3.54 crore in May 2010.

for recovery of advance in time bound manner as *per* CVC guidelines resulted in extension of undue financial benefit of ₹ 2.61 crore[11] to the contractor, being the amount of interest on mobilisation advance from the date of drawal to 23 November 2011.

The Management stated (February 2012) that as *per* CVC guidelines, the decision to stipulate interest-free mobilisation advance rested with the Board of Directors (BOD). It was further stated that the bidding documents for this package were approved by the Asian Development Bank (ADB) and subsequently by the BOD of the Company in March 2009 and the provision of interest-free advance for mobilisation in agreement was not in contravention to CVC guidelines.

The reply did not address the core issue raised by Audit that recovery of interest free mobilisation advance should be in a time bound manner on monthly basis especially when the advance had been released from the interest bearing borrowed fund and not to be linked with the progress of work as stipulated in the guidelines of CVC.

The matter was referred to the Government in April 2012; their reply was awaited (November 2012).

Himachal Pradesh Tourism Development Corporation Limited

4.9 Avoidable loss due to non recovery of Motor Vehicle Tax

Failure of the Company to collect the motor vehicle tax charged by the State of Punjab from the passengers by including it in the bus fare resulted in avoidable loss of ₹ 68.46 lakh.

The Himachal Pradesh Tourism Development Corporation Limited (the Company) operates non-stop buses on Delhi – Dharamshala and Delhi – Manali routes to provide transport facilities to passengers. These buses are run on contract carriage with all India Tourist Permits. The bus fare is fixed by the Company after taking into account the cost of diesel, Motor Vehicle Tax and Service Tax charged by various states through which the buses of the Company have to pass. Besides, the bus fare also included retention charges to cover miscellaneous overhead charges such as toll, parking charges, maintenance of seat cover/curtain, *etc*. The fare is also revised by the Company from time to time with the increase in rates of fuel and taxes so as to recover the same from the passengers accordingly.

[11] The interest loss has been worked out at ten *per cent per* annum from the date of release of installments.

Audit scrutinised (March/April 2011) the mechanism of fixation of bus fare being charged from the passengers and found that while fixing the bus fare for Delhi - Manali and Delhi – Dharamshala routes; the element of Motor Vehicle Tax being charged by the States of Himachal Pradesh and Haryana was considered but Motor Vehicle Tax charged by Punjab was not added in the fare. As these buses had to pass through the territory of Punjab while operating on these two routes, the State of Punjab charged Motor Vehicle Tax from these buses regularly. During the period from 2009-10 to 2011-12 (Up to January 2012), the Motor Vehicle Tax of ₹ 68.46 lakh was paid by the Company to the State of Punjab while operating its buses on Delhi – Manali and Delhi – Dharamshala routes but due to non-inclusion of this component in the bus fare, the same could not be recovered from the passengers travelling in buses operated by the Company.

Thus, non-recovery of Punjab Motor Vehicle Tax from the passengers resulted in an avoidable loss of ₹ 68.46 lakh to the Company as this was paid by the Company out of it own resources.

The Government stated (August 2012) that the element of Punjab motor vehicle tax had been taken into account while fixing the fare and this element had been included in the fare structure under retention charges.

The reply was not acceptable as the retention charges were being recovered to cover miscellaneous overheads such as toll, parking charges, maintenance of seat covers/curtain, *etc*. as stated above and not to cover motor vehicle tax. The motor vehicle tax charged by the State of Punjab should have been included in the bus fare as was done for the similar tax charged by the States of Himachal Pradesh and Haryana.

4.10 Avoidable loss due to non recovery of bank charges

The failure of the company in recovering the bank charges from the customers resulted in avoidable loss of ₹ 54.33 lakh during the period from 2008-09 to 2011-12.

The Himachal Pradesh Tourism Development Corporation Limited (the Company) introduced (2005-06) an online system {Internet Payment of Gateway (IPG)} for booking accommodation in its complexes by tourists. The Company also installed (2007-08) Electronic Data Capture Terminal (EDC Machine/Swipe Machines) machine to facilitate the tourists to make payment of bills through debit/credit cards. To provide these facilities, the Company entered (May 2007) into an agreement with HDFC and UTI banks. These banks charged 1.25 to 3.50 *per cent* as service charges from the Company for providing their services.

Audit observed (May 2011) that the Company received ₹ 29.59 crore in respect of rent of hotels and food bills from the customers through debit/credit cards against which an amount of ₹ 54.33 lakh was debited by banks as bank charges during the period from April 2008 to March 2012 under the provisions of Merchant Discount Rates (MDR) structure issued by the Reserve Bank of India. However, the company did not recover the bank charges from the customers. Thus, non recovery of bank charges from the customers resulted in less receipt of basic room rent/tariff as approved by the State Government (Department of Tourism) from time to time with consequential avoidable loss of ₹ 54.33 lakh to the Company.

The State Government stated (October 2012) that the concept of booking accommodation and transport through payment gateway was introduced as a special marketing measure as well as to facilitate the guests by making hassle free payments. Charging of such petty amount separately from the customers may not give a good impression. Moreover, the Company cannot be compared with airlines or other private booking site which are charging bank charges from the customers. The State Government further added that the basic room rent had not been reduced by paying the bank charges as the commission paid to travel agents or bank charges were being considered as an expense.

The reply was not acceptable since besides the savings of commission payable to travel agents the loss incurred on account of bank charges was also avoidable by recovering the same from the customers as was being recovered by other Private/Government Hotels in similar business. Moreover, this also led to reduction in basic approved room tariff income when the room rent collected by banks was paid to the Company after adjusting the bank charges.

STATUTORY CORPORATION

Himachal Pradesh Financial Corporation

4.11 Diversion of Government money

The Corporation diverted un-disbursed subsidy of ₹ 0.51 crore meant for the promotion of industries towards working capital.

The Government of India introduced (August 1971) Central Investment Subsidy scheme to promote industrialisation in the Country. Under this scheme, the industrial units were eligible for 25 *per cent* central subsidy on capital investment. The scheme was, however, discontinued with effect from 30 September, 1988. In pursuance of the Supreme Court judgement of December, 1995, the residual cases of claims, (the claims valid up to 30 September, 1988), were to be considered eligible for granting subsidy.

The Himachal Pradesh Financial Corporation (the Corporation) was the nodal agency for the disbursement of subsidy in respect of those industrial units which were financed by it. The State Government (Industries Department) released an amount of ₹ 2.57 crore to the Corporation during 1997-98 and 1998-99 on the basis of tentative claims filed by the Corporation in compliance with the judgement of the Supreme Court. Out of ₹ 2.57 crore, the Corporation could disburse only ₹ 2.06 crore to eligible units and the balance un-disbursed subsidy amounting to ₹ 0.51 crore was neither refunded to the State Government nor kept in the interest bearing account so as to earn interest till any final decision was taken on the matter, but was utilised by the Corporation towards its working capital requirements.

On being pointed out (July 2007) by Audit, the Corporation sought (December 2007) the advice of the Department of Industries for adjusting the un-disbursed subsidy. However, the department did not advice the Corporation and the subsidy amount was continued to be utilised by the Corporation to meet out its working capital requirements without any justification instead of investing in the fixed term deposits, which was also pointed out by the Department of Industries, Government of Himachal Pradesh *vide* their letter of April 2008.

Thus, the injudicious decision to retain the un-disbursed subsidy of ₹ 0.51 crore for its working capital requirements had resulted in mis-utilisation of Government money besides loss of interest of ₹ 0.96 crore for the last more than 13 years (April 1999 to October 2012).

The Corporation stated (August 2012) that on the basis of assets created by the industrial units, the Corporation released ₹ 2.06 crore and the claims for the remaining amount of ₹ 0.51 crore supported with documentary proof had not been received till date and as such this amount had been kept in the current account on which the Corporation was earning no interest.

The reply was not acceptable as the Corporation could have either refunded the un-disbursed subsidy along with interest to the State Government or kept in the interest bearing account instead of utilising it towards working capital without the approval of the State Government.

The matter was referred to the Government in July 2012; their reply was awaited (November 2012).

General

4.12 Follow-up action on Audit Reports

Explanatory Notes outstanding

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

Though the Audit Reports for the years 2009-10 and 2010-11 were presented to the State Legislature in April 2011 and April 2012, two departments had not submitted explanatory notes on 12 out of 29 paragraphs/performance audits as of 30 September 2012, as indicated in ***Table 4.1*** below:

Table-4.1

Year of Audit Report (Commercial)	**Date of presentation**	**Total paragraphs/ performance audits in Audit Report**	**Number of paragraphs/ performance audits for which explanatory notes were not received**
2009-10	April 2011	13	1
2010-11	April 2012	16	11
Total		**29**	**12**

Department wise analysis is also given in ***Table 4.2*** below:

Table-4.2

Name of department	**2009-10**	**2010-11**
Power	-	10
Finance	1	1
Total	**1**	**11**

The Power Department was largely responsible for non-submission of explanatory notes, which did not submit explanatory notes on 10 out of 12 paragraphs/performance audits.

Compliance to Reports of Committee on Public Undertakings (COPU)

4.12.2 The Action Taken Notes on the recommendations of COPU are required to be furnished within six months from the presentation of the Reports. Replies to 17 paragraphs pertaining to 15 Reports of the COPU, presented to the State Legislature between December 2008 and August 2012 had not been received as of September 2012 as indicated in ***Table 4.3*** below:

Table 4.3

Year of the COPU Report	Total number of Reports involved	No. of paragraphs where replies not received
2008-09	1	1
2009-10	2	2
2010-11	4	5
2011-12 (up to 30.9.2012)	8	9
Total	**15**	**17**

***Response to inspection reports, draft paras and* performance audits**

4.12.3 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 a period of four weeks. Inspection reports issued up to March 2012 pertaining to 21 PSUs revealed that 4,122 paragraphs relating to 989 inspection reports remained outstanding at the end of 30 September 2012. Department-wise break-up of inspection reports and audit observations outstanding as on 30 September 2012 is given in **Appendix 4.1**.

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 nine draft paragraphs forwarded to two departments between April 2012 and September 2012, as detailed in **Appendix 4.2,** had not been replied so far (November 2012).

It is 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.

Shimla	**(SATISH LOOMBA)**
The	**Principal Accountant General (Audit)**
	Himachal Pradesh

Countersigned

New Delhi	**(VINOD RAI)**
The	**Comptroller and Auditor General of India**

Appendices

Appendix 1.1

(Refer paragraph 1.1, 1.15 and 1.35)

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

(Figures in column 5 (a) to (10) 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)
A. Working Government Companies														
AGRICULTURE & ALLIED														
1.	Himachal Pradesh Agro Industries Corporation Limited	2009-10	2011-12	(-)0.49	0.07	0.08	(-)0.64	25.45	(-)7.47	11.80	(-)13.76	(-)4.00	(-)0.57	-
2.	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	2010-11	2011-12	(-)1.50	0.24	0.50	(-)2.24	70.16	(-)9.45	38.76	(-)55.28	(-)7.94	(-)2.00	-
3.	Himachal Pradesh State Forest Development Corporation Limited	2009-10	2011-12	9.75	1.53	0.51	7.71	136.82	(-)56.08	11.71	(-) 40.95	126.45	9.24	7.31
Sector wise total				**7.76**	**1.84**	**1.09**	**4.83**	**232.43**	**(-)73.00**	**62.27**	**(-)109.99**	**114.51**	**6.67**	**5.82**
FINANCING														
4.	Himachal Backward Classes Finance and Development Corporation	2009-10	2012-13	0.77	0.31	0.01	0.45	1.56	-	10.18	4.33	23.28	0.76	3.26
5.	Himachal Pradesh Mahila Vikas Nigam	2009-10	2011-12	0.17	-	-	0.17	0.35	(-)0.52	5.75	0.25	5.90	0.17	2.88
6.	Himachal Pradesh Minorities Finance and Development Corporation	2009-10	2011-12	(-)0.16	0.24	0.03	(-)0.43	0.27	0.89	5.95	(-)2.78	15.05	(-)0.19	-
Sector wise total				**0.78**	**0.55**	**0.04**	**0.19**	**2.18**	**0.37**	**21.88**	**1.80**	**44.23**	**0.74**	**1.67**

(Figures in column 5 (a) to (10) 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	2011-12	2012-13	-	-	-	-[4]	-	-	25.00	-	753.99	-	-
8.	Himachal Pradesh State Industrial Development Corporation Limited	2010-11	2011-12	(-)2.27	-	0.15	(-)2.42	23.73	(-)0.30	30.82	9.77	52.61	(-)2.42	-
Sector wise total				**(-)2.27**	**-**	**0.15**	**(-)2.42**	**23.73**	**(-)0.30**	**55.82**	**9.77**	**806.60**	**(-)2.42**	**-**
MANUFACTURE														
9.	Himachal Pradesh General Industries Corporation Limited	2011-12	2012-13	0.73	0.21	0.08	0.44	26.10	Under audit	7.16	(-)3.47	6.22	0.65	10.45
Sector wise total				**0.73**	**0.21**	**0.08**	**0.44**	**26.10**		**7.16**	**(-)3.47**	**6.22**	**0.65**	**10.45**
POWER														
10.	Beas Valley Power Corporation Limited	2011-12	2012-13	-	-	-	-[5]	-	-	-	-	-	-	-
11.	Himachal Pradesh Power Corporation Limited	2011-12	2012-13	-	-	-	-[5]	-	-	-	-	-	-	-
12.	Himachal Pradesh Power Transmission Corporation Limited	2010-11	2011-12	-	-	-	-[5]	-	-	-	-	-	-	-
13	Himachal Pradesh State Electricity Board Limited	-	-	-	-	-	-[6]	-	-	-	-	-	-	-
Sector wise total					**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

(Figures in column 5 (a) to (10) 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)
SERVICE														
14	Himachal Pradesh State Civil Supplies Corporation Limited	2011-12	2012-13	7.40	0.40	0.96	6.04	1117.78	Under audit	3.51	21.63	28.50	6.44	22.60
15.	Himachal Pradesh State Electronics Development Corporation Limited	2011-12	2012-13	0.36	-	0.06	0.30	30.38	Under audit	3.72	0.67	7.09	0.30	4.23
16.	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	2011-12	2012-13	0.72	-	0.04	0.68	21.22	Under audit	8.75	(-)20.38	(-)2.87	0.68	-
17.	Himachal Pradesh Tourism Development Corporation Limited	2010-11	2011-12	4.29	0.08	2.63	1.58	67.28	(-)0.32	12.30	(-)16.95	(-)1.80	1.66	-
Sector wise total				**12.77**	**0.48**	**3.69**	**8.60**	**1236.66**	**(-)0.32**	**28.28**	**(-)15.03**	**30.92**	**9.08**	**29.37**
Total A (All sector wise working Government companies)				**19.77**	**3.08**	**5.05**	**11.64**	**1521.10**	**(-)73.25**	**175.41**	**(-)116.92**	**1002.48**	**14.72**	**1.47**
B. Working Statutory corporations														
FINANCING														
1.	Himacal Pradesh Financial Corporation	2011-12	2012-13	6.63	7.99	0.06	(-)1.42	10.88	(-)2.74	99.57	(-)118.90	263.25	6.57	2.50
Sector wise total				**6.63**	**7.99**	**0.06**	**(-)1.42**	**10.88**	**(-)2.74**	**99.57**	**(-)118.90**	**263.25**	**6.57**	**2.50**

(Figures in column 5 (a) to (10) 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)
POWER														
2.	Himachal Pradesh State Electricity Board	2009-10	2010-11	129.12	176.21	105.53	(-)152.62	2978.35	(-)156.73[7]	971.78	(-)383.18	2556.01	23.59	0.92
Sector wise total				**129.12**	**176.21**	**105.53**	**(-)152.62**	**2978.35**	**(-)156.73**	**971.78**	**(-)383.18**	**2556.01**	**23.59**	**0.92**
SERVICE														
3.	Himachal Road Transport Corporation	2011-12	2012-13	(-)49.58	12.22	18.85	(-)80.65	479.89[8]	Under audit	439.00	(-)653.45	(-)143.28	(-)68.43	-
Sector wise total				**(-)49.58**	**12.22**	**18.85**	**(-)80.65**	**479.89[8]**		**439.00**	**(-)653.45**	**(-)143.28**	**(-)68.43**	**-**
Total B (All sector wise working Statutory corporations)				**86.17**	**196.42**	**124.44**	**(-)234.69**	**3469.12**	**(-)159.47**	**1510.35**	**(-)1155.53**	**2675.98**	**(-)38.27**	
Grand Total (A + B)				**105.94**	**199.50**	**129.49**	**(-)223.05**	**4990.22**	**(-)232.72**	**1685.76**	**(-) 1272.45**	**3678.46**	**(-)23.55**	**-**
C. Non working Government companies														
AGRICULTURE & ALLIED														
1.	Agro Industrial Packaging India Limited	2010-11	2012-13	(-)1.54	-	0.08	(-)1.62	-	-	17.72	(-)77.80	0.07	(-)1.62	-
Sector wise total				**(-)1.54**	**-**	**0.08**	**(-)1.62**	**-**	**-**	**17.72**	**(-)77.80**	**0.07**	**(-)1.62**	**-**

(Figures in column 5 (a) to (10) 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)
MANUFACTURE														
2.	Himachal Worsted Mills Limited	2000-01	2001-02	(-)0.01	-	-	(-)0.01	-	-	0.92	(-)5.44	(-)0.64	(-)0.01	-
3	Nahan Foundry Limited	2010-11	2011-12	0.01	-	-	0.01	-	-	3.50	(-)4.76	(-)1.28	0.01	-
Sector wise total				-	-	-	-	-	-	**4.42**	-	**(-)1.92**	-	-
Total C (All sector wise non working Government companies)				**(-)1.54**	**-**	**0.08**	**(-)1.62**	**-**	**-**	**22.14**	**(-)88.00**	**(-)1.85**	**(-)1.62**	**-**
Grand Total (A + B + C)				**104.40**	**199.50**	**129.57**	**(-)224.67**	**4990.22**	**(-)232.72**	**1707.90**	**(-) 1360.45**	**3676.62**	**(-)25.17**	**-**

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 Company at Serial No. 13 has not prepared its first accounts since incorporation.

7 Before taking into account the subsidy/subvention from Government (₹ 0.20 crore).

8 Includes subsidy of ₹ 90 crore received during the year on account of issue of free/concessional passes and running buses on uneconomic routes.

Appendix 1.2

(Refer paragraph 1.7)

Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2012 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[9]				Loans[10] outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Manpower (No. of employees) (as on 31.3.2012)
				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	Septem-ber 1970	9.84	1.96	-	11.80	-	-	-		- (0.13:1)	191
2.	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	Horticulture	June 1974	31.19	1.50	6.07	38.76	7.00	-	0.37	7.37	0.19:1 (0.01:1)	338
3.	Himachal Pradesh State Forest Development Corporation Limited	Forest	March 1974	11.71	-	-	11.71	-	-	110.75	110.75	9.46:1 (12..30:1)	2398
Sector wise total				**52.74**	**3.46**	**6.07**	**62.27**	**7.00**	**-**	**111.12**	**118.12**	**1.90 2.34:1**	**2927**
FINANCING													
4.	Himachal Backward Classes Finance and Development Corporation	Social Justice & Empowerment	January 1994	10.18	-	-	10.18	-	-	12.01	12.01	1.18:1 (1.07:1)	18
5.	Himachal Pradesh Mahila Vikas Nigam	Social Justice & Empowerment	April 1989	7.09	0.10	-	7.19	-	-	-	-	-	6
6.	Himachal Pradesh Minorities Finance and Development Corporation	Social Justice & Empowerment	Septem-ber 1996	7.45	-	-	7.45	-	-	13.13	13.13	1.76:1 (1.86:1)	13
Sector wise total				**24.72**	**0.10**	**-**	**24.82**	**-**	**-**	**25.14**	**25.14**	**1.01:1 (1.03:1)**	**37**
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	Novem-ber 1966	30.82	-	-	30.82	-	-	-	-	-	178
Sector wise total				**55.82**	**-**	**-**	**55.82**	**-**	**-**	**-**	**-**	**-**	**180**

(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 [9]				Loans[10] outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Manpower (No. of employees) (as on 31.3.2012)
				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													
9.	Himachal Pradesh General Industries Corporation Limited	Industries	Novem-ber 1972	7.04	-	0.12	7.16	2.97	-	-	2.97	0.41:1 (0.41:1)	212
Sector wise total				**7.04**	**-**	**0.12**	**7.16**	**2.97**	**-**	**-**	**2.97**	**0.41:1 (0.41:1)**	**212**
POWER													
10.	Beas Valley Power Corporation Limited	MPP & Power	March 2003	-	-	259.16	259.16	-	-	467.00	467.00	1.80:1 (1.81:1)	277
11.	Himachal Pradesh Power Corporation Limited	MPP & Power	Decem-ber 2006	150.50	-	646.26	796.76	721.20	-	42.42	763.62	0.96:1 (0.46:1)	993
12.	Himachal Pradesh Power Transmission Corporation Limited	MPP & Power	August 2008	166.70	-	-	166.70	-	-	112.89	112.89	0.68:1	105
13	Himachal Pradesh State Electricity Board Limited	MPP & Power	Decem-ber 2009	396.53	-	575.25	971.78	19.11	-	1819.54	1838.65	1.89:1 (2.02:1)	20,882
Sector wise total				**713.73**	**-**	**1480.67**	**2194.40**	**740.31**	**-**	**2441.85**	**3182.16**	**1.45:1 (1.36:1)**	**22,257**
SERVICE													
14.	Himachal Pradesh State Civil Supplies Corporation Limited	Food & Supplies	Septem-ber 1980	3.51	-	-	3.51	0.09	-	-	0.09	0.03:1 (0.03:1)	976
15.	Himachal Pradesh State Electronics Development Corporation Limited	Industries	October 1984	3.72	-	-	3.72	1.80	-	-	1.80	0.48:1 (0.52:1)	66
16.	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	Industries	March 1974	8.72	0.03	-	8.75	0.50	-	-	0.50	0.06:1 (0.06:1)	106
17.	Himachal Pradesh Tourism Development Corporation Limited	Tourism & Civil Aviation	Septem-ber 1972	12.30	-	-	12.30	-	-	-	-	-	1729
Sector wise total				**28.25**	**0.03**	**-**	**28.28**	**2.39**	**-**	**-**	**2.39**	**0.08:1 (0.09:1)**	**2877**
Total A (All sector wise working Government companies)				**882.30**	**3.59**	**1486.86**	**2372.75**	**752.67**	**-**	**2578.11**	**3330.78**	**1.40:1 (1.33:1)**	**28490**

(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 [9]				Loans[10] outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Manpower (No. of employees) (as on 31.3.2012)
				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	-	-	147.68	147.68	1.48:1 (1.69:1)	47
Sector wise total				**92.98**	**-**	**6.59**	**99.57**	**-**	**-**	**147.68**	**147.68**	**1.48:1 (1.69:1)**	**47**
SERVICE													
2.	Himachal Road Transport Corporation	Transport	Septem-ber 1974	423.56	15.44	-	439.00	-	-	62.26	62.26	0.14:1 (0.14:1)	8492
Sector wise total				**423.56**	**15.44**	**-**	**439.00**	**-**	**-**	**62.26**	**62.26**	**0.12:1 (0.14:1)**	**8492**
Total B (All sector wise working Statutory corporations)				**516.54**	**15.44**	**6.59**	**538.57**	**-**	**-**	**209.94**	**209.94**	**0.39:1 (0.14:1)**	**8539**
Grand Total (A + B)				**1398.84**	**19.03**	**1493.45**	**2911.32**	**752.67**	**-**	**2788.05**	**3540.72**	**1.22:1 (1.16:1)**	**37029**
C. Non working Government companies													
AGRICULTURE & ALLIED													
1.	Agro Industrial Packaging India Limited	Horticulture	February 1987	16.75	-	0.97	17.72	57.07	-	-	57.07	3.22:1 (1.25:1)	3
Sector wise total				**16.75**	**-**	**0.97**	**17.72**	**57.07**	**-**	**-**	**57.07**	**3.22:1 (1.25:1)**	**3**

(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 [9]				Loans[10] outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Manpower (No. of employees) (as on 31.3.2012)
				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													
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**	**57.07**	**-**	**-**	**57.07**	3.06:1 (1.00:1)	**3**
Grand Total (A + B + C)				**1415.59**	**19.03**	**1495.34**	**2929.96**	**809.74**	**-**	**2788.05**	**3597.79**	**1.23:1 (1.16:1)**	**37032**

Notes: Above includes two Section 619-B companies at Sr. No. A-10 and A-11.

9 Paid-up capital includes share application money.

10 Loans outstanding at the close of 2011-12 represent long-term loans only.

Appendix 1.3

(Refer paragraph 1.10)

Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2012

(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[11]		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 Horticultural Produce Marketing and Processing Corporation Limited	-	-	5.44	21.77	-	27.21	5.00	-	-	-	-	-
2.	Himachal Pradesh State Forest Development Corporation Limited	-	-	-	-	-	-	-	98.95	-	-	-	-
3	Himachal Pradesh Agro Industries Corporation Limited	-	-	-	-	-	-	-	1.07	-	-	-	-
Sector wise total		**-**	**-**	**5.44**	**21.77**	**-**	**27.21**	**5.00**	**100.02**	**-**	**-**	**-**	**-**
FINANCING													
4.	Himachal Backward Classes Finance and Development Corporation	-	-	-	-	-	-	15.00	12.01	-	-	-	-
5.	Himachal Pradesh Mahila Vikas Nigam	1.14	-	-	0.01	-	0.01	-	-	-	-	-	-
6.	Himachal Pradesh Minorities Finance and Development Corporation	0.50	-	-	0.01	-	0.01	18.00	13.13	-	-	-	-
Sector wise total		**1.64**	**-**	**-**	**0.02**	**-**	**0.02**	**33.00**	**25.14**	**-**	**-**	**-**	**-**

(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[11]		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	-	-	-	311.00	-	311.00	-	-	-	-	-	-
Sector wise total		**-**	**-**	**-**	**311.00**	**-**	**311.00**	**-**	**-**	**-**	**-**	**-**	**-**
POWER													
8.	Himachal Pradesh Power Corporation Limited	150.25		-	-	-	-	-	-	-	-	-	-
9.	Himachal Pradesh Power Transmission Corporation Limited	50.00	-	-	-	-	-	-	-	-	-	-	-
10	Himachal Pradesh State Electricity Board Limited			19.10	148.37	-	167.47	1200.00	946.76	-	-	-	-
Sector wise total		**200.25**	**-**	**19.10**	**148.37**	**-**	**167.47**	**1200.00**	**946.76**	**-**	**-**	**-**	**-**
SERVICE													
11.	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	-	-	2.13	3.80	-	5.93	0.60	0.60	-	-	-	-
12.	Himachal Pradesh Tourism Development Corporation Limited	-	-	6.50	0.54	1.91	8.95	-	-	-	-	-	-
Sector wise total		**-**	**-**	**8.63**	**4.34**	**1.91**	**14.88**	**0.60**	**0.60**	**-**	**-**	**-**	**-**
Total A (All sector wise working Government companies)		**201.89**		**33.17**	**495.50**	**1.91**	**530.58**	**1238.60**	**1072.52**	**-**	**-**	**-**	**-**

(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[11]		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	-	-	-	-	-	-	-	77.35	-	-	-	-
Sector wise total		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**77.35**	**-**	**-**	**-**	**-**
SERVICE													
2.	Himachal Road Transport Corporation	25.30	-	-	-[12]	-	-	40.00	10.00	-	-	-	-
Sector wise total		**25.30**	**-**	**-**	**-[12]**	**-**	**-**	**40.00**	**10.00**	**-**	**-**	**-**	**-**
Total B (All sector wise working Statutory corporations)		**25.30**	**-**	**-**	**-**	**-**	**-**	**40.00**	**87.35**	**-**	**-**	**-**	**-**
Grand Total (A + B)		**227.19**	**-**	**33.17**	**495.50**	**1.91**	**530.58**	**1278.60**	**1159.87**	**-**	**-**	**-**	**-**

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

12 State Government released a subsidy of ₹ 90 crore during 2011-12 for bridging the gap of losses sustained by the Corporation on account of free/concessional facilities provided to the various section of society and running buses on uneconomic routes. Subsidy so provided has been taken as passenger income instead of subsidy.

Appendix 1.4

(Refer paragraph 1.25)

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	2010-11	38.76	-	-	31.77	5.44
2	Himachal Pradesh Tourism Development Corporation Limited	2010-11	12.30	-	-	0.54	8.41
3	Himachal Pradesh Mahila Vikas Nigam	2009-10	5.75	0.30 (2010-11) 1.14 (2011-12)	-	0.01	-
4	Himachal Pradesh Minorities Finance and Development Corporation	2009-10	5.95	1.00 (2010-11) 0.50 (2011-12)	-	0.01	-
5	Himachal Pradesh Power Transmission Corporation Limited	2010-11	116.70	50.00 (2011-12)	-	-	-
	Total:		**179.46**	**52.94**	**-**	**32.33**	**13.85**

Appendix 1.5

(Refer paragraph 1.15)

Statement showing financial position of Statutory corporations

(₹ in crore)

1	**Himachal Road Transport Corporation**			
	Particulars	**2009-10**	**2010-11**	**2011-12**
A	**Liabilities**			
	Capital (including capital loan & equity capital)	387.85	413.70	439.00
	Borrowings (Government) (Others)	- 114.71	- 59.63	 62.26
	Funds[13]	25.41	9.60	8.91
	Trade dues and other current liabilities (including provisions)	181.57	224.73	272.85
	Total-A	**709.54**	**707.66**	**783.02**
B	**Assets**			
	Gross block	234.05	240.15	254.56
	Less: Depreciation	135.03	143.65	157.25
	Net fixed assets	99.02	96.50	97.31
	Capital works-in-progress (including cost of chassis)	1.77	1.55	0.42
	Current assets, loans and advances	59.02	36.81	31.84
	Accumulated losses	549.73	572.80	653.45
	Total-B	**709.54**	**707.66**	**783.02**
C	**Capital employed**[14]	**(-)21.76**	**(-)89.87**	**(-)143.28**
2	**Himachal Pradesh Financial Corporation**			
	Particulars	**2009-10**	**2010-11**	**2011-12**
A	**Liabilities**			
	Paid-up capital(including share application money)	99.57	99.57	99.57
	Reserve funds and other reserves and surplus	4.97	4.97	4.97
	Borrowings:	-	-	-
	Bonds and debentures	89.58	89.53	77.35
	Industrial Development Bank of India and Small Industries Development Bank of India	80.28	69.31	63.81
	Others (including State Government)	12.76	10.09	7.32
	Other liabilities and provisions	73.47	78.50	80.15
	Total-A	**360.63**	**351.97**	**333.17**

13 Excluding depreciation funds.

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

B	**Assets**			
	Cash and Bank balances	18.91	16.67	22.44
	Investments	71.05	71.05	71.05
	Loans and Advances	165.21	143.36	118.14
	Net fixed assets	0.90	0.89	0.83
	Dividend deficit account	0.79	0.79	0.79
	Other assets	0.93	1.73	1.02
	Profit and loss account	102.84	117.48	118.90
	Total-B	**360.63**	**351.97**	**333.17**
C	**Capital employed**[15]	**258.12**	**280.31**	**263.25**

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

Appendix 1.6

(Refer paragraph 1.15)

Statement showing working results of Statutory corporations

(₹ in crore)

1	**Himachal Road Transport Corporation**			
	Particulars	**2009-10**	**2010-11**	**2011-12**
	Operating (a) Revenue	395.09	486.90	479.89
	(b) Expenditure	421.78	499.58	550.14
	(c) Surplus(+)/Deficit(-)	(-)26.69	(-)12.68	(-)70.25
	Non-operating (a) Revenue	1.50	1.09	1.82
	(b) Expenditure	12.31	11.48	12.22
	(c) Surplus(+)/Deficit(-)	(-)10.81	(-)10.39	(-)10.40
	(a) Revenue	396.59	487.99	481.71
	(b) Expenditure	434.09	511.06	562.36
	(c) Net profit (+)/Loss (-)	(-)37.50	(-)23.07	(-)80.65
	Interest on capital and loans	12.31	11.48	12.22
	Total return on Capital employed	(-)25.19	(-)11.59	(-)68.43
	Percentage of return on capital employed	-	-	-
2	**Himachal Pradesh Financial Corporation**			
	Particulars	**2009-10**	**2010-11**	**2011-12**
1	**Income** (a) Interest on Loans (b) Other income	 17.62 5.38	 11.30 0.09	 12.55 0.02
	Total-1	**23.00**	**11.39**	**12.57**
2	**Expenses** (a) Interest on long-term and short-term loans (b) Other expenses	 18.67 5.12	 15.16 6.01	 7.99 4.77
	(c) Provision for non-performing assets	-	4.86	1.23
	Total-2	**23.79**	**26.03**	**13.99**

3	Profit(+)/loss (-) before tax (1-2)	(-)0.79	(-)14.64	(-)1.42
4	Provision for tax	-	-	
	Profit(+)/Loss(-) after tax (3-4)	(-)0.79	(-)14.64	(-)1.42
5	Other appropriations (special reserve for the purpose of Section 36 (I) (viii) of the Income Tax Act, 1961 and general reserve)	-	-	-
6	Amount available for dividend	-	-	-
7	Dividend paid/payable	-	-	-
8	Total return on Capital employed[16]	17.88	0.52	6.57
9	Percentage of return on Capital employed	6.93	0.19	2.50

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

Appendix 2.1

(Refer paragraph 2.10.1)

Statement showing voltage-wise capacity additions planned, actual additions and shortfall during five years up to 2011-12

Sl. No.	Description	2007-08	2008-09	2009-10	2010-11	2011-12
(1)	(2)	(3)	(4)	(5)	(6)	(7)
220 kV Sub-Stations (Numbers)						
1	At the beginning of the year	6	6	6	6	7
2	Additions Planned for the year	-	-	-	-	1
3	Actual Additions during the year	-	-	-	1	-
4	At the end of the year **(1+3)**	6	6	6	7	7
5	Shortfall in Additions **(2-3)**	-	-	-	-	1
220 kV Transformers Capacity (MVA)						
1	At the beginning of the year	873	873	936	936	1136
2	Additions/ augmentation Planned for the year	-	83	31.5	200	374
3	Actual Additions during the year	-	63	-	200	31
4	Capacity at the end of the year **(1+3)**	873	936	936	1136	1167
5	Shortfall in Additions/ Augmentation **(2-3)**	-	20	31.5	-	343
220 kV Lines (CKM)						
1	At the beginning of the year	422.490	422.490	422.490	422.490	450.059
2	Additions Planned for the year	-	-	-	37.949	37.000
3	Actual Additions during the year	-	-	-	27.569	-
4	At the end of the year **(1+3)**	422.490	422.490	422.490	450.059	450.059
5	Shortfall in Additions **(2-3)**	-	-	-	10.380	37.000
132 kV Sub-Stations (Numbers)						
1	At the beginning of the year	26	27	27	28	28
2	Additions Planned for the year	2	-	-	-	4
3	Actual Additions during the year	1	-	1	-	-
4	At the end of the year **(1+3)**	27	27	28	28	28
5	Shortfall in Additions **(2-3)**	1	-	-	-	4
132 kV Transformers Capacity (MVA) (132/66)						
1	At the beginning of the year	1489.0	1608.3	1705.5	1814.5	1830.0
2	Additions/ augmentation Planned for the year	132.1	97.2	140.5	31.0	451.5
3	Actual Additions during the year	119.3	97.2	109.0	15.5	-
4	Capacity at the end of the year **(1+3)**	1608.3	1705.5	1814.5	1830.0	1830.0
5	Shortfall in Additions/ Augmentation **(2-3)**	12.8		31.5	15.5	451.5
132 kV Lines (CKM)						
1	At the beginning of the year	1763.960	1772.918	1776.487	1784.480	1784.480
2	Additions Planned for the year	18.439	3.569	9.900	19.110	98.457
3	Actual Additions during the year	8.958	3.569	7.993	-	62.028
4	At the end of the year **(1+3)**	1772.918	1776.487	1784.480	1784.480	1846.508
5	Shortfall in Additions **(2-3)**	9.481	-	1.907	19.110	36.429

Appendix 2.2

(Refer paragraph 2.11.3)

Statement showing cost over run and time over run on various EHV lines and Sub-station during 2007-08 to 2011-12

Sr. No.	Name of scheme	Month of sanction	Sanctioned amount (₹ in crore)	Completion period	Time over-run	Expend-iture	Cost over run	Loss of benefit	Present status	Remarks
				(In months)		(₹ in crore)				
1	Const. of 132 D/C line (50 Ckm) from Uhl to Hamirpur 132 D/C line(16 Ckm) Uhl to Bassi -	February 1991	14.04	54	28	23.30	9.26	-	Incomplete	Audit observed that the tower material valuing ₹ 7.93 crore ordered during 2005 and February 2008 was however received between July 2006 and April 2009 and the construction work was taken up (January 2010) departmentally through petty contractors. An expenditure of ₹ 22.30 crore had been incurred (up to March 2012) on completion of 52 *per cent* work. The time over run of 28 months in execution of work had resulted in cost over run of ₹9.26 crore.
2	Const. of 220/66 KV, 2x80/100 MVA Sub Station at Baddi and 220 KV D/C line Uperla Nangal-Baddi	May 2000	17.12	24	119	2.46		-	Line not energised	Construction of 5.439 Ckm 220kv line to provide LILO to 2nd Ckt Kunihar-Panchkula line was completed (January 2005) after incurring an expenditure of ₹2.46 crore. However, HVPNL did not allow HPSEB to energise the LILO on 2nd Ckt. on the apprehension that 220KV Bhaba-Kunihar-Panchkula line was an interstate line and would be over-loaded by LILO at Baddi. Audit observed that abnormal delay (86 months) in settling the dispute resulted in blocking of ₹ 2.46 crore (up to February 2012) and interest loss of ₹ 1.92 crore.
3	Providing 2nd CKT on existing 220 KV S/C Line from Khodri to Majri -35.020 ckm	November 1988	1.90	24	256	9.79	7.89	-	Incomplete	Erection of 2nd Ckt (Tower No. 59 to 106- Gondpur to Giri) was completed (1991-92) at a cost of ₹ 2.71 crore and residual portion thereof could not be completed due to material constraints. The residual work along with terminal equipment at both ends was started during 1998-99 and an expenditure of ₹ 9.79 crore (up to Nov. 2011) had been incurred. The terminal equipments/relay panel (₹ 0.15 Crore) procured earlier were found unfit due to passage of time and space constraints at Khodri end so digital type control relay panels of compact size were ordered (June 2010) for ₹ 0.10 crore . Audit observed that the firm did not depute engineers for testing/commissioning of the same. Therefore the 2nd Ckt could not be commissioned till March 2012 resulting in cost over run of ₹ 7.89 crore and blockade of funds of ₹ 9.79 crore besides slippage of targeted 35.2 Ckm by 256 months due to un-scientific and un-realistic planning.

4	Const. of 400 KV Line from Nalagarh to Kunihar (34.000 ckm) and 400/220 KV, 2x315 MVA Sub station at Kunihar -	November 1996	67.82 150.29 (Revised)	78	106		82.47	972.53	Incomplete	The project report of the scheme was prepared in July 2000 i.e. after 44 months of the sanction of the scheme. The utility incurred an expenditure of ₹ 7.75 crore till 2003-04 on allied works of the scheme. The evacuation of power was stayed (July 2004) by HPERC due to non-submission of convincing justification by the utility to the regulator for its necessity. The stay was vacated (April 2010), revised scheme was framed (August 2010) and approved (January 2012) for ₹ 150.29 crore to be completed during 2012-13. Thus, there was time and cost over-run of 106 months and ₹ 82.47 crore respectively besides loss of benefits of ₹ 972.53 crore and interest loss of ₹ 6.73 crore on blocked funds ₹ 7.75 crore.
5(a)	Const. of 220 KV D/C line from PGCIL SS Nangal to Nalagarh (5.000 ckm)	March 2007	67.34	24	12	18.64		-	-	Scheme for "Construction. of 220KV D/C line from 400/220KV PGCIL Sub-station Nalagarh along with 66KV D/C line connecting existing 66KV sub-station and proposed 220/66KV Nalagarh Sub-station" for ₹ 67.34 crore was approved (March 2007) to be completed within 24 months i.e., by July, 2009 after sanction (July 2007) of loan of REC. The scheme envisaged sale of additional energy of 6214.252 LUs per year. Audit noticed that the 1st Power Transformer of the sub-station was energized during July 2010 *i.e.* after 12 months from the stipulated completion schedule. This resulted in time over-run (12 months)
5(b)	Const. of 220 KV D/C line from PGCIL SS, Nalagarh to Uperla Nangal	March 2007	67.34	24	13			36.04	-	The construction of sub-station was awarded (February 2009) on turn key basis for ₹ 34.83 crore with completion period of 16 months (June 2010). The construction work of both lines were awarded (September 2009) for ₹ 7.48 crore to be completed with in 4 months (January 2010). 1st ckt of 220kv line was constructed during June 2010 and 1st transformer of sub-station commissioned during July 2010. The mismatch of five months between the completion period of sub-station and lines at awarded stage, slippage of target period by 13 months (12 months and 13 months in lines and sub-station respectively) resulted in delayed capacity addition of 200 MVA, non-realisation of envisaged benefits of ₹ 36.04 crore and interest loss of ₹ 32.25 lakh due to un-scientific planning and management.

6	Const. of 16 MVA (un-manned mode) 132/11 kv SS at Gaura and LILO of existing 132 kv S/C Solan-Giri Transmission Line 8.620ckm	August 2010	14.21	9	10	12.54		-	Incomplete	HPSEBL awarded (August 2010) the construction of Sub-station (supply and erection) for ₹ 8.17 crore on turnkey basis to be completed within 9 months i.e. by May 2011. As the contractor could not resume the construction activities due to transportation constraints, the HPSEBL decided (August 2011) to cancel the award besides changing 1x16 MVA transformer with 3x5.33 MVA single phase transformers to overcome the transportation constraints and to construct the sub-station in manned mode. The utility could not initiate any action against the contractor due to non-execution of agreement/performance guarantee. After re-tendering the negotiated (Jan. 2012) lowest rates of ₹ 12.54 crore were received (awarded February 2012) which were higher by ₹ 3.36 crore (after adjustment of transformer cost). The non-execution of performance guarantee/agreement with the primary contractor not only resulted in extra-expenditure of ₹ 3.36 crore but also in slippage of capacity addition of 16 MVA by 10 months (up to March 2012).
7.	Const. of 132/33/11kv, 2x16 MVA sub-station at Gagret and 132kv, S/C transmission line from Amb to Gagret.+.500ckm	December 2006	95.97	12	28	1.39		8.51	Incomplete	The construction of 132/33/11kv sub-station, Gagret was awarded (Dec. 2006) on turn-key basis for negotiated amount of ₹ 8.60 crore with completion period of 12 months (i.e. Dec. 2007). The same was commissioned during December 2009 (due to delayed installation of SCADA System which could be made operational through OPGW system during August 2011) after a delay of 28 months. The work of line, executed departmentally at an expenditure of ₹ 1.39 crore after rescission, was commissioned during June 2009. This resulted in slippage of targeted 32 MVA new transformation capacity by 24 months besides interest loss of ₹ 0.08 crore on ₹ 1.39 crore blocked for 6 months' mismatch (July, 2009 to December, 2009) between commissioning period of sub-station and line and loss of envisaged benefit of ₹ 8.51 crore.
8	220 kv D/C line Jamta (T-61 of Solan –Giri Line) to Diwani- Kala Amb	January 2009	-	-	-	-	-	14.19	Incomplete	Due non-receipt of forest clearance the Company could not realise the envisaged benefit to the extent of ₹ 14.19 crore (473055768 units x ₹ 0.30/units)

Appendix 2.3

(Refer paragraph 2.16.1)

Statement showing the details of non recovery of cost share from consumers

Sr. No.	Name of consumer	Name of work	Amount recoverable	Amount recovered	Balance outstanding
			(₹ in crore)		
1.	Director of Industries Govt. of H.P	Addl. of 31.5 MVA transformer at existing 220/132/33kv Sub-station Jassure	1.78	-	1.78
2.	M/S J.P. Associates, Bagga	LILO of Ckt –I of 132kv D/C Kangoo - Bagga line alongwith switching sub-station at Bagga	6.03	-	6.03
		132 KV kangoo - kunihar line	0.92	-	0.92
3.	IPPs (M/S Brahmganga and MS Toss)	Evacuation of Power generated by small HEPs-Brahmganga (5MW) and Toss (10MW) through installation of 33/132, 1x16 MVA transformer adjacent to 132kv s/stn of Malana HEP.	1.40	-	1.40
4.	M/S Ambuja Cement Ltd. Darlaghat	220 KV 2nd circuit Kangoo -Rauri Line for connecting power to M/S Ambuja Cement Ltd.	4.31	-	4.31
5.	M/S Luminous Power Technologies Ltd. Gagret	132/33/11KV Sub-station, Gagret	0.86	0.24	0.62
6.	M/S Luminous Tele Infra Ltd. Gagret	132/33/11KV Sub-station, Gagret	0.57	0.08	0.49
7.	M/S Nicon Ferro Chem Amb	132/33KV Sub-station, Amb	0.66	0.27	0.39
8.	M/S Arvind Casting Pvt. Ltd Una	132KV Sub-station, Rakkar	0.41	0.25	0.16
	M/S Him Alloys and Steel Pvt. Ltd. Amb	132/33/11KV Sub-station, Amb (1st Connection)	0.34	0.02	0.32
9.	-Do-	2nd Connection	0.55	0.38	0.17
10.	M/S Crest Steel & Power Ltd. Amb	132/33/11KV Sub-station, Amb	0.90	0.40	0.50
11.	M/S Gauri Enterprises Amb	132/33/11KV Sub-station, Amb	0.04	0.02	0.02
12	M/S M.M. Ferro Chem. (P) Ltd. Amb	132/33/11KV Sub-station, Amb	0.21	0.20	0.01
	Total		**18.98**	**1.86**	**17.12**

(Source: Audit and inspection reports issued to the management from time to time)

Appendix 4.1

(Refer paragraph 4.12.3)

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

Sl. No.	Name of Department	No. of PSUs	No. of outstanding I.Rs.	No. of outstanding paragraphs	Years from which outstanding
1	Horticulture	3	11	71	2005-06
2	Industries	5	17	61	2005-06
3	Forest	1	5	61	2005-06
4	Pubic Works	1	4	21	2008-09
5	Welfare	3	6	20	2007-08
6	Food and Supplies	1	1	8	2010-11
7	Tourism and Civil Aviation	1	12	36	2007-08
8	MPP and Power	4	823	3349	2005-06
9	Transport	1	108	492	2005-06
10	IT	1	2	3	2009-10
	Total	**21**	**989**	**4,122**	

Appendix 4.2

(Refer paragraph 4.12.3)

Statement showing the department wise draft paragraphs/performance audit report replies to which are awaited

Sl. No	Name of Department	No. of draft paragraphs	No. of performance audit	Period of issue
1	MPP & Power	5	1	April, July and September 2012
2	Industries	4		April, May & July 2012
	Total	**9**	**1**	

Glossary of abbreviations

Abbreviation	Expanded form
AC	Alternate Current
ACSR	Aluminium Conductors Steel Reinforced
AGMs	Annual General Meetings
ALDC	Area Load Despatch Centers
APL	Above Poverty Line
ARR	Annual Revenue Requirement/Aggregate Revenue Requirement
BBPP	Bus Bar Protection Panel
BDI	Backing Down Instructions
BOD	Board of Directors
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
CGS	Central Generating Stations
CKM	Circuit Kilometer
CLBP	Country Liquor Bottling Plants
COPU	Committee on Public Undertakings
CPF	Contributory Provident Fund
CS	Company Secretary
CTs	Current Transformers
CTU	Central Transmission Utility
CVC	Central Vigilance Commission
D/C	Double Circuit
DGA	Dissolved Gas Analysis
DM	Disaster Management
EHT	Extra High Tension
GDP	Gross Domestic Product
GI	Generation to Transmission
GSA	General Sales Agent
HPAIC	Himachal Pradesh Agro Industries Corporation Limited
HPGIC	Himachal Pradesh General Industries Corporation Limited
HPMC	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited
HPMFDC	Himachal Pradesh Minorities Finance and Development Corporation
HPPCL	Himachal Pradesh Power Corporation Limited
HPPTCL	Himachal Pradesh Power Transmission Corporation Limited
HPSCSC	Himachal Pradesh State Civil Supplies Corporation Limited
HPSEBL	Himachal Pradesh State Electricity Board Limited
HPSEDC	Himachal Pradesh State Electronics Development Corporation Limited
HPSFDC	Himachal Pradesh State Forest Development Corporation Limited

HPSHHC	Himachal Pradesh State Handicrafts and Handloom Corporation Limited
HPSIDC	Himachal Pradesh State Industrial Development Corporation Limited
HPTDC	Himachal Pradesh Tourism Development Corporation Limited
Hz	Hertz
IPG	Internet Payment of Gateway
KV	Kilo Volts
ME&F	Ministry of Environment and Forest
MIS	Management Information System
MPP&P	Multi Purpose Projects and Power Department
MRI	Meter Reading Instrument
MTPC	Manual on Transmission Planning Criteria
MUs	Million Units
MVA	Mega Volts Ampere
MW	Mega Watt
NEP	National Electricity Policy/Plan
NREB	Northern Region Electricity Board
PGCIL	Power Grid Corporation India Limited
PSUs	Public Sector Undertakings
PTR	Power Transformer
PV	Physical Verification
REA	Regional Energy Accounts
REC	Rural Electrification Corporation
RLDC	Regional Load Despatch Center
RPC	Regional Power Committee
RTUs	Remote Terminal Units
S/C	Single Circuit
SAR	Separate Audit Report
SERC	State Electricity Regulatory Commission
SLDC	State Load Despatch Centre
SMSs	Sub-Station Management System
SSs	Sub-Stations
STUs	State Transmission Utilities
T&D	Transmission and Distribution
TD	Transmission to Distribution
TLL	Thermal Loading Limit
TPSS	Transmission Planning and Security Standards
UI	Unscheduled Interchange
VAT	Value Added Tax