REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2005

COMMERCIAL
GOVERNMENT OF HARYANA

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Preface

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

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

2. This report deals with the results of audit of Government companies and Statutory corporations and has been prepared for submission to the Government of Haryana under Section 19A of the Comptroller and Auditor General's (CAG) (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time. The results of audit relating to departmentally managed commercial undertakings are included in the Report of the Comptroller and Auditor General of India (Civil)-Government of Haryana.

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

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

5. The cases mentioned in this Report are those, which came to notice in the course of audit during the year 2004-05 as well as those which came to notice in earlier years, but were not dealt with in the previous Reports. Matters relating to the period subsequent to 2004-05 have also been included, wherever necessary.

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OVERVIEW

1. Overview of Government companies and Statutory corporations

As on 31 March 2005, the State had 29 Public Sector Undertakings (PSUs) comprising 27 Government companies and two Statutory corporations as against the same number of PSUs as on 31 March 2004. Out of 27 Government companies, 19 were working and eight were non-working Government companies. Both the Statutory corporations were working corporations.

(Paragraph 1.1)

The total investment in working PSUs increased from Rs. 9,373.98 crore as on 31 March 2004 to Rs. 9,706.70 crore as on 31 March 2005. The total investment in non-working PSUs increased from Rs. 67.45 crore to Rs. 140.68 crore during the same period.

(Paragraphs 1.2 and 1.16)

The budgetary support from the State Government in the form of capital, loans and grants/subsidies disbursed to the working PSUs increased from Rs. 1,222.29 crore in 2003-04 to Rs. 1,375.78 crore in 2004-05. The State Government guaranteed loans aggregating Rs. 985.54 crore to seven PSUs (all working) during 2004-05. The total amount of outstanding loans guaranteed by the State Government to all PSUs was Rs. 4,167.82 crore as on 31 March 2005.

(Paragraph 1.5)

Only three working Government companies and two non-working Government companies finalised their accounts for the year 2004-05 by 30 September 2005. The accounts of 16 working Government companies and two Statutory corporations were in arrears for periods ranging from one to seven years as on 30 September 2005. Similarly, accounts of five non-working companies were in arrears for three to five years as on 30 September 2005. Two non-working companies were under liquidation.

(Paragraphs 1.6 and 1.19)

According to the latest finalised accounts, 12 working PSUs (11 Government companies and one Statutory corporation) earned aggregate profit of Rs. 103.60 crore. Against this, seven working PSUs (six Government companies and one Statutory corporation) incurred aggregate loss of Rs. 11.86 crore. Of the loss incurring working Government companies, one company had accumulated loss of Rs. 9.47 crore, which was more than 39 times of its paid-up capital of Rs. 24.04 lakh.

(Paragraphs 1.7 and 1.9)

Even after ten to 40 years of their existence, the individual turnover of six Government companies (four working and two non-working) had been less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Further, two non-working Government companies had been incurring losses for five consecutive years as per their latest finalised accounts, leading to negative net worth. As such, the Government may either improve the performance of these eight Government companies or consider their closure.

(Paragraph 1.36)

2. Reviews relating to Government companies

Reviews relating to Disbursement, utilisation and recovery of financial assistance by **Haryana Scheduled Castes Finance and Development Corporation Limited** and Erection, augmentation and maintenance of high tension/low tension lines & sub-stations by **Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited** were conducted and some of the main findings are as follows:

Disbursement, utilisation and recovery of financial assistance by Haryana Scheduled Castes Finance and Development Corporation Limited

Haryana Scheduled Castes Finance and Development Corporation Limited is a wholly owned Government company incorporated with the objective to ensure socio-economic and educational upliftment of the Scheduled Castes Community in the State. The Company could cover 46 *per cent* of the targeted population due to flawed selection of eligible beneficiaries, non-existence of a system of impact assessment, and inadequate/under-financing of projects, disbursement of subsidy to ineligible beneficiaries, inability to form Self Help Groups, lack of monitoring system and improper follow up with the banks resulting in low coverage of targeted group. There were several instances of diversion of subsidy money for disbursal as margin money bearing interest.

The Recovery performance of loan was not satisfactory. There was constant increase in the overdues recoverable, which in turn affected wider coverage of beneficiaries.

(Chapter 2.1)

Erection, augmentation and maintenance of high tension and low tension lines and sub-stations by Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited

Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited control the sub-transmission and distribution system of 33 KV and below for distribution of power in northern and southern parts of the State, respectively. The companies failed to achieve their targets for erection and augmentation of sub-stations and transmission lines.

There were delays in implementation of system improvement schemes/works which resulted in non-accrual of envisaged benefits to be achieved through reduction in distribution losses.

The maintenance and up-keep of distribution transformers was marred by deficiencies, which rendered the transformers susceptible to higher risk of damage.

(Chapter 2.2)

3. Transaction audit observations

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

Loss of Rs 5.59 crore in 10 cases due to misappropriation, higher payment of interest, under charging of penalty, non-levy of surcharge, short recovery of water charges and excess payment towards Employees Provident Fund Scheme.

(Paragraphs 3.2, 3.4 to 3.7, 3.11, 3.12, 3.14, 3.16 and 3.17)

Non recovery of dues amounting to Rs. 11.54 crore in three cases due to violation of laid down terms and conditions/laid down procedures.

(Paragraphs 3.1, 3.13 and 3.15)

Overpayment/extra expenditure of Rs. 9.57 crore in three cases due to undue favour to contractor, acceptance of delayed supplies at higher rates and purchase of power from private producer in excess of contracted capacity.

(Paragraphs 3.3, 3.9 and 3.10)

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

Sanction and disbursement of loan by **Haryana State Industrial Development Corporation Limited** without safeguarding its interest put the recovery of dues of Rs. 9.13 crore at stake.

(Paragraph 3.1)

Dakshin Haryana Bijli Vitran Nigam Limited accepted delayed supply of 1,73,502 single–phase electronic meters which resulted in extra expenditure of Rs. 2.98 crore as compared to lower prevailing market rate for similar type of meters.

(Paragraph 3.3)

Haryana Power Generation Corporation Limited paid higher insurance premium and price variation thereon, which resulted in over payment of Rs. 6.03 crore.

(Paragraph 3.9)

Sanction of loan by **Haryana Financial Corporation** against deficient security and release of loan without obtaining no objection certificate from Pollution Control Board, led to non recovery of Rs. 1.08 crore.

(Paragraph 3.13)

Haryana Warehousing Corporation delivered paddy to millers without adequate security which led to misappropriation of rice and loss of Rs. 55.93 lakh.

(Paragraph 3.17)

Chapter-I

1. Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2005, there were 27 Government companies (19 working companies and eight non-working* companies) and two Statutory corporations (both working) same as on 31 March 2004 under the control of the State Government. In addition, the State had formed Haryana Electricity Regulatory Commission whose audit is also being conducted by Comptroller and Auditor General of India (CAG). The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the CAG as per provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of the Statutory corporations are as shown below:

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

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2005, the total investment in 21 working PSUs (19 Government companies and two Statutory corporations) was Rs. 9,706.70 crore (equity: Rs. 2,274.30 crore; long-term loans**: Rs. 7,079.00 crore and share application money: Rs. 353.40 crore) as against total investment of Rs. 9373.98 crore (equity: Rs. 2,121.82 crore, long-term loans: Rs. 6,911.89 crore and share application money: Rs. 340.27 crore) as on 31 March 2004. Analysis of investment in working PSUs is given in the following paragraphs.

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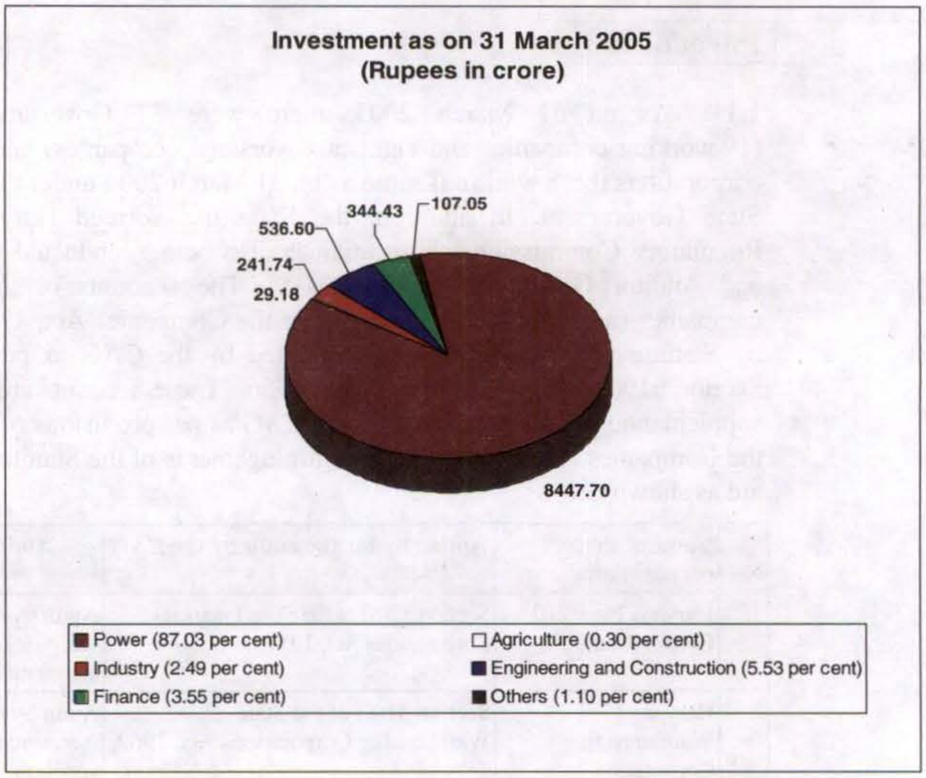
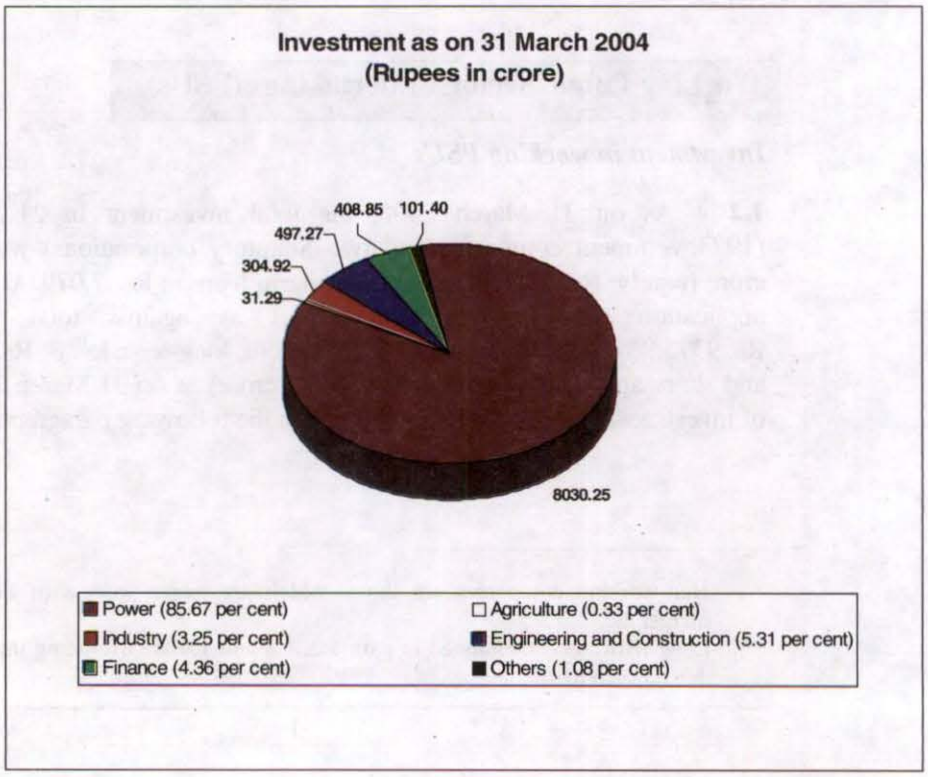
* Non-working companies are those, which are under process of liquidation/closure/ merger etc.

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

Sector wise investment in working Government companies and Statutory corporations

The investment (equity and long-term loans) in various sectors and percentage thereof at the end of March 2005 and March 2004 are indicated below in the pie charts:





Working Government companies

1.3 The total investment in working Government companies at the end of March 2004 and March 2005 was as follows:

(Amount: Rupees in crore)

Year	Number of working Government companies	Equity	Share application money	Long-term loans	Total
2003-04	19	2,085.06	340.27	6,523.86	8,949.19
2004-05	19	2,237.53	353.40	6756.56	9347.49

As on 31 March 2005, the total investment of working Government companies comprised 27.72 *per cent* equity capital and 72.28 *per cent* loans as compared to 27.10 and 72.90 *per cent,* respectively as on 31 March 2004.

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

Due to increase in paid up capital of power sector the debt equity ratio of working Government companies as a whole decreased from 2.69:1 in 2003-04 to 2.61:1 in 2004-05.

Working Statutory corporations

1.4 The total investment in two working Statutory corporations at the end of March 2004 and March 2005 was as follows:

(Rupees in crore)

Name of the corporation	2003-04		2004-05	
	Capital	Long-term loans	Capital	Long-term loans
Haryana Financial Corporation	30.92	377.93	30.93	313.51
Haryana Warehousing Corporation	5.84	10.10	5.84	8.93
Total	**36.76**	**388.03**	**36.77**	**322.44**

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

Due to decrease in long-term loans of both the corporations, the debt equity ratio as a whole decreased from 10.55:1 in 2003-04 to 8.77:1 in 2004-05.

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

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

The State Government did not provide financial support in the form of equity capital, loans or grants/subsidies to Statutory corporations during 2002-05 except Rs 0.20 lakh provided as equity capital to Haryana Financial Corporation during 2004-05. The budgetary outgo* in the form of equity capital, loans and grants/subsidies from the State Government to working Government companies during 2002-05 are given below:

(Amount: Rupees in crore)

Particulars	2002-03		2003-04		2004-05	
	No. of companies	Amount	No. of companies	Amount	No. of companies	Amount
Equity capital	6	147.98	10	130.19	7	166.98
Loans	3	40.99	3	87.79	3	21.96
Grants/Subsidy towards						
1.Projects/ Programmes/ Schemes	2	2.84	7	77.74	5	16.10
2.Others	6	851.51	6	926.57	5	1,170.74
Total grants/ subsidy		854.35		1,004.31		1,186.84
Total outgo		**1,043.32**		**1,222.29**		**1,375.78**

During the year 2004-05, the Government had guaranteed loans aggregating Rs.985.54 crore obtained by six working Government companies (Rs. 501.43 crore) and one working statutory corporation (Rs. 484.11 crore). At the end of the year, guarantees* amounting to Rs. 4,167.82 crore against 11 working Government companies (Rs. 4,069.31 crore) and one working Statutory corporation (Rs.98.51 crore) were outstanding. The guarantee commission paid/payable to Government by six Government companies and one Statutory corporation during the year was Rs. 15.95 crore and Rs. 60.51 lakh, respectively.

Finalisation of accounts by working PSUs

1.6 Out of 21 working PSUs (19 Government companies and two Statutory corporations), only three companies had finalised their accounts for the year 2004-05 by 30 September 2005. During the period from October 2004 to September 2005, 13 working Government companies

* Reconciliation of figures with Finance Accounts is pending.

finalised 15 accounts for previous years. Similarly, one corporation finalised two accounts for previous years during this period.

The accounts of 16 working Government companies and two Statutory corporations involving 37 accounts were in arrears for periods ranging from one to seven years as on 30 September 2005 as detailed below:

Sl. No.	Number of working companies/corporations		Period for which accounts were in arrears	Number of years for which accounts were in arrears	Reference to Serial No. of Annexure 2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
1.	1	-	1998-99 to 2004-05	7	A-8	-
2.	1	-	2000-01 to 2004-05	5	A-13	-
3.	2	-	2001-02 to 2004-05	4	A-12 and A-15	-
4.	1	-	2002-03 to 2004-05	3	A-16	-
5.	3	-	2003-04 to 2004-05	2	A-5, A-6 and A-16	-
6.	9	2	2004-05	1	A-1, A-2, A-3, A-9, A-10, A-11, A-14, A-18 and A-19	B-1 and B-2

Financial position and working results of working PSUs

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

According to the latest finalised accounts of 19 working Government companies and two working Statutory corporations, six companies and one Statutory corporation had incurred an aggregate loss of Rs. 8.04 crore and Rs. 3.82 crore, respectively. Eleven Government companies and one Statutory corporation earned an aggregate profit of Rs.89.68 crore and Rs.13.92 crore, respectively. One company (Sl. No. A10 of **Annexure 2**) did not prepare profit and loss account as it capitalised excess of expenditure over income and another company (Sl. No. A16 of **Annexure 2**) neither showed profit nor loss, as its total income was equal to expenditure.

Working Government companies

Profit earning working Government companies and dividend

1.8 Three Government companies (Sl. No. A4, A7 and A17 of **Annexure 2**) finalised their accounts for the year 2004-05 up to 30 September 2005 and earned aggregate profit of Rs. 7.01 crore. Similarly, out of 13 Government companies, which finalised their accounts for previous years by 30 September 2005, seven$ companies earned an aggregate profit of Rs.246.89 crore. All these companies earned profit for two or more successive years. The State Government had formulated (October 2003) a dividend policy under which all PSUs are required to pay a minimum return of four *per cent* on the paid up share capital contributed by the State Government. No Company had, however, declared dividend during the year.

Loss incurring working Government companies

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

Working Statutory corporations

Profit earning Statutory corporation

1.10 Haryana Warehousing Corporation had not finalised its account for the year 2004-05.

Loss incurring Statutory corporation

1.11 Haryana Financial Corporation finalised its accounts for 2002-03 and 2003-04 and suffered a loss of Rs. 2.91 crore and 3.82 crore respectively. The Corporation had accumulated loss of Rs. 143.25 crore, which exceeded its paid-up capital of Rs.30.92 crore by more than four times.

Operational performance of working Statutory corporations

1.12 The operational performance of the working Statutory corporations is given in **Annexure 6**. In Haryana Financial Corporation, the overdue amount of loans increased from Rs. 1136.92 crore in 2002-03 to Rs. 1,476.31 crore in 2004-05. The percentage of overdue loans to total outstanding loans also increased from 59.91 to 68.80 during this period.

Return on capital employed

1.13 As per the latest finalised accounts (up to 30 September 2005), the capital employed* worked out to Rs. 7,446.50 crore in 19 working Government companies and total return** thereon amounted to Rs. 726.94 crore (9.76 *per cent*) as compared to total return of Rs. 653.34 crore (10.39 *per cent*) on capital employed of Rs. 6,289.28 crore in previous year (accounts finalised up to September 2004). Similarly, the capital employed and total return thereon in case of two working Statutory corporations as per latest finalised accounts (up to 30 September 2005) worked out to Rs. 820.40 crore and Rs. 57.77 crore (7.04 *per cent*), respectively as against capital employed of Rs. 895.98 crore and

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$ Sl. No. A-1, 5,6,14,17,18 and 19 of Annexure 2.

Sl. No. A-9 of Annexure 2.

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

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

the total return of Rs. 69.73 crore (7.78 *per cent*) thereon for previous year (accounts finalised up to September 2004). The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in **Annexure 2**.

Reforms in power sector

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

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

Sl No.	Commitment as per MOU	Targeted completion schedule	Status (As on 31 March 2005)
	Commitments made by the State Government		
1.	Reduction in transmission and distribution (T&D) losses	T&D losses set at 40.76 *per cent* by HERC during 2000-01 were proposed to be brought down by 5 *per cent* each year (20.76 *per cent* by 2004-05).	35.6 *per cent*
2.	100 *per cent* metering of all distribution feeders	31 March 2001	Completed in March 2001
3.	100 *per cent* metering of all consumers	31 December 2001	Metering of all consumers except agriculture (2.20 lakh) has been completed.
4.	Securitise outstanding dues of Central Public Sector Undertakings	Outstanding dues were to be securitised and current dues were not to exceed two months billing.	Regular payments were being made since October 2001 after securitisation of old dues.
5.	Haryana Electricity Regulatory Commission (HERC)		
	Establishment of HERC	-	Already established in August 1998
	Implementation of tariff orders issued by HERC during 2004-05	-	Implemented
	Commitments made by the GOI		
6.	Supply of additional power	Not fixed	During 2004-05, additional power ranging between 12 and 28 *per cent* out of unallocated quota was given.
	General		
7.	Monitoring of MOU	Quarterly	Being monitored regularly

State Electricity Regulatory Commission

1.15 Haryana Electricity Regulatory Commission (Commission) was formed on 17 August 1998 under the Haryana Electricity Reforms Act, 1997 (Act) with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. The Commission is a body corporate and comprises three members including a Chairman, who are appointed by the State Government. As per Section 8(3) of the Act, all expenditure of the Commission is to be charged to the Consolidated Fund of the State. The audit of accounts of the Commission is conducted by CAG under Section 104(2) of Electricity Act, 2003. Under Section 103 of the Act, *ibid*, the State Government was to constitute a State Electricity Regulatory Commission Fund for crediting its receipts by way of grants/loans, fee etc. to meet out expenses of the commission. The fund is yet to be constituted (30 September 2005). The Commission had finalised its accounts up to 2003-04. During 2004-05, the Commission issued nine orders (one on annual revenue requirements and eight on others) against eight orders (six on annual revenue requirements and two on others) during 2003-04.

Non-working Public Sector Undertakings

Investment in non-working PSUs

1.16 As on 31 March 2005, the total investment in eight non-working PSUs (all Government companies) was Rs. 140.68 crore (equity: Rs. 23.97 crore; long-term loans: Rs. 116.64 crore and share application money: Rs. 7.05 lakh) as against total investment of Rs. 67.45 crore (equity: Rs. 23.97 crore; long-term loans: Rs. 43.41 crore and share application money: Rs. 7.05 lakh) as on 31 March 2004. The summarised position of Government investment in non-working Government companies in the form of equity and loans is detailed in **Annexure 1**.

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

(Amount: Rupees in crore)

Sl. No.	Status of non-working PSUs	Number of companies	Investment	
			Equity	Long-term loans
1.	Under liquidation##	2	6.86	3.69
2.	Others (non-working)$	6	17.18	112.95
	Total	**8**	**24.04**	**116.64**

\## Sl. No. C-1 and C-5 of Annexure 2.

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

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

1.17 The State Government did not release any funds to non-working companies during the year 2004-05. At the end of the year, guarantee amounting to Rs. 30.00 lakh against one non-working Government company was outstanding as against Rs. 31.84 crore as on 31 March 2004.

Total establishment expenditure of non-working PSUs

1.18 The year wise details of total expenditure of non-working Government companies and the sources of financing them during last three years up to 2004-05 are given below:

(Amount: Rupees in lakh)

Year	Number of Government companies	Total establishment expenditure	Financed by		
			Disposal of investment/assets	Government Loans	Others
2002-03	3*	49.96	31.85	-	18.11
2003-04	4**	31.73	29.36	0.12	2.25
2004-05	4**	65.00	41.72	-	23.28

Finalisation of accounts by non-working PSUs

1.19 Out of eight non-working Government companies, two companies (Sl. No. C-3 and C-4 of **Annexure 2**) finalised their accounts for 2004-05 during October 2004 to September 2005. The accounts of four non-working companies were in arrears for three to five years as on 30 September 2005. Two^ companies were under liquidation as seen from **Annexure 2**.

Financial position and working results of non-working PSUs

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

The net worth of eight non-working companies against their paid-up capital of Rs. 29.61 crore was (-) Rs. 138.89 crore. These companies suffered cash loss of Rs. 21.27 crore and their accumulated loss worked out to Rs. 168.50 crore.

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* Sl. No. C-2, C-6 and C-8 of Annexure 2.

** Sl. No. C-2, C-3, C6 and C-8 of Annexure 2.

^ Sl.No. C-1 and C-5 of Annexure 2.

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

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

Sl. No.	Name of Statutory corporation/ Regulatory Commission	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Haryana Financial Corporation	2000-01	2001-02	3 December 2004	Hindi version of Audit Report has not been sent by the Corporation
			2002-03	4 July 2005	Hindi version of Audit Report has not been sent by the Corporation
			2003-04	under finalisation	-
2.	Haryana Warehousing Corporation	2002-03	2003-04	14 January 2005	SAR for 2003-04 is under print.
3.	Haryana Electricity Regulatory Commission	2002-03	2003-04	22 December 2004	Hindi version of Audit Report was sent to the State Government on 04 March 2005.

Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

1.22 The State Government did not undertake the exercise of disinvestment, privatisation and/or restructuring of any of its PSUs during 2004-05.

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

1.23 During the period from October 2004 to September 2005, the accounts of 15 Government companies (13 working and two non-working) and one Statutory corporation were selected for review. The net impact of important audit observations as a result of review of the accounts of the PSUs was as follows:

Sl No.	Details	Number of Accounts		Amount (Rupees in crore)	
		Government companies	Statutory corporations	Government companies	Statutory corporations
1.	Decrease in profit	3	1	7.56	12.00
2.	Increase in loss	1	1	0.60	3.39
3.	Non disclosure of material facts	1	1	19.66	3.25
4.	Errors of classification	1	-	27.54	-

Some of the major errors and omissions noticed during October 2004 to September 2005 in the course of review of annual accounts of these PSUs are mentioned below:

Errors and omissions in case of Government Companies

Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited (1999-2000)

1.24 The Statutory auditor had not quantified that due to non-provision of gratuity and leave encashment provisions and accumulated loss were understated by Rs. 47.93 lakh.

Haryana Roadways Engineering Corporation Limited (2002-03)

1.25 The Statutory auditor had not quantified that due to non-provision of gratuity and leave encashment current liabilities were understated and Reserve and Surplus were overstated by Rs. 1.01 crore.

Uttar Haryana Bijli Vitran Nigam Limited (2003-04)

1.26 The profit was overstated by Rs. 4.68 crore due to non provision of liability for cash financial assistance.

Dakshin Haryana Bijli Vitran Nigam Limited (2003-04)

1.27 The profit was overstated by Rs. 1.87 crore due to refund (July 2004) of Rs. 99.63 lakh charged to consumer for theft of power and non provision of liability of Rs. 87.50 lakh on account of ex-gratia to employees.

Errors and omissions in case of Statutory Corporations

Haryana Financial Corporation (2001-02)

1.28 Short provision of Rs. 88.58 lakh against loans and advances resulted in overstatement of loans & advances and understatement of accumulated loss to that extent.

Haryana Financial Corporation (2002-03)

1.29 Non-provision against non-performing assets in two cases resulted in understatement of accumulated loss by Rs. 86.44 lakh.

1.30 Short provision of Rs. 51.15 lakh against doubtful loans and advances resulted in overstatement of loans and advances and understatement of accumulated loss to that extent

1.31 Claims recoverable, not admitted by the official liquidator, of Rs. 56.25 lakh resulted into overstatement of claims and understatement of loss to that extent.

Haryana Warehousing Corporation (2003-04)

1.32 Inclusion of incidentals recoverable from Food Corporation of India as per provisional rate (Rs. 114.18 per quintal) against the actual expenditure (Rs. 96.52 per quintal) had resulted in overstatement of profit and claims recoverable by Rs. 1.62 crore.

1.33 In violation of Accounting Standard-2 of the Institute of Chartered Accountants of India inclusion of storage charges and interest of Rs. 2.15 crore and Rs. 8.23 crore, respectively as income on undelivered stock had resulted in overstatement of profit by Rs. 10.38 crore.

Recovery at the instance of audit

1.34 The power utilities had recovered Rs. 23.08 lakh in five cases on account of penalty for delay in supply (Rs.12.50 lakh), development charges (Rs. 5.91 lakh), power factor penalty (Rs.3.15 lakh), short billing (Rs.1.41 lakh) and double payment to the contractor (Rs. 0.11 lakh) after being pointed out in audit.

Internal audit/internal control

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

Sl. No.	Nature of comment made by Statutory Auditors	Number of the companies where recommendations were made	Reference to serial number of the companies as per Annexure 2
1.	Non preparation of periodical trial balances	2	A-13 and A-14
2.	Absence of system of monitoring and timely recovery of outstanding dues	3	A-13, A-19 and A-14
3.	Non-preparation of segment-wise profit and loss account	1	A-13
4.	Non-fixation of minimum/maximum limits of store and spares and economic order quantity for procurement of stores	1	A-19
5.	Absence of internal audit system commensurate with the nature and size of business of the company	3	A-13, A-19 and A-14
6.	Non-framing of policy for determination of slow and non-moving items	1	A-19
7.	Absence of norms for employment of manpower	2	A-19 and A-14
8.	Non formation of Audit Committee	1	A-13

Recommendations for closure of PSUs

1.36 Even after ten to 40 years of their existence, the individual turnover of six Government companies (four* working and two** non-working) had been less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Two$ non-working Government companies had been incurring losses for five consecutive years as per their latest finalised accounts leading to negative net worth.

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

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

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

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

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

1.37 The status of Audit Reports (Commercial) and their reviews and paragraphs pending for discussion as on 30 September 2005 is as under:

Period of Audit Report	Number of reviews/paragraphs			
	Appeared in Audit Report		Pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
2000-01	4	16	4	-
2001-02	2	14	2	11
2002-03	3	19	3	19
2003-04	2	22	2	22

During the year 2004-05, the COPU completed discussion of three paras in respect of Audit Report for the year 2000-01. The COPU also discussed one review of Audit Report for the year 1999-2000, 13 paragraphs of Audit Report for the year 2000-01 and three paragraphs of Audit Report for the year 2001-02 since April 2005 to September 2005. Audit Report (Commercial) for the year 2003-04 was placed before the State Legislature on 22 March 2005.

619-B Companies

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

Chapter-II

2. Reviews relating to Government companies

Haryana Scheduled Castes Finance and Development Corporation Limited

2.1 Disbursement, utilization and recovery of financial assistance

Highlights

Haryana Scheduled Castes Finance and Development Corporation Limited (Company) incorporated in January 1971 to ensure socio-economic and educational upliftment of the Scheduled Castes Community was able to cover only 46 *per cent* of SC families despite spending Rs. 173.58 crore since inception. Besides no evaluation studies were conducted to determine the benefits derived by the beneficiaries.

(Paragraphs 2.1.1 and 2.1.30)

The objective of the scheme of upliftment of the Scheduled Caste Community was defeated due to high incidence of disbursement of subsidy to ineligible beneficiaries resulting in low coverage of targeted group. There were several instances of diversion of subsidy money for disbursal as margin money bearing interest (Rs.13.35 crore).

(Paragraphs 2.1.7 and 2.1.21)

The Company failed to achieve physical as well as financial targets during 1999-2003. During 2003-04 the Company unauthorisedly reduced the margin money from 25 to 10 *per cent* to achieve its targets. Reduction of margin money not only saddled the beneficiaries with additional liability of interest on bank loan (Rs. 2.56 crore) but the role of the Company in economic upliftment of Scheduled Castes Community was also diluted to that extent.

(Paragraphs 2.1.13 and 2.1.16)

The Company delayed its recommendations for loans in 65 *per cent* cases. It took 21 to 366 days against the stipulated time of 20 days. Similarly 73 *per cent* of the margin money/subsidy cheques were sent late to the banks adversely affecting disbursal to the beneficiaries. There was no system to analyse delay in sanction of loans or to monitor timely disbursement thereby impacting the efficiency of the scheme.

(Paragraphs 2.1.10 and 2.1.11)

Recovery performance was dismal at 17 to 22 *per cent* of the total amount recoverable. Consequently, recycling of funds was adversely affected, which in turn affected wider coverage of beneficiaries.

(Paragraph 2.1.32)

The Company's inability to motivate the Scavenger/Dependents to form SHGs resulted in non-implementation of the scheme and the Company refunded (March 2003) amount of Rs. 1.18 crore advanced to it by NSKFDC meant for providing assistance to safai Karamcharis/ dependents.

(Paragraph 2.1.28)

The Company could carry out physical verification of assets of only 11.6 *per cent* of the beneficiaries during 1999-2004 in one out of six district offices. Out of these assets of 67 beneficiaries did not exist.

(Paragraph 2.1.29)

Introduction

2.1.1 Haryana Harijan Kalyan Nigam Limited (Company) was incorporated in January 1971 as a wholly owned Government Company (renamed Haryana Scheduled Castes Finance and Development Corporation Limited in March 2000) with the objective to undertake the task of socio-economic and educational upliftment of the Scheduled Castes (SCs) community in the State by extending financial assistance. The Company has, however, not rendered any assistance to the community for their educational upliftment.

The State Government recognises 37 Castes as SCs in the State. As per 2001 census, Haryana State had a total population of 2.11 crore. Of this, SC population was 40.91 lakh (19.39 *per cent*). This included 32.11 lakh rural and 8.80 lakh urban SC population, comprising 6.82 lakh families* (Rural: 5.35 lakh, urban: 1.47 lakh). As per survey conducted during 1997-98, SC families living below poverty line were 3.67 lakh (Rural 3.11 lakh; urban 0.56 lakh). The Company extended financial assistance of Rs. 173.58 crore to 3.14 lakh SC families (46$ *per cent*) under various schemes since inception i.e. January 1971 to March 2004.

* This has been worked out taking family as of six members.

$ Based on 6.82 lakh SC families as per 2001 census.

The organisation chart of the Company relating to disbursement, utilization and recovery of financial assistance to SCs is given below:

During 1999-2004, five incumbents held the charge of Managing Director (MD). As per Government of India (GOI), Ministry of Welfare recommendations (February 1996) chief executives of various Corporations implementing the welfare programmes for SCs must be appointed for a minimum tenure of three years. Out of five MDs, appointed during 1999-2004, only one MD held office for three years. The tenure of other four MDs ranged between seven days and 10 months in violation of GOI's recommendations. Frequent changes impeded the performance of the Company as discussed in the succeeding paragraphs.

Scop of Audit

2.1.2 The working of the Company was last reviewed in the Report of the Comptroller and Auditor General of India for the year 1994-95 (Commercial), Government of Haryana. The Committee on Public Undertakings (COPU) discussed the review and its recommendations contained in 43rd Report were presented to the State Legislature on 22 January 1998. The COPU discussed (September/December 2000) Action Taken Notes (ATNs) on the recommendations and settled the review on the basis of assurances given/compliance by the management/Government.

The present review conducted during November 2004 to March 2005 covers the performance of the company with regards to disbursement, utilisation and recovery of financial assistance in six* (32 *per cent*) out of 19 districts during 1999-2004 under following schemes:

- Bank Tie-up scheme,
- Construction of Dwelling-cum-shed scheme,

* Ambala, Jind, Kaithal, Karnal, Sirsa and Yamunanagar.

- Direct Loaning/Loans under National Scheduled Castes Finance and Development Corporation (NSFDC) scheme, and

- National Safai Karamcharis Finance and Development Corporation (NSKFDC) Scheme.

The sample selected constitutes 40 *per cent* of the total number of beneficiaries as well as amount of total financial assistance provided. Audit findings were referred to the Government/Company in May 2005 and discussed at a meeting of Audit Review Committee for State Public Sector Enterprises (ARCPSE) held on 1 September 2005, which was attended by the MD of the Company. Views of the company were considered while finalising the review.

Audit objectives

2.1.3 The audit objectives of the review were to ascertain whether:

- the Company planned and executed its activities to successfully cover the entire targeted population in an effective and efficient manner; the Company periodically reviewed the impact of its activities and took remedial measure wherever required;

- the financial assistance provided to the targeted groups was in consonance with the guidelines issued by Government of India/State Government and NSFDC/NSKFDC and there was no diversion for other purposes or to ineligible beneficiaries;

- the sector wise targets set for loans, margin money, subsidy and bank loans were achieved and whether there were delays in processing the cases at various stages of scheme implementation;

- the monitoring system evolved by the Company was qualitatively adequate and effective enough to achieve the desired objectives in an efficient and effective manner;

- the Company was able to monitor and steer the upliftment process to ensure timely recovery of loans so as to recycle resources for other eligible beneficiaries; and

- the Company was sensitive to the inherent risks associated with its activities and had devised and put in place adequate and robust system of internal control.

Audit criteria

2.1.4 Following audit criteria were adopted:

- eligibility norms/quantum of financial assistance;
- adequacy of financial assistance vis-à-vis project cost;
- achievement of physical and financial targets by the Company;
- utilisation of available funds without allowing diversion and misutilisation of funds;
- compliance of guidelines issued by GOI/State Government and NSFDC; and
- compliance of terms of the agreements executed with beneficiaries.

Audit methodology

2.1.5 Audit followed the following methodologies:

- analysis of Company's procedure in respect of disbursement, utilisation and recovery of financial assistance. For this the Audit scrutinised the Memorandum and Articles of Associations, minutes/agenda notes of the meetings of Board of Directors, guidelines issued by GOI/State Government, NSFDC, NSKFDC and loan agreements with beneficiaries, etc;
- analysis of data in respect of disbursement, utilisation and recovery, available with the Company and other relevant source. For this, Audit scrutinised monthly progress reports/Annual Action Plans, annual budgets, financial statements of the Company and Below Poverty Line (BPL) survey list available with the respective Additional Deputy Commissioner (ADC); and
- a questionnaire seeking answers to various queries was given to the Company and the Managing Director gave the answers thereto in his presentation on the working of the Company.

Audit findings

2.1.6 Performance of the Company was wanting in all areas of its activity. The Company neither achieved physical nor financial targets, there was high incidence of disbursement of subsidy to ineligible beneficiaries, inadequate financial assistance to assisted beneficiaries, non-formation of Self Help Groups and poor recovery performance as discussed in the succeeding paragraphs.

Special Central Assistance

The Company disbursed margin money of Rs. 13.35 crore from the SCA in violation of Government of India guidelines.

2.1.7 The Central scheme of Special Central Assistance (SCA) was introduced in 1979-80 to give a thrust to the development programme for SCs. The SCA was to be disbursed as subsidy to Below Poverty Line (BPL) beneficiaries in conjunction with loan component from other sources. The GOI had directed (October 2000) that while disbursing subsidy the guidelines contained in the Swarnjayanti Gram Swarozgar Yojna (SGSY) issued by Ministry of Rural Development may be followed in totality. The Company received Rs. 46.06 crore as SCA during 2000-05. The Company disbursed Rs. 13.35 crore as margin money* bearing interest from the SCA upto March 2004 in violation of GOI guidelines, on the plea of insufficient receipt of share capital and to achieve the targets of disbursement.

Deficiency in service/problems faced by applicants

2.1.8 National Productivity Council (NPC) in their Evaluation study had, *inter-alia*, brought out (January- March 1996) the problems being faced by the applicants in obtaining application forms. The Board of the Company had also noted (January 2000) that in Yamunanagar, Bhiwani and Rohtak districts, there were middlemen who collected bribe for getting loan applications cleared from District Managers offices. The Company did not conduct any independent study or sample survey to ascertain problems being faced by the beneficiaries in obtaining loan application forms and/or processing of application, for taking corrective measures. During ARCPSE meeting MD assured that this aspect will also be covered in the study to be got conducted to assess the impact of financial assistance extended by the Company.

Disbursement of financial assistance

Selection of beneficiaries

2.1.9 As per annual action plan, the Company was to identify the eligible beneficiaries for sanction of loan by organising credit camps under overall supervision of ADC concerned. These credit camps were to be attended by the representatives of District Rural Development Agency (DRDA), banks, Gram Sachives (Secretaries), etc. The survey conducted by DRDA was also to be taken into consideration by field staff to ascertain the eligibility of the beneficiaries.

Audit observed that the Company neither organised any credit camp nor consulted the BPL census survey lists available with respective ADCs while selecting/identifying the eligible beneficiaries.

* This represents loan granted by Company at concessional rate of interest of four *per cent*.

Delay in sanction of loan

2.1.10 The Company did not fix any time limit for sanction and disbursement of loans under the Bank tie-up scheme while it had fixed 20 days under NSFDC scheme for processing loan applications. Justification for not-fixing time limit for sanction and disbursement was not available on record.

The Hon'ble Minister of State, Ministry of Social Justice and Empowerment, GOI while presiding over the meeting of Managing Directors of State Channelising Agencies (CAs) of Apex Corporations had, *inter-alia*, suggested (July1999) that the CAs need to improve their working so as to meet the objective of speedy and timely disbursal of loans to the eligible beneficiaries. In ATNs (September 2000) to COPU's recommendations (January 1998), the State Government/management assured to pursue the cases rapidly with the banks.

Audit observed that district offices did not maintain complete records such as periodical return/register to monitor timely sanction and disbursement of loan. In the absence of complete records, the overall extent of delay could not be analysed in audit. However, a test-check of 285 cases in three* districts during 1999-2004 revealed that:

The Company delayed its recommendations for loans in 65 *per cent* cases.

- the Company delayed its recommendations for loans in 185 cases (65 *per cent*). It took 21 to 100 days in 133 cases, 101 to 365 days in 47 cases and above 366 days in five cases against the stipulated time of 20 days fixed under NSFDC scheme;
- the banks delayed the sanction of loan after receipt of application from the Company in 222 cases (78 *per cent*). The banks took 31 to 100 days in 133 cases, 101 to 365 days in 87 cases and above 366 days in two cases against the period of 30 days recommended by COPU; and

The Company took 31 to 371 days in 73 *per cent* cases in sending margin money/subsidy cheques to banks.

- in 208 (73 *per cent*) cases, the Company took 31 to 371 days in sending cheques of margin money/subsidy to banks for onward disbursement to beneficiaries alongwith the bank loan.

There was no system to analyse delay in sanction of loans or to monitor timely disbursement thereby impacting the efficiency of the scheme. MD of the Company assured (September 2005) that suitable directions will be issued to field offices to help the beneficiaries in early completion of formalities and liaisoning with banks will also be made effective.

2.1.11 The schemes under the NSFDC are advertised in Hindi news papers for receiving loan applications from the eligible applicants. The applications are scrutinised by the respective District Managers within 20 days and got verified through respective ADCs in further 20 days. Thereafter, the cases of applicants found eligible are placed before the Loan Sanctioning Committee. The Loan Sanctioning Committee did not fix any time frame for sanction of loan. The Company sanctioned and disbursed Rs. 2.37 crore to 77 beneficiaries during 1999-2004.

* Ambala (160), Jind (60) and Kaithal (65)

Sanction and disbursement of loan took 3-24 months in 57 out of 59* cases (97 *per cent*) and 66 out of 76* cases (82 *per cent*) respectively.

The abnormal time taken in sanction and disbursement of loan hampered the upliftment of the beneficiaries. The management attributed (August 2005) the reasons for delay mainly to non-completion of loan documents by the beneficiaries. In ARCPSE meeting the MD of the Company assured to minimise the delay.

Implementation of schemes

2.1.12 During 1999-04, the Company was engaged in the implementation of six schemes, *viz.*

- Bank tie-up scheme
- Construction of Dwelling-cum-shed scheme
- Loans under NSFDC (Direct loan) scheme
- Loans under NSKFDC scheme
- NSLRS and
- Agriculture Land Redemption scheme.

National Scheme for Liberation and Rehabilitation of Scavengers and their dependents (NSLRS) launched by the Government of India (GOI) already stands reviewed and results incorporated in the Report of the Comptroller and Auditor General of India for the year 2001-02 (Civil), Government of Haryana. The review is yet to be discussed by Public Accounts Committee. Agriculture Land redemption scheme was not covered as the disbursement (Rs. 2.35 lakh) thereunder was negligible.

Targets and achievements

2.1.13 The Company fixed annual targets for advancing loan, margin money, subsidy and bank loan. The following table shows the physical and financial

* The date of sanction and disbursement of loan of remaining 18 cases (77-59) and one case (77-76) respectively, was not available.

targets vis-à-vis achievements of all the schemes during 1999-2004:

Year	Targets		Achievements		Percentage of achievements	
	Physical (Number)	Financial (Rupees in crore)	Physical (Number)	Financial (Rupees in crore)	Physical	Financial
1999-2000	12,600	36.33	3,935	8.87	31.2	24.4
2000-01	12,000	36.12	11,183	24.45	93.2	67.7
2001-02	12,500	42.66	10,583	25.83	84.7	60.5
2002-03	12,500	46.26	10,343	25.12	82.7	54.3
2003-04	10,000	36.53	10,151	24.62	101.5	67.4
Total	**59,600**	**197.90**	**46,195**	**108.89**	**77.5**	**55.0**

The Company could achieve neither physical nor financial targets during 1999-2003.

The Company could neither achieve physical nor financial targets during 1999-2003. The shortfall in financial targets during 1999-2004 was Rs. 89.01 crore. During 2003-04, physical targets were achieved due to reduction in targets.

The management stated (August 2005) that main reasons for non-achievement of targets were less receipt of SCA and share capital from GOI and State Government against budgeted provisions and non-sanction of sufficient cases by banks despite adequate sponsoring of loan applications. The reply is not tenable because the banks rejected applications due to various deficiencies in the applications sponsored by the Company. Further, the Company failed to obtain the State Government guarantee for obtaining loan under NSKFDC scheme due to poor recovery performance.

Sector wise targets and achievements

2.1.14 The Company had enlisted 75 schemes as enlisted in **Annexure-7** under four sectors viz. Agricultural & allied (6), Industrial (26), Trade & business (31) and Professional & self employment sector (12). Physical and financial targets* vis-à-vis achievements* under these sectors during 1999-2004 are given in **Annexure-8**.

Audit observed that the Company:

- failed to achieve financial targets during all these five years under Agriculture & allied sector; and
- could not achieve either physical or financial targets under Industrial sector and Professional & self employment sector during all these five years.

* These do not include the figures relating to NSKFDC scheme, NSLR scheme, Dwelling-cum-Shed scheme and Agriculture Land Redemption scheme.

High employment generating activities

The Company did not identify the high employment generating activities as recommended by National Productivity Council.

2.1.15 The Company continued to lay emphasis on Agriculture & allied sector and Trade & business sector and did not identify the high employment generating activities in other sectors as recommended by National Productivity Council (NPC), in an evaluation study carried out (January – March 1996) at the behest of the Company. During 1999-2004, out of total financial assistance of Rs.102.28 crore to 43,165 beneficiaries the Company disbursed Rs. 79.78 crore (78 *per cent*) to 38,037 beneficiaries (88.12 *per cent*) in Agricultural & allied sector and Trade & business sector. Industrial sector and Professional & self employment sector received financial assistance of Rs. 22.50 crore (22 *per cent*) to 5,128 beneficiaries (11.88 *per cent*). A further analysis revealed as under:

- Out of 19,658 beneficiaries under Agriculture & allied sector, 14,698 beneficiaries (75 *per cent*) received financial assistance under Dairy farming (for purchase of buffaloes) during 1999-2004. During 1999-2002 the Company fixed targets on the basis of purchase of three buffaloes costing Rs. 34,200 to Rs. 49,800 per beneficiary. Actual financial assistance thereagainst ranged between Rs. 13,794 and Rs. 18,019 per beneficiary. From 2002-03 the Company reduced the number of buffaloes to two with project cost of Rs. 33,200 per beneficiary. The actual average financial assistance provided thereagainst ranged between Rs. 17,906 and Rs. 17,249 per beneficiary. Audit observed that project cost per buffalo under DRDA scheme was Rs. 20,000 during this period as against Rs. 16,600 fixed by the Company.

- In Industrial sector and Trade & business sector, the average actual financial assistance rendered ranged between Rs. 24,869 and Rs. 25,929 against project unit cost of Rs. 40,000 during 2002-04.

Evidently, the Company under-financed the beneficiaries with a view to achieve higher physical targets by ignoring its impact on the viability/sustainability of these schemes. NPC had also upheld (March 1996) this view in their evaluation study. In ARCPSE meeting, MD of the Company assured to diversify the activities and also informed that DMs had been directed to avoid under-financing in future.

Performance of schemes

Scheme wise performance has been discussed in the succeeding paragraphs:

Bank Tie up Scheme

Salient features of the Scheme

2.1.16 Under the Bank Tie up scheme, the Company identifies BPL SC families for providing financial assistance for income generating schemes with project cost up to Rs. 50,000. Subsidy equal to 50 *per cent* of the total project cost subject to a maximum of Rs. 6,000 (increased to Rs. 10,000 in May 2001) along with margin money of 25 *per cent* of the total project cost at the concessional interest rate of four *per cent* is provided to the beneficiaries. The remaining cost of the project is financed by the banks at their normal rate of interest.

Due to inadequate receipt of share capital from State Government/GOI and deficient recovery performance, the Company reduced the proportion of margin money from 25 to 10 *per cent* of the project cost from April 2003.

Reduction of margin money saddled the beneficiaries with additional liability of interest on bank loan.

Audit observed that in six districts during 2003-04 and in all the districts during 2004-05, the Company disbursed margin money of Rs. 1.71 crore to 6,609 beneficiaries at the reduced rate of 10 *per cent* of the total project cost. The margin money at the rate of 25 *per cent* works out to Rs. 4.27 core. The deficit of Rs. 2.56 crore was financed by banks at higher rates of interest, minimum being 10.25 *per cent* per annum as compared to four *per cent* chargeable by the Company. Thus, reduction of margin money not only saddled the beneficiaries with additional liability of interest on bank loan, but the role of the Company in economic upliftment of SC community was also diluted to that extent. In ARCPSE meeting, MD of the Company assured that the issue will be re-examined after the improvement in financial position.

Targets and achievements

2.1.17 Physical and financial targets vis-à-vis achievements under Bank tie-up scheme during 1999-2004 are given below:

Year	Targets		Achievements		Percentage of achievements	
	Physical (Number)	Financial (Rupees in crore)	Physical (Number)	Financial (Rupees in crore)	Physical	Financial
1999-2000	9,330	24.60	2,828	5.05	30	21
2000-01	8,770	25.38	10,010	19.44	114	77
2001-02	10,342	35.40	9,806	21.39	95	60
2002-03	9,660	34.11	9,986	22.36	103	66
2003-04	8,485	30.11	9,844	21.99	116	73
Total	**46,587**	**149.60**	**42,474**	**90.23**	**91.17**	**60.31**

It could be seen from the above table that:

- the Company could not achieve financial targets in any of the years. This was mainly due to poor recovery of dues resulting in poor recycling of funds, less receipt of SCA and share capital.
- modest physical targets were fixed during 2000-01, 2002-03 and 2003-04 as compared to previous year due to which achievement was higher in these years.

Rejection of applications

2.1.18 Audit observed that out of 1,09,971 applications sponsored to banks during 1999-2004, 35,817 (32.57 *per cent*) applications were rejected by the banks. Four* out of six district offices did not maintain records of rejected applications. Scrutiny of 137 rejected applications (Sirsa and Karnal districts) revealed that rejection was mainly due to default by applicant/family member in repayment of earlier bank loan sponsored by DRDA/Cooperative societies (35.8 *per cent*), non-completion of formalities (11.7 *per cent*), non-availability of space/infrastructure for projects (9.5 *per cent*) etc.

This reveals lack of coordination with DRDA/Banks/Cooperative societies to ascertain creditworthiness and antecedents of applicants, improper examination of economic viability and improper scrutiny of the applications as per laid down criteria by the field offices before recommending the cases to banks.

The management stated (August 2005) that DMs had been directed to remove these deficiencies.

Deficiencies in disbursement of loan

2.1.19 A test check of records of 390 out of 5,399 beneficiaries in four** districts, revealed that the loans of Rs. 89.43 lakh were disbursed during 2000-03 without fulfilling the requisite formalities viz., disbursement of loan to beneficiaries whose annual income did not fall under BPL (5 cases), income not mentioned in the loan application (9 cases), proof of identification not obtained (35 cases), movable or immovable property details not mentioned (81 cases) and loan application not found (25 cases). Similarly, the Company did not obtain utilisation certificates in 387 cases and did not conduct physical verification in any case as per laid down condition of post disbursement. This indicates lack/failure of internal control mechanism.

The management stated (August 2005) that DMs had been directed to avoid such deficiencies in future.

Under-financing

2.1.20 A test check of 330 out of 5,399 loanees in four districts, financed during 2000-03, revealed that the Company had under-financed 277 beneficiaries ranging between Rs. 6,500 and Rs. 17,308 per beneficiary in Trade & business sector and Industrial sector mainly to achieve higher physical targets. Out of these, 82 beneficiaries were irregular in repayment of principal and interest and 122 beneficiaries did not pay even a single instalment. Evidently, under-financing contributed towards chronic default by the loanees as they were unable to generate sufficient income on sustainable basis to repay the loan.

Under financing resulted in chronic default by the loanees.

The management stated (August 2005) that DMs had been directed to ensure adequate financing in future.

* Ambala, Jind, Kaithal and Yamunanagar

** Jind, Karnal, Sirsa and Yamunanagar

Disbursement of subsidy to ineligible beneficiaries

The Company disbursed subsidy of Rs. 35.61 lakh to 428 ineligible beneficiaries out of 794 cases test checked.

2.1.21 The Ministry of Rural Areas and Employment, Department of Rural Employment and Poverty Alleviation, GOI in consultation with Planning Commission finalised (April 1997) a schedule for identifying BPL SC families in rural areas by adopting multiple criteria instead of single criterion of annual family income. The State Government conducted (1997-98) a BPL census wherein families owning land of more than two hectares or pucca house or TV or refrigerator, etc. were excluded from the BPL lists. As per directions of GOI (November 1998) the Company was to render assistance to BPL families fulfilling above criteria. Audit observed that out of 794 cases (Rs. 70.54 lakh) in 428 cases (Rs. 35.61 lakh) the subsidy was disbursed to ineligible beneficiaries as follows:

- In 281 cases the Company disbursed subsidy of Rs. 19.79 lakh during 1999-2004. Out of these, 232 (82.56 *per cent*) beneficiaries having received subsidy of Rs. 16.32 lakh were not eligible.
- In 513 cases in five[#] districts, the Company disbursed subsidy of Rs. 50.75 lakh during 1999-2004. Out of these, 196 beneficiaries having received subsidy of Rs. 19.29 lakh were owning pucca house and hence were not eligible for subsidy.

The high incidence of disbursement of subsidy to ineligible beneficiaries not only deprived the eligible beneficiaries from the benefit but also the very purpose of the scheme was defeated.

The management stated (August 2005) that though the names of a number of SC persons did not appear in the BPL survey lists, they were living below poverty line. The reply was not acceptable as the Company failed to demonstrate their eligibility through any proof/record regarding fulfilment of conditions of multiple criteria.

Non recovery of subsidy

2.1.22 The Swaranjyanti Gram Swarozgar Yojna (SGSY) guidelines circulated by GOI, Ministry of Rural Development prescribed that the beneficiaries shall not be entitled to any benefit of subsidy if the loan was fully repaid before lock-in-period i.e. three years as against total repayment period of five years. If the loan is fully repaid before the currency period but after lock-in-period, the beneficiaries shall be entitled only to pro rata subsidy.

The Company did not recover subsidy of Rs. 45.80 lakh from the beneficiaries who had fully repaid the loan within the lock-in-period/before currency period.

Audit observed that 615 loanees who had been disbursed margin money of Rs. 30.19 lakh along with subsidy of Rs. 48.52 lakh during 1999-2004 had fully repaid the loan within the lock-in-period/ before the currency period. The Company did not recover subsidy amounting to Rs. 45.80 lakh (March 2005) from these ineligible beneficiaries to avoid availment of subsidy by the ineligible beneficiaries in future.

[#] Karnal, Kaithal, Sirsa, Yamuna Nagar and Jind.

Deficient monitoring/liaisoning with banks

As against the norms of one month, out of Rs. 27.22 lakh undisbursed subsidy and margin money of Rs. 26.04 lakh was returned by banks after delays of one month to 42 months.

2.1.23 The banks are required to return the undisbursed subsidy/margin money received from the Company within one month of the date of issue of cheque. Audit observed that as against the norms of one month, out of Rs. 27.22 lakh, undisbursed subsidy/margin money, the banks returned Rs. 26.04 lakh to the Company during 1999-2005 after delays of one to 42 months of the date of issue of cheques to banks. The Company did not evolve any mechanism to monitor the timely disbursement of margin money/subsidy by the banks to the beneficiaries or of timely return of the undisbursed money.

The management stated (August 2005) that the DMs had been advised to obtain disbursement certificates from the banks in time.

Construction of Dwelling-cum-shed scheme

2.1.24 As per guidelines issued by GOI for SCA, the State Governments have full flexibility in utilizing SCA subject to the condition that it should be utilized in conjunction with special component plan and other resources from corporations, financial institutions, etc. These guidelines emphsised (October 2000 and July 2003) that SCA must be used mainly for assisting SC families living below the poverty line for bridging the critical gaps between availability and requirement of finance. The State Government in deviation to these guidelines approved (October 2001) a scheme for the construction of Dwelling-cum-shed to be financed from subsidy and loan if the beneficiary so desired. State Government relaxed the mandatory condition of obtaining loan alongwith subsidy.

Under the scheme, subsidy at the rate of Rs. 10,000 was to be provided to BPL SC persons having a plot of minimum 75 sq. yard for construction of Dwelling-cum-shed both for living and starting own business.

The subsidy of Rs. 30.17 lakh was disbursed without loan component in violation of Government of India guidelines.

During 2002-04, the Company disbursed subsidy of Rs. 30.17 lakh to 308 beneficiaries. These beneficiaries had not availed any loan from other source in conjunction with the subsidy as per GOI guidelines thereby defeating the objective of income generation through a mix of institutional finance and subsidy to enable the beneficiaries to cross the poverty line. This indicated misutilisation of SCA.

Direct loaning/NSFDC scheme

Salient features of the scheme

2.1.25 The Company was nominated by NSFDC as Channelising Agency for implementation of NSFDC assisted scheme in Haryana since 1991-92. NSFDC extended financial assistance to the Company in the form of term loan at an interest rate of four *per cent* (three *per cent* with effect from October 2002) to the extent of 90 *per cent* of the loan sanctioned by the Company against the specific schemes for SC beneficiaries. The loan was sanctioned for 126 trades upto a limit of Rs 30 lakh and was to be repaid in 60 monthly instalments with seven *per cent* annual interest (six *per cent* from October 2002). Persons with annual family income upto twice the poverty line limit are eligible for assistance under the scheme. The Company also provided subsidy at the rate of 50 *per cent* of the project cost subject to maximum of Rs. 6,000 (Rs. 10,000 with effect from May 2001) to the BPL beneficiaries. Since 1991-92, the Company had availed term loan of Rs. 20.72 crore till 31 March 2004 from NSFDC and had assisted 1350 beneficiaries by providing financial assistance of Rs. 20.58 crore.

Targets and Achievements

2.1.26 During 1999-2004, the Company disbursed Rs. 11.74 crore to 378 beneficiaries for purchase of commercial vehicles (367 cases), electrical goods-cum-work shop (4 cases), leather footwear manufacturing units (one case), automobile repair-cum-spare parts (2 cases) and band party (4 cases). Year wise details of achievements of targets are given below:

Year	Targets		Achievements		Percentage of achievements	
	Physical (Number)	Financial (Rs. in crore)	Physical (Number)	Financial (Rs. in crore)	Physical	Financial
1999-2000	220	4.79	58	1.67	26	35
2000-01	180	3.78	104	2.67	58	71
2001-02	118	2.99	82	2.83	69	95
2002-03	220	5.01	78	2.27	35	45
2003-04	105	3.14	56	2.30	53	73
Total	**843**	**19.71**	**378**	**11.74**	**45**	**60**

A perusal of above table reveals that the percentage of achievement of physical and financial targets ranged between 26 and 69 and 35 and 95 respectively. Audit observed that disproportionate financial achievements in comparison to physical achievements was mainly due to change of projects from low cost units to high cost units.

Deficiencies in implementation of NSFDC scheme

2.1.27 Out of 378 cases covered under the scheme during 1999-2004, 367 cases pertained to purchase of commercial vehicles. Test check of 200 cases of loans disbursed for vehicles during March 1995 to 2003-04 revealed deficiencies viz: vehicles not registered as taxis (73 cases), insurance cover /subsequent insurance not on record (143 cases), driving licences not sent to driving licence issuing authority for verification of genuineness (146 cases), driving license expired and renewed copies of valid driving licence were not found (65 cases), photocopies of registration certificates were not found on record (87 cases), photo copies of permits/renewed permits were not on record (132 cases).

The management stated (August 2005) that DMs had been directed to ensure that such discrepancies should not occur in future.

National Safai Karamcharis Finance and Development Corporation (NSKFDC) Scheme

2.1.28 The State Government nominated (May 1998) the Company as State channelising agency for providing assistance under NSKFDC Scheme. The NSKFDC advanced (March 2002) Rs. 1.18 crore to the Company for disbursement after obtaining guarantee from the State Government for repayment.

During 1999-2004, the Company fixed target for disbursement of Rs. 6.51 crore (NSKFDC loan: Rs. 5.97 crore , subsidy: Rs. 0.22 crore and margin money: Rs. 0.32 crore) to 330 beneficiaries under various income generating schemes.

The State Government, however, declined (August and December 2002, July 2003 and January 2004) to give guarantee due to poor recovery performance of the Company. The Finance Department of the State Government observed (August 2002) that the Company did not meet the normative level prescribed by national refinance body and advised the Company to examine the possibility of giving loan through Self Help Groups (SHGs).

Failure of the Company to improve recovery performance and motivate the Scavengers resulted in non-implementation of the scheme.

The Company did not form any SHG to enable the SCs to come above the poverty line and refunded (March 2003) the advance of Rs. 1.18 crore to NSKFDC. Thus, failure of the Company to improve recovery performance and motivate the Scavengers/Dependents to form SHGs resulted in non-implementation of the scheme.

The Company stated (August 2005) that Co-operative group loaning was not a success in the State as response was not encouraging. The reply was not convincing as DRDAs engaged in similar activities were rendering financial assistance by forming SHGs in association with banks. The fact remained that the Company failed to motivate the SCs to organize themselves into SHGs by obtaining the help of Non-Government Organisations including banks as required.

Utilisation of financial assistance

Physical verification of assets not conducted

2.1.29 The guidelines of SGSY provide annual verification of assets of the beneficiaries on drive* basis at the end of each year. As per the terms of the agreements the beneficiaries were required to maintain assets created out of financial assistance and hypothecate the assets in favour of the Company. The beneficiaries were also required to produce assets/relevant records for inspection whenever required.

The Company did not carry out the physical verification of assets as required.

The Company disbursed Rs. 17.63 crore to 16,905 beneficiaries, in six districts, as margin money and subsidy under Bank tie-up scheme during 1999-04. The Company did not carry out the required physical verification of

* It implies surprise physical verification at a stretch in a particular area.

assets of the beneficiaries at the end of each year in five out of six district offices. In Sirsa district where margin money and subsidy (Rs. 2.77 crore) had been disbursed to 3,038 beneficiaries during 1999-2004, assets of only 351 (11.6 *per cent*) beneficiaries were verified. Assets of 67 beneficiaries, involving margin money and subsidy of Rs. 12.92 lakh, did not exist. Action taken against these beneficiaries was awaited in audit (August 2005).

Audit further observed that in Sirsa district, 157 beneficiaries who had been disbursed margin money of Rs. 9.18 lakh and subsidy of Rs. 5.85 lakh during 1985-97 were referred to the Collector during 2001-04 for effecting recovery as arrears of land revenue. The cases were returned by the Collector during 2003-05 stating that the beneficiaries were not in possession of any moveable/immovable asset in their names. Therefore, chances to recover Rs. 15.76 lakh including interest upto 31 March 2004 from 140 beneficiaries (after recovering Rs 1.67 lakh from 17 beneficiaries) were bleak.

Failure to conduct periodical physical verification led to the misutilisation of assets by the beneficiaries in above cases.

The management stated (August 2005) that the Company did not have sufficient infrastructure to conduct cent percent post lending inspection and physical verification of assets was conducted at random. The reply is not tenable as the Company's half-hearted implementation of the scheme resulted not only in the beneficiaries misutilising the financial assistance but also put the chances of recovery in jeopardy.

Monitoring and evaluation of schemes

The Company/State Government had not taken up evaluation study to ascertain the benefits derived.

2.1.30 The Company did not evolve any system to monitor the benefits derived by the beneficiaries out of the subsidy /margin money disbursed to them. GOI, Ministry of Social Justice and Empowerment directed (February 2002) the State Government to take up an evaluation study for ascertaining the beneficiaries who crossed the poverty line and constraints faced so that appropriate measures could be taken. No such study had been conducted so far (March 2005). As such the performance of the Company in bringing improvement in the economic status of the SC families living below the poverty line could not be assessed.

The management stated (August 2005) that it was planning to get an evaluation study of Bank tie-up scheme conducted by some reputed organisation. The reply is deficient because it is silent about evaluation study of other schemes.

Recovery of financial assistance

2.1.31 The margin money with interest advanced by the Company, under Bank tie-up scheme is recoverable in eleven equated half-yearly instalments along with interest at the rate of four *per cent* per annum. In case of default, penal interest at four *per cent* per annum is also chargeable. Under NSFDC scheme, the recovery is made in monthly instalments over a period of five years at the rate of seven *per cent* per annum (six *per cent* from October 2002). In case of any default in both the schemes the whole amount becomes recoverable in lump sum as arrears of land revenue along with penal interest.

Targets and achievement of recovery

2.1.32 The table below indicates the recovery performance of the Company during 1999-2004:

(Rupees in crore)

Year	Amount recoverable at the beginning of the year	Amount due during the year	Total amount recoverable	Recovery made during the year	Overdue amount at the close of the year	Percentage of recovery to recoverable amount
1999-2000	11.75	5.75	17.50	3.64	13.86	20.80
2000-01	13.86	5.99	19.85	3.85	16.00	19.40
2001-02	16.00	5.79	21.79	4.69	17.10	21.52
2002-03	17.10	5.86	22.96	3.83	19.13	16.68
2003-04	19.13	6.76	25.89	4.84	21.05	18.69

Overdue amount increased from Rs. 13.86 crore to Rs. 21.05 crore during 1999-2004.

Audit observed that the recovery performance of the Company was dismal at 16.68 to 21.52 *per cent* during 1999-2004. Overdue amount increased by 52 *per cent* from Rs. 13.86 crore to Rs. 21.05 crore during 1999-2004 due to lack of monitoring system and pursuance. Thus, poor recovery performance resulted in failure of the Company to recycle the funds, which in turn affected wider coverage of beneficiaries.

The management attributed (August 2005) non-achievement of recovery targets to shortage of staff, lack of mobility and poor financial status of beneficiaries indicating deficient implementation of schemes.

Poor monitoring of chronic defaulter cases

Against due amount of Rs. 72.44 lakh from 1,270 loanees, not even a single instalment was received even after expiry of full repayment period.

2.1.33 Audit test-checked 4,602 cases involving disbursement of margin money of Rs. 2.17 crore during March 1997 to May 2003 under Bank tie-up scheme (Non-scavengers). Audit observed that 2,069 loanees with payable amount of Rs. 1.24 crore (Principal: Rs. 98.72 lakh, interest: Rs. 25.23 lakh) failed to repay even a single instalment of principal and/or interest upto March 2005. Out of these 1,270 loanees with payable amount of Rs. 89.79 lakh (Principal: Rs. 72.44 lakh, interest: Rs. 17.35 lakh) failed to repay even a single instalment of principal and interest despite the fact that the repayment period had expired. The Company issued recovery notices to defaulters after delays ranging from three to 36 months from the date of default.

The Company did not conduct any study to ascertain the reasons for chronic default as suggested by NPC.

Non recovery of dues

2.1.34 The overdue amounts under NSFDC scheme had increased from Rs. 3.57 crore to Rs. 6.66 crore during 1999-2004. The percentage of amount recovered to the amount due for recovery ranged from 30 to 41 only during 1999-2004, which reflected poor recovery efforts. Resultantly, the Company had to repay loan of Rs. 1.80 crore to NSFDC from other sources.

Audit observed that out of loan amounting to Rs. 5.07 crore disbursed during 1994-2004 to 200 beneficiaries under NSFDC scheme, an amount of Rs. 2.01 crore (including interest: Rs. 39.28 lakh) was in default. The Company did not effect recovery from the sureties and also did not take up the cases with respective Road Transport Authority for not renewing the permits before clearance of Company's dues.

An amount of Rs. 2.08 crore in respect of 72 beneficiaries had become fully due as the loan period of five years had already elapsed. The Company could recover only Rs. 88.70 lakh leaving a balance of Rs. 1.20 crore including interest outstanding as tabulated below:

(Amount: Rupees in lakh)

Districts	Number	Amount due for recovery	Recovery made	Balance amount recoverable as on 31.7.05
Ambala	13	31.29	10.56	20.73
Kaithal	21	77.30	28.78	48.52
Jind	14	50.80	27.73	23.07
Sirsa	1	2.28	0.06	2.22
Karnal	12	21.71	11.33	10.38
Yamunanagar	11	24.95	10.24	14.71
Total	**72**	**208.33**	**88.70**	**119.63**

Out of 72, 67 cases were referred to the District Collectors for recovery as arrears of land revenue, the outcome of which was awaited (August 2005).

The management stated (August 2005) that DMs had been asked to pursue the recovery more vigorously with the Collector.

Poor pursuance of recovery cases

2.1.35 The following table indicates the year-wise position of cases referred to the Collector for realisation of overdue amount as arrears of land revenue during 1999-2004:

Year	Number of cases referred to Collector
1999-2000	978
2000-01	1056
2001-02	2024
2002-03	1066
2003-04	3774
Total	**8898**

The Company did not maintain consolidated records indicating amounts in default against above defaulters and recoveries, if any, effected thereagainst.

Improper maintenance of loanee ledgers

2.1.36 Audit observed that loanees' ledgers were neither updated regularly nor signed by the concerned Ledger Clerks, Accountants and DMs, in spite of instructions by the Managing Director in November 2003. Resultantly, the Company did not have updated number of beneficiaries, amount disbursed, number of operational accounts and amount involved therein, accounts closed, number of defaulters, number of cases referred to Collector for recovery and amount involved therein, in order to chalk out plan/strategy for effective recovery campaign.

The management, while admitting (August 2005) the facts, stated that guidelines had been issued to the DMs for necessary action.

Internal audit/Internal control

2.1.37 Audit observed that the Company did not prepare any Audit/Accounting Manual and reliable internal audit system did not exist in the Company.

Internal control/ system deficiencies

2.1.38 Audit noticed the following deficiencies in the internal control system of the Company:

- There was no segregation of duties, e.g. the duties of Accountant as well as Cashier were being performed by the same person in field offices; and the officials engaged in the work of ledger keeping were also collecting cash from the beneficiaries and issuing receipts.
- There was no system to reconcile the amounts remitted to the banks for onward disbursement to beneficiaries to ascertain as to whether the banks had actually disbursed the amounts to beneficiaries within the prescribe time and undisbursed amount was refunded to the Company.
- Economic viability of projects was not being examined before rendering financial assistance for the projects under Trade & business sector and Industrial sector.
- There was no mechanism to ensure that the beneficiaries had not obtained financial assistance from banks under DRDA schemes or under any other Government scheme for the same project.
- There was no system for periodical reconciliation of figures of loans and advances between the General Ledger and subsidiary records. There existed a difference of Rs. 1.18 crore during 1998-99 and the amount of difference as per certified accounts for 2000-01 was Rs. 97 lakh.

- There was no system to conduct physical verification of receipt books and reconciliation of total receipt books issued and utilised in five* districts.
- Database to prepare Management Information System had not been developed and some of the important records were not maintained.

The management, while admitting the facts, stated (August 2005) that remedial steps were being taken to remove the above deficiencies.

Conclusion

The overall performance of the Company with regards to socio-economic upliftment of SC population in the State was dismal. The Company could cover only 46 *per cent* of the targeted population due to flawed selection of beneficiaries, non-existence of a system of impact assessment, inadequate/under-financing of projects, disbursement of subsidy to ineligible beneficiaries, inability to form Self Help Groups, lack of monitoring system and improper follow up with the banks.

The recovery performance of loan was not satisfactory. There was constant increase in the overdues recoverable. Large amount was locked up resulting in inadequate generation of internal resources. The Company instead of improving its recovery performance diverted the subsidy under Special Central Assistance towards disbursement of margin money. Besides, the Company reduced rate of margin money from 25 to 10 *per cent* of project cost thereby adversely affecting the viability of projects because of higher interest burden of Bank loan on the beneficiaries.

The internal control system was deficient as there was no consolidated records to keep a watch on the recovery effected through collectors and the loanee ledgers were not properly maintained/updated. The Company did not fix any time limit for disbursement of loan under bank tie up scheme. The Company did not identify high employment generating activities with adequate financial assistance and continued to finance routine type low cost projects. Thus, the Company largely failed to achieve its objective of socio economic upliftment of Scheduled Castes community.

Recommendations

- **The system of identification of beneficiaries needs to be streamlined to ensure that the objectives of the schemes are achieved. The Company needs to arrest the deficiencies in implementation of the schemes as recommended by COPU,**

* Ambala, Kaithal, Karnal, Jind and Yamunanagar.

Ministry of Rural Development and Ministry of Social Justice and Empowerment. The Company should immediately put in place a reliable Management Information System and internal control mechanism with proper monitoring and analysis at corporate office.

- **The performance of implementing agencies including banks needs to be reviewed periodically to ensure timely disbursement of funds (including bank's share) to the beneficiaries.**

- **Prescribed physical verification of assets needs to be carried out meticulously at every level once a year.**

- **The recovery mechanism needs to be strengthened to ensure recycling of funds and consequently large coverage of beneficiaries.**

- **The Company should identify high employment generating activities with adequate financial assistance instead of financing routine type low-cost projects.**

The Management noted the recommendations and assured to implement the same in future.

The matter was referred to the Government in May 2005; the reply had not been received (August 2005).

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

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

Highlights

The companies did not prepare any time bound plan to achieve the targeted low tension/high tension line length ratio of 1:1. The companies failed to achieve growth of distribution network in commensuration with connected load with the result that there was overloading on the existing system and excessive energy losses. During 2000-05, the overall distribution loss in excess of norms prescribed by Central Electricity Authority was 19,342.29 MUs valued at Rs. 4,784.71 crore.

(Paragraph 2.2.7)

The companies failed to achieve the norms of 11.50 *per cent* sub transmission and distribution losses fixed by Central Electricity Authority, through augmentation of their networks. The companies had to forgo the envisaged benefits of reduction in energy losses due to delays in completion of 52 system improvement schemes at an estimated cost of Rs. 598.46 crore during 1999-2003, which were scheduled to be completed by March 2005. Physical progress in execution of these schemes ranged between three and 87 *per cent* by the completion date.

(Paragraphs 2.2.7, 2.2.10 and 2.2.11)

The companies failed to derive envisaged benefit of reduction in energy loss of 16.65 MUs valuing Rs. 4.88 crore due to delay in construction of 33 KV sub-stations and underutilization of 33 KV sub-stations.

(Paragraphs 2.2.13, 2.2.14 and 2.2.15)

The objective behind resorting to turnkey construction of 11 KV HT feeders was not fully achieved as the works were not completed within time schedule due to deficient planning and non-synchronisation of various components of the schemes. Resultantly the companies could not derive the envisaged benefit of reduction in energy losses of 17.13 MUs valuing Rs 5.02 crore on 53 feeders test checked in audit.

(Paragraph 2.2.17)

Due to installation of defective low tension capacitors (Rs. 7.15 crore), the companies could not derive envisaged benefits of reduction in energy loss of 29.2 MUs valuing Rs. 8.56 crore

(Paragraph 2.2.19)

Delayed/non completion of augmentation schemes coupled with deficient maintenance contributed to higher transformer damages than the norms during 2002-05 and consequent financial burden of Rs.32.74 crore on repair of damaged transformers.

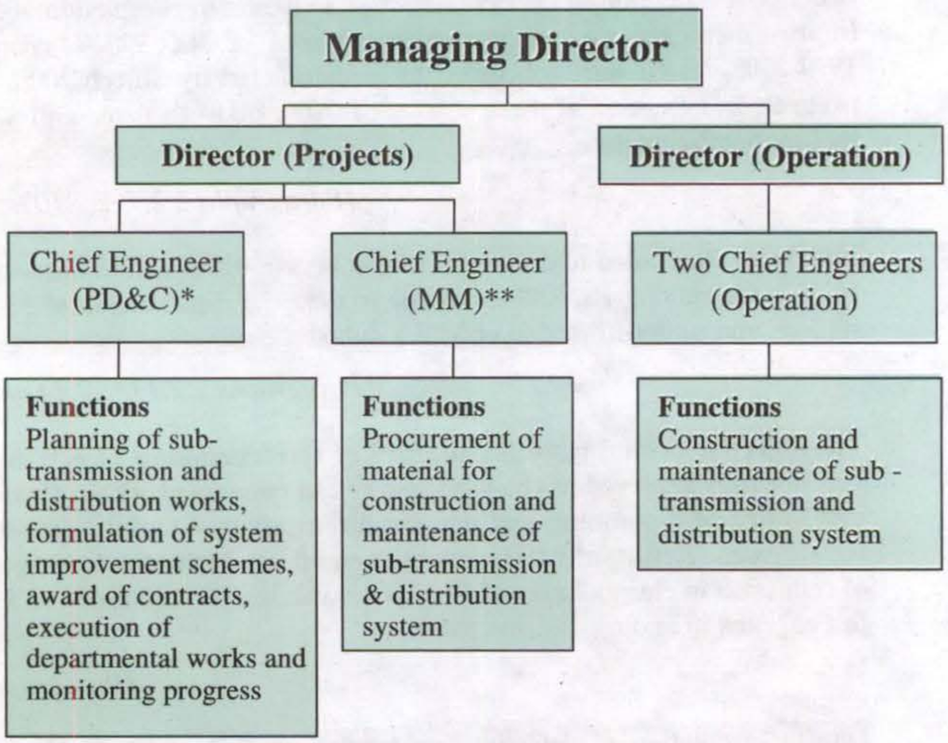
(Paragraph 2.2.20)

The companies consumed material valuing Rs. 2.77 crore for maintenance of sub-stations and lines during 2001-04 in excess of the norms.

(Paragraph 2.2.21)

Introduction

2.2.1 Haryana Vidyut Prasaran Nigam Limited (HVPNL) controls the transmission and sub-transmission system of 220 KV, 132 KV and 66 KV (including 33 KV sub-stations located in these sub-stations) in the State. Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) control the sub-transmission and distribution system of 33 KV and below for distribution of power in northern and southern parts of the State, respectively. Organisational set-up for erection, augmentation and maintenance of HT/LT[#] lines and sub-stations in UHBVNL/DHVBNL is given below:



High Tension/Low Tension

* Planning, Design and Construction.

** Material Management.

There were nine (UHBVNL: four, DHBVNL: five) construction divisions as on 31 March 2005 for construction activity. For maintenance of sub-stations and lines, there were 26 operation divisions under seven circles in UHBVNL and 23 operation divisions under six circles in DHVBNL.

Scope of Audit

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

The present review conducted during November 2004 to March 2005 covers the erection and maintenance of 33 KV sub-stations and HT/LT lines under the control of UHBVNL and DHBVNL through scrutiny of plan proposals, formulation and implementation of system improvement schemes, execution of works and maintenance of distribution system.

Records of Chief Engineer (PD&C) at headquarters of each company, six[*] out of nine construction divisions, two[$] out of four Chief Engineers (Operation) and six* out of thirteen operation circles for the years 2000-05 were test checked in audit on the basis of quantum of work involved in the field offices of both the companies.

Audit findings were reported (May 2005) to the Government/companies and discussed at a meeting of the Audit Review Committee for State Public Sector Enterprises (ARCPSE) held on 30 August 2005, which was attended by Director (Finance) and Director (Project) of UHBVNL and Chief Auditor of DHBVNL. Viewpoint of the management was taken into account before finalising the review.

Audit objectives

2.2.3 Improvement of existing sub-transmission and distribution system is required for better services, quality and reduction in energy losses. The audit objectives of the review were to ascertain whether:

- the companies had prepared a time bound plan to bring down the LT/HT line length ratio to the desired level of 1:1 and to what extent the high distribution losses and damage to distribution transformer due to over loading could be arrested;

* Ambala, Yamuna Nagar and Sonepat (UHBVNL); Hisar, Sirsa and Gurgoan (DHBVNL)

$ Panchkula (UHBVNL) and Hisar (DHBVNL)

- the companies were geared to augmenting their sub-transmission and distribution system with the objective of reducing the energy losses to the target of 11.5 *per cent* and to what extent the companies could achieve the target;
- growth of sub-transmission and distribution system was adequate to cope with the increased demand load;
- system improvement schemes were efficiently planned and effectively executed to generate the targeted benefits
- contracts on turnkey basis were efficiently planned, awarded and completed in time; and
- maintenance of sub-stations, lines and local distribution system was adequate.

Audit criteria

2.2.4 The following audit criteria were adopted:

- adequacy of sub transmission and distribution system in relation to power supply;
- achievement of targets fixed in system improvement schemes for their completion and deriving envisaged benefits;
- adherence to time schedule for completion of works awarded on turnkey basis as well as departmentally;
- sub-transmission and distribution system was maintained as per maintenance guidelines; and
- compliance of norms/guidelines of Government of India/State Government/Central Electricity Authority (CEA) and National Council of Power Utilities.

Audit methodology

2.2.5 Audit followed the following methodologies:

- analysis of basic data on sub-transmission and distribution system with reference to the norms and increasing demand of power;
- examination of records relating to system improvement schemes and their progress with reference to scheduled and actual time of completion; and
- analysis of data on damaged transformers with reference to the norms.

Audit findings

Errection and augmentation of sub-transmission and distribution system

2.2.6 The companies procure power from HVPNL for supply to consumers through their sub-transmission and distribution network of 33KV and below. Performance of the companies covering audit objectives is discussed in the succeeding paragraphs.

Growth and adequacy of distribution system

2.2.7 The table below indicates the distribution system built-up vis-à-vis power availability during 2000-05:

Particulars	2000-01	2001-02	2002-03	2003-04	2004-05 (Provisional)
Uttar Haryana Bijli Nigam Limited					
Units available for sale (MUs)	7,580.23	8,521.87	9,322.76	10,084.46	10,231.20
Units sold (MUs)	5,211.99	5,482.83	6,058.37	6,821.20	7,060.87
Distribution losses (MUs)	2,368.24	3,039.04	3,264.39	3,263.26	3,170.33
Percentage of distribution loss	31.24	35.66	35.01	32.36	30.99
Total length of 440 Volt LT lines (Km)	59,257	58,816	59,239	59,825	60,368
Total length of 11 KV HT lines (Km)	28,745	29,919	30,786	31,563	32,737
Ratio of LT/HT lines	2.06:1	1.97:1	1.92:1	1.90:1	1:84:1
Installed capacity of distribution transformers (MVA)	4,584	4,885	5,098	5,378	5,822
Connected load (MVA) (MW)	4,662 3,963	4,982 4,235	5,187 4,409	5,439 4,623	5,760 4,896
Dakshin Haryna Bijli Nigam Limited					
Units available for sale (MUs)	7,222.00	7,785.87	8,744.63	9,453.40	10,038.42
Units sold (MUs)	4,894.00	5,149.76	5,682.24	6,301.57	6,746.47
Distribution losses (MUs)	2,328.00	2,636.11	3,062.39	3,151.83	3,291.95
Percentage of distribution loss	32.23	33.86	35.02	33.34	32.79
Total length of 440 Volt LT lines (Km)	47,960	48,320	48,456	48,730	48,832
Total length of 11 KV HT lines (Km)	27,856	28,328	28,943	29,451	29,967
Ratio of LT/HT lines	1.72:1	1.71:1	1.67:1	1.65:1	1:63:1
Installed capacity of distribution transformers (MVA)	3,412	3,590	3,842	4,204	4,525
Connected load (MVA) (MW)	4,392 3,733	4,694 3,990	4,927 4,188	5,336 4,536	5,768 4,903

The above table shows that the distribution network in both the companies did not grow in commensuration with connected load. Audit noticed the following points in this regard:

Failure to install distribution transformers in proportion to connected load resulted in higher distribution losses.

- Distribution transformation capacity should not be less than the connected load. The capacity of distribution transformers was, however, less than the connected load in both the companies. In UHBVNL, the capacity of distribution transformers (DTs) per MVA of connected load ranged between 0.98 and 0.99 during 2000-04 and in DHBVNL, it ranged between 0.76 and 0.79 during 2000-05.

- The National Council of Power Utilities had recommended (July 1987) bringing down the LT/HT line length ratio to 1:1 as distribution of energy at lower voltage results in higher energy loss. The companies, however, did not prepare any time bound plan to achieve this ratio. In UHBVNL, the ratio during 2000-05 ranged between 1.84:1 and 2.06:1 and in DHBVNL it ranged between 1.63:1 and 1.72:1 during the same period. This resulted in higher distribution losses and excessive damage to distribution transformers due to overloading of the existing system as discussed in paragraph 2.2.20.

  While admitting the facts, UHBVNL stated (August 2005) that with the addition of more HT lines and conversion of LT to HT lines, the ratio would be brought down to 1:1 in the next few years. DHBVNL stated (August 2005) that the ratio had been brought down after sustained efforts. The fact, however, remains that the companies failed to prepare any time bound plan to achieve the target.

Distribution losses exceeded the norms of 11.5 *per cent* fixed by CEA and caused revenue loss of Rs. 4,784.71 crore.

- Against the norms of maximum sub-transmission and distribution losses of 11.5 *per cent* as fixed by CEA, the actual losses ranged between 30.99 and 35.66 *per cent* in UHBVNL and 32.33 to 35.02 *per cent* in DHBVNL respectively during 2000-05. Resultantly, the companies suffered loss of Rs. 4,784.71 crore (UHBVNL: Rs. 2,234.06 crore, DHBVNL: Rs. 2,550.65 crore) on excessive energy loss of 19,342.29 MUs (UHBVNL: 9,845.11 MUs; DHBVNL: 9,497.18 MUs) during these years. Distribution losses on account of inadequate HT/LT lines had not been worked out by the companies separately.

A general review of feeder wise energy audit reports of operation circles of UHBVNL revealed that the extent of distribution losses on 379 (out of 1,662) feeders during March 2004 ranged between 30 and 40 *per cent* (175 feeders); 40 and 50 *per cent* (84 feeders) and above 50 *per cent* (120 feeders). In DHBVNL, the extent of distribution losses on 591 (out of 1,636) feeders during March 2004 ranged between 25 and 35 *per cent* (210 feeders); 35 and 50 *per cent* (211 feeders), 50 and 75 *per cent* (152 feeders) and above 75 *per cent* (18 feeders).

The companies stated (August 2005) that bifurcation/trifurcation of heavily loaded feeders, renovation/replacement of obsolete transformers having higher energy losses and augmentation of conductors had been taken up to bring system losses within permissible limits.

Targets and achievements

Shortfall in construction of new sub-stations was 27 to 92 *per cent*.

2.2.8 Targets are fixed on the basis of techno-economic feasibility and accordingly the funds are arranged from funding agencies. Physical and financial targets vis-à-vis achievements in construction of 33 KV sub-stations and lines during 2000-05 in UHBVNL and DHBVNL are given in **Annexure-9**. It is seen from the Annexure that the companies did not come up with new sub-stations as per targets during 2000-05 (except for UHBVNL in 2004-05). The shortfall was 27 to 76 *per cent* (UHBVNL) and 45 to 92 *per cent* (DHBVNL) during these years.

The companies failed to achieve the targeted capacity of existing sub-stations. As against the targeted capacity augmentation by 324 MVA, UHBVNL could achieve 255 MVA of capacity leading to overall shortfall of 21 *per cent*. Similarly as against the targeted capacity to augment 281.10 MVA, DHBVNL could augment 241.50 MVA of existing capacity with overall shortage of 14 *per cent*.

The companies also did not achieve the targets set for construction of 33 KV lines. The shortfall was nine to 14 *per cent* in UHBVNL and 40 to 81 *per cent* in DHBVNL.

The companies stated (August 2005) that the shortfall in construction of new sub-stations and lines was due to delay in completion of civil works, delay in approval for railway crossing and non-availability of right of way for erecting lines. Further, augmentation of sub-stations was delayed due to non-availability of matching equipment, deficient manpower and special tools and plants. The reply is not tenable as the companies should have taken care of such problems in advance by better planning and coordination.

System improvement schemes

2.2.9 In order to minimise energy losses and to meet further load growth of the area, the companies evolved "System Improvement Schemes", which consisted of the following works:

- Construction/augmentation of 33 KV sub-stations and 33 KV lines;
- Construction of 11 KV HT lines for bifurcation/trifurcation of heavily loaded HT feeders;
- Installation of distribution transformers of 25 KVA, 63 KVA, 100 KVA and 200 KVA; and
- Construction/augmentation of LT lines.

Formulation of schemes

2.2.10 The companies formulated 52 (UHBVNL: 33 DHBVNL: 19) system improvement schemes at an estimated cost of Rs. 598.46 crore (UHBVNL: Rs. 274.95 crore and DHBVNL: Rs. 323.51 crore) during 1999-2003, which were scheduled to be implemented during 2002-05. On completion, these schemes were aimed at achieving annual savings in energy losses of 665.78 MUs (UHBVNL: 299.67 MUs and DHBVNL: 366.11 MUs) valued at Rs. 202.13 crore (UHBVNL: Rs. 104 .61 crore and DHBVNL: Rs. 97.52 crore).

Rural Electrification Corporation (REC), National Bank for Agriculture and Rural Development (NABARD), Power Finance Corporation (PFC), National Capital Region Planning Board (NCRPB), Accelerated Power Development and Reforms Programmes (APDRP) and GOI sanctioned loan assistance of Rs. 577.43 crore (UHBVNL: Rs. 267.35 crore and DHBVNL: Rs. 310.08 crore) for financing these schemes during 1999-2003. Details of loan sanctioned and drawn up to March 2005 against these schemes are given below:

Source of finance	Number of schemes	Year of sanction	Estimated cost (Rupees in crore)	Projected annual savings		Loan		Percent-age of funds drawn
				Energy (MU)	Amount (Rupees in crore)	Sanctioned	Drawn	
						(Rupees in crore)		
A. Uttar Haryana Bijli Vitran Nigam Limited								
REC	21	1999-2002	33.10	26.78	7.84	33.10	22.66	68
NABARD	2	2001-03	27.35	16.35	4.79	22.53	16.54	73
NCRPB	1	2001-02	11.11	2.07	0.61	8.33	4.67	56
APDRP/ PFC/ GOI	9	2002-03	203.39	254.48	91.37	203.39	125.72	62
Total A	**33**		**274.95**	**299.68**	**104.61**	**267.35**	**169.59**	**63**
B. Dakshin Haryana Bijli Vitran Nigam Limited								
REC	7	1999-2002	15.15	15.16	4.44	15.15	10.05	66
NABARD	2	2001-03	18.18	20.09	5.89	14.79	8.02	54
NCRPB	1	2002-03	40.16	20.79	6.82	30.12	25.00	83
APDRP/ PFC/ GOI	9	2002-03	250.02	310.06	80.37	250.02	125.56	50
Total B	**19**		**323.51**	**366.10**	**97.52**	**310.08**	**168.63**	**54**
Total (A+B)	**52**		**598.46**	**665.78**	**202.13**	**577.43**	**338.22**	**58**

The above table shows that actual amount drawn up to March 2005 by UHBVNL was Rs. 169.59 crore (63 *per cent*) of the sanctioned loan of Rs. 267.35 crore and by DHBVNL Rs. 168.63 crore (54 *per cent*) of the total sanctioned loan of Rs. 310.08 crore. The shortfall in drawl was attributable to slow progress of work as discussed in paragraphs 2.2.13 and 2.2.17.

Execution of system improvement schemes

2.2.11 The economic viability of the schemes i.e deriving benefit of reduction in energy losses depends on linking of LT lines with the installation of distribution transformers, HT lines and sub-stations. Volume of work to be executed and actually executed by companies up to March 2005 in respect of the 52 schemes sanctioned by REC/NABARD/PFC/NCRPB during 2000-05 and scheduled to be completed by March 2005 is given below:

Source of funds (No. of schemes)	Progress	33 KV sub-stations		11 KV line		11 KV feeders		Distribution transformers (Nos)	LT lines	
		New (Nos.)	Augmen-tation (Nos.)	New	Augmen-tation	New	Augmen-tation		New	Augmen-tation
				(Km)		(Nos.)			(Km)	
UHBVNL										
REC (21)	Target	14	-	614.35	294.23	-	-	698	258.56	364.67
	Actual	14	-	300.31	218.78	-	-	344	17.18	56.58
NABARD (2)	Target	4	-	677.56	307.30	-	-	835	241.88	164.91
	Actual	3	-	403.80	224.20	-	-	525	31.07	68.27
NCRPB (1)	Target	3	6	65.35	79.53	-	-	60	23.00	35.16
	Actual	1	4	16.05	Nil	-	-	9	3.55	-
APDRP (9)	Target	12	15	967.46	819.64	-	-	2270	621.33	446.89
	Actual	7	13	585.03	438.32	-	-	1193	124.12	143.50
Total (33)	Target	33	21	2324.72	1500.70	-	-	3863	1144.77	1011.63
	Actual	25	17	1305.19	881.30	-	-	2071	175.92	268.35
Per cent achievement		**76**	**81**	**56**	**59**		**-**	**54**	**15**	**27**
DHBVNL										
REC (7)	Target	4	-	-	221.61	16	-	323	42.10	30.65
	Actual	4	-	-	-	12	-	-	-	-
NABARD (2)	Target	2	1	-	-	31	-	117	69.75	55.00
	Actual	2	1	-	-	23	-	-	-	-
NCRPB (1)	Target	-	-	-	175.00	40	-	790	220.00	125.00
	Actual	-	-	-	111.00	31	-	223	-	-
APDRP (9)	Target	9	30	83.50	2808.00	48	100	146	32.47	70.00
	Actual	7	19	20.30	527.50	37	Nil	142	11.50	17.00
Total (19)	Target	15	31	83.50	3204.61	135	100	1376	364.32	280.65
	Actual	13	20	20.30	638.50	103	Nil	365	11.50	17.00
Per cent achievement		**87**	**65**	**24**	**20**	**76**	**Nil**	**27**	**3**	**6**

Though progress in construction/augmentation of 33 KV sub-stations in both the companies was 76 and 87 *per cent* respectively, progress in related works ranged between three and 76 per cent.

Audit observed that in UHBVNL though the scheme period expired in March 2005, progress in construction/augmentation of 33 KV sub-stations was 76 and 81 *per cent* respectively whereas progress in execution of related works was 56 and 59 *per cent* respectively in construction and augmentation of HT lines, 54 *per cent* in installation of distribution transformers; 15 and 27 *per cent* in construction/augmentation of LT lines.

In DHBVNL, though progress in construction of 33 KV sub-stations was 87 *per cent,* progress in execution of related works was 76 *per cent* in construction of HT lines, 27 *per cent* in installation of distribution transformers, three and six *per cent* in construction & augmentation of LT lines, respectively.

As a result of delay in execution of schemes, the companies could not derive the envisaged benefit of reduction in energy losses. Besides, the companies could not achieve the objective of providing reliable and quality power to consumers as higher incidence of damage to distribution transformers and frequent interruptions persisted.

Audit further observed that:

- In UHBVNL, against eight schemes (REC: seven and NABARD: one) scheduled to be completed by March 2003 (REC) and March 2004 (NABARD), HT feeders were energised on turnkey basis during February 2002 to July 2004 at a cost of Rs 10.64 crore, but as of March 2005, progress in execution of related works of DTs and LT lines to be executed departmentally varied between seven and 56 *per cent*. The delay was due to non-synchronisation of HT works executed on turnkey basis with related works of installation of DTs and LT lines at the time of planning and execution of the schemes. This resulted in non realisation of full envisaged annual benefit of saving 23.70 MUs valuing Rs 6.94 crore.

  UHBVNL stated (August 2005) that delay in completion of related works was due to non-availability of matching material and shortage of staff. But the fact remains that better planning and timely action for critical activities could overcome the delays.

- NABARD sanctioned (November 2001) a scheme to DHBVNL for Rs. 7.70 crore for rehabilitation of 19 heavily overloaded HT feeders under operation circle/Gurgaon (seven feeders) and Narnaul (12 feeders). The scheme was to be completed by March 2004. Though the work of 15 feeders was got done on turnkey basis, work of rehabilitation of four* feeders at an estimated cost of Rs. 1.33 crore to be executed departmentally had not been taken up so far (March 2005). Due to non-execution of work of these feeders, the Company could not avail annual benefit of anticipated savings in energy losses of 15.34** LUs (value: Rs. 44.95 lakh) during 2004-05.

  DHBVNL stated (August 2005) that the work on the feeders could not be taken up due to feeding constraints (Wazirabad), railway line crossing (Khandora) and right of way problem (Sarai and Mushedpur) and works are likely to be completed by March 2006. But the fact remains that better planning and timely action for critical activities could overcome the delays.

- In NABARD schemes, DHBVNL did not take up work of rehabilitation of three 11 KV feeders involving estimated cost of

* Wazirabad, Mushedpur, Sarai and Khandora.

** Does not include energy loss of Khandora feeder (estimated cost Rs. 64.28 lakh) for which details were not supplied.

Rs 3.04 crore on the ground of outstanding amount against defaulting consumers in the area. Dropping of works on this ground was not justified as amount of default was required to be recovered as per procedure prescribed in sales manual. Rehabilitation of these feeders was in the interest of the Company because of high voltage drop, distribution losses and damage rate of DTs.

- DHBVNL though got sanctioned a scheme from NCRPB in March 2002 for completion in two years, it finalised contracts for construction of nine feeders only in January 2004 after a period of 20 months with completion schedule up to September 2004. As a result of delay in tendering for construction of these feeders, the Company could not avail benefits of anticipated savings in energy losses of 3.18 MUs (value: Rs. 1.04 crore) during April to September 2004.

Non-formulation of system improvement schemes for overloaded feeders

2.2.12 The Financial Commissioner to the State Government (Power department) directed (August 2001) both the companies to bifurcate the 11 KV feeders immediately wherever the load was more than 200 amperes and restrict load on these feeders to 100 amperes only so as to reduce number of trippings, line losses and improve the quality of power.

In violation of the directions of the State Government the companies did not prepare any system improvement scheme for 272 feeders though the load was substantially higher than the permissible limits.

Records maintained in planning wing of HVPNL revealed that in UHBVNL, maximum demand during 2003-04 on 167 feeders of 11 KV (out of 1,662) ranged between 220 and 480 amperes and energy losses on these feeders ranged between 20 and 74 *per cent* against the norms of seven *per cent* fixed by CEA.

In DHBVNL, maximum demand during 2003-04 on 105 feeders (out of 1,636) ranged between 210 and 400 amperes and energy losses on these feeders were also higher between 20 and 78 *per cent.*

Audit observed that there was no system at headquarters of the utilities for identifying overloaded feeders to formulate system improvement schemes to bring the current load within permissible limits.

Erection of sub-stations and lines

2.2.13 For improvement of sub-transmission system, UHBVNL awarded (July 2002 to July 2003) five turnkey contracts for construction of 19 new sub-stations of 33 KV and associated 33 KV lines at aggregated cost of Rs. 17.71 crore with completion period of nine months. The works were to be completed between April 2003 to April 2004. Similarly, DHBVNL awarded (August 2002 to January 2004) six contracts at aggregated cost of Rs.13.70 crore for erection of 18 new sub-stations of 33 KV and associated 33 KV lines. The works were to be completed between May 2003 and August 2004. As per the terms of the contracts, UHBVNL/DHBVNL were responsible for construction of civil works for control room buildings, plinths for power transformers, etc.

Details of commissioning of sub-stations and related lines are depicted in **Annexure-10**. It is seen from the Annexure that all the 19 sub-stations of UHBVNL were delayed by 18 to 321 days.

Similarly, in DHBVNL, out of 18 sub-stations, five sub-stations were commissioned in time, nine were commissioned with delays ranging from 49 to 745 days and works in respect of remaining four sub-stations were in progress (March 2005).

Neither of the companies could derive envisaged benefits of loss reduction of 14.58 MUs (value: Rs 4.27 crore) due to delayed construction of 33 KV works.

Due to delay in commissioning of sub-stations, UHBVNL and DHBVNL were deprived of the benefits of 3.46 MUs (value: Rs. 1.01 crore) and 11.12 MUs (value: Rs. 3.26 crore) respectively in saving of energy losses. Besides, consumers also suffered due to low voltage and short availability of power.

The companies stated (August 2005) that reasons of delays in completion of works were non receipt of possession of land, delay in completion of civil works due to shortage of cement and steel, delayed approval of railway crossing from railway authorities, construction of 33 KV bays and augmentation of power transformers to feed the proposed 33 KV sub-stations from existing 66/132/220 KV sub-stations by HVPNL and right of way problem. The reply is not tenable because better planning and timely action for critical activities could overcome the delays.

Under utilisation of 33 KV sub-stations due to defective planning

2.2.14 Under a scheme financed by NABARD, DHBVNL departmentally constructed and commissioned 33 KV sub-station at Kharian under operation circle, Sirsa in May 2004 with one 5 MVA transformer at a cost of Rs. 60.34 lakh. The sub-station was being fed from 132 KV sub-station, Odhan on a newly constructed 33 KV line constructed at a cost of Rs. 51.52 lakh.

After commissioning of the sub-station in May 2004, the Executive Engineer, construction division, Sirsa observed (October 2004) that the 132 KV feeding sub-station, Odhan was over loaded with connected load of 36 MVA against the installed capacity of 16/20 MVA only.

Pending augmentation of 132 KV sub-station, Odhan, the sub-station was fed from existing 132 KV sub-station Dabwali by erecting a four Km long 33 KV T-Off* link line from 33 KV Odhan-Kharian line.

33 KV sub-station at Kharian constructed at a cost of Rs. 1.12 crore remained under utilised due to defective planning

Audit observed that due to feeding constraints, only one 11 KV feeder (out of proposed four feeders) was put on load and the maximum demand recorded on 33 KV sub-station, Kharian ranged between 0.95 MVA and 2.66 MVA during June 2004 to March 2005.

Thus, due to defective planning the installed capacity of 5-MVA transformer and related 33 KV line created at a cost of Rs.1.12 crore remained underutilised during June 2004 to March 2005. Resultantly, the Company

* T-Off means take off arrangement from existing line.

could not derive envisaged benefits of reduction in energy losses of 6.69 LUs (value: Rs. 19.61 lakh).

2.2.15 DHBVNL constructed and commissioned (3 November 2003) 33 KV sub-station, Hansi with transformation capacity of 8 MVA and 33 KV T-Off line from 33 KV Hansi-Barwala line at a cost of Rs. 76.92 lakh. The SE Operation circle, Hisar observed (6 November 2003) that existing 33 KV Hansi-Barwala line could not take the load of 33 KV sub-station, Hansi as augmentation of conductor was not possible because all the areas through which the line was passing were densely populated. The SE's proposal (November 2003) for separate 10 Km 33 KV line from 132 KV sub-station Hansi to feed the above 33 KV sub-station was not materialised (March 2005).

Audit observed that due to feeding constraints, load of only one 11KV feeder (out of 4 feeders proposed to be shifted from 132KV sub station, Hansi) was put on the newly created 33KV sub-station and the maximum demand on the sub-station was 4.01 MVA only up to November 2004.

33 KV sub-station Hansi constructed at a cost of Rs. 76.92 lakh remained under utilised due to feeding constraints.

Thus, due to wrong assessment of feasibility of feeding 33 KV sub-station through 33 KV T-Off line instead of separate 33 KV line from 132 KV sub-station Hansi, investment of Rs.76.92 lakh remained under utilised and the Company could not derive the envisaged benefits of reduction in energy loss of 14.06 LUs (valued: at Rs. 41.20 lakh) per annum since November 2003 due to non shifting of load of remaining three feeders.

DHBVNL stated (August 2005) that the sub station at Hansi would be independently connected from 132 KV sub-station Hansi by creating a separate 33 KV line for which work was in progress. The fact remains that the Company continues incurring loss due to high energy losses.

Non shifting of load of 33 KV sub-station, Behal

2.2.16 33 KV sub-station, Behal under operation circle, Bhiwani having installed capacity of 10 MVA was being fed through 42 km 33KV single circuit line from 132 KV sub-station, Jui. Due to low voltage, the sub-station was upgraded to 132 KV with installed capacity of 32 MVA and commissioned in April 2004 at a cost of Rs. 4.28 crore. As of March 2005, load of 33 KV sub-station, Behal was not shifted to the upgraded 132 KV sub-station at Behal and the Company continued to get supply on both the lines.

Non shifting of load of 33 KV sub-station to the upgraded 132 KV sub-station, Behal resulted in avoidable energy loss of 9.29* LUs valuing Rs. 27.22 lakh.

DHBVNL stated (August 2005) that process of dispensing with 33 KV sub-station was undertaken by its operation wing by creating new 11 KV link lines in phased manner. It further stated that one 5 MVA transformer had been taken out of service and another 5 MVA transformer was in the process of sparing which was held up due to non-availability of material for link lines.

* Worked out on the basis of transmission loss at 4.5 *per cent* of energy of 206.42 LUs received at 33 KV sub-station, Behal during May 2004 to March 2005.

Erection/augmentation of 11 KV feeders

2.2.17 For bifurcation/trifurcation of existing overloaded feeders and augmentation of conductor, UHBVNL awarded 37 turnkey contracts during September 2001 to November 2003 at an aggregated cost of Rs. 34.41 crore. The works were to be completed within eight months during May 2002 to July 2004.

Similarly, DHBVNL also awarded 43 turnkey contracts during January 2002 to January 2004 at an aggregated cost of Rs. 42.72 crore. The works were to be completed during September 2002 to September 2004. Mode of turnkey contracts was adopted for expeditious execution of works.

Audit observed that out of 254 feeders (UHBVNL: 139 DHBVNL: 115), only 74 feeders (UHBVNL:17 DHBVNL:57) were completed within the time schedule. Of the delayed 180 feeders, delay in 52 feeders ranged between three months to one year (UHBVNL: 21; DHBVNL:9), one to two years (UHBVNL:19) and more than two years (DHBVNL:3). Construction of one feeder of UHBVNL was still (March 2005) in progress even after a delay of over two years. Resultantly, the projected benefit of saving in energy loss of 171.32 LUs (value: Rs. 5.02 crore) on these 53 feeders could not be achieved as detailed in **Annexure 11**. It is seen from the Annexure that delays were mainly on account of:

- Lack of co-ordination between these companies and HVPNL for arranging timely extension of switch house building of 66/132 and 220 KV sub-stations owned and controlled by HVPNL for installation of vaccum circuit breakers (VCBs) and arranging permit to work for energizing new feeders;
- Delay in approval of drawings and providing right of way;
- Delay in obtaining permission for railway crossing lines from railway authorities; and
- Rerouting of lines and change of scope of work due to improper survey before award of contracts.

While admitting the facts, the companies stated (August 2005) that delays occurred due to above reasons during the execution of work and that necessary penalty under relevant clause of contract agreement had been imposed on the firms. The fact, however, remains that there were abnormal delays in execution of works which could have been avoided by better monitoring and coordination and the levy of penalty was not commensurate with the estimated benefits envisaged in the schemes.

Erection of LT lines and installation of distribution transformers

Avoidable expenditure due to double installation of lightening arrestors

2.2.18 Lightening arrestors to protect the equipment from lightening are required to be provided at all sub-stations. Technical specifications of distribution transformers (DTs) of 25 KVA, 63 KVA and 100 KVA, procured by DHBVNL provide that these arrestors (one each for three phases) shall be mounted on the body of the transformer.

The Company awarded (April to December 2004) eight contracts for supply of material/equipment for turnkey construction of HT lines and DTs of 25 and 63 KVA for release of 1,271 tubewell connections.

Double installation of lightening arrestors resulted in avoidable expenditure of Rs. 29.19 lakh.

Audit noticed that despite provision of the arrestors on the DTs, the turnkey contracts, *inter-alia*, included supply and erection of 3,198 lightening arrestors at Rs. 29.19 lakh for installation at HT lines also. As lightening arrestors were already provided on DTs from where tubewell connections were to be released, installation of lightening arrestors on HT lines resulted in avoidable expenditure of Rs. 29.19 lakh. It is pertinent to mention here that UHBVNL had not provided for installation of the arrestors on HT lines against similar contracts for turnkey construction of 11 KV lines.

DHBVNL assured (30 August 2005) that the provision of the arrestors would be withdrawn in future tender enquiries.

Installation of LT capacitor banks

2.2.19 Capacitor banks are installed to minimise reactive* power drawn from the system, improve voltage/power factor of the load and save energy loss.

The companies got sanctioned (July/August 2000) two schemes each from REC for installation of LT capacitors on all the operation circles at estimated cost of 11.20 crore. The schemes envisaged annual reduction in energy loss of 29.2 MUs (value: Rs. 8.56 crore). DHBVNL placed (20 December 2000) a purchase order on GVR Electro Techniques Pvt. Ltd. Secunderabad for supply, installation and commissioning of 79,756 capacitors of 3 KVAR (25,314); 9 KVAR (34,025) and 18 KVAR (20,417) on DTs of all 13 operation circles of the companies at a total cost of Rs. 7.38 crore.

The companies could not derive envisaged benefits of reduction in energy losses of 29.2 MUs (value: Rs. 8.56 crore) on installation of defective LT capacitor banks valuing Rs. 7.15 crore.

Terms and conditions of the purchase order provided that the firm was liable to repair/replace all defects in capacitors noticed within 12 months from the date of their receipt free of cost for which security deposit/bank guarantee was taken from the firm. The firm completed supply of the capacitors up to August 2002, warranty of which expired during August 2003. The firm installed 76,839 capacitors up to October 2003 at a cost of Rs. 7.15 crore.

The Executive Engineer, operation division, Sirsa reported (July 2001) that due to defective design, 382 capacitors installed in operation circle Sirsa got

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

damaged and caused damage to the DTS. A committee of two SEs each of operation and construction circle and other officers of the Company confirmed (July 2001) that there was design defect, which needed rectification. SE (Construction) of the Company further pointed out (November 2001) that all the 817 capacitors (cost: Rs 7.60 lakh) installed by the firm were not in working condition or connected in the circuit.

UHBVNL also observed (November 2004) that a large number of capacitors damaged during warranty period had not been replaced by the firm. This indicates that the performance of the capacitors was not satisfactory. Audit observed that ignoring the defects pointed out by field offices in working of the capacitors and without obtaining report on the capacitors damaged during warranty period from field offices, the Company released (July 2004) Rs.63.98 lakh performance security. Thus, the Company did not utilise the benefit of warranty clause mentioned in the contract. The companies had also not assessed the extent to which benefit of envisaged reduction in energy loss was derived.

In the ARCPSE meeting, Director (Projects) admitted that the companies had not assessed the number of damaged capacitors for their replacement.

Maintenance of sub-stations and lines

Excessive damage of distribution transformers

2.2.20 Mention regarding excessive damage of DTs was made in paragraph 2B.6.1.2 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2002 (Commercial), Government of Haryana. As against the norm of 10 *per cent* fixed (April 1983) by the erstwhile Board, *percent*age of damage of transformers to the installed transformers exceeded the norms as detailed below:

Year	Average number of transfor-mers installed	Number of trans-formers damaged	Damage as per norm (Nos)	Damaged in excess of norm (Nos)	Percentage of damaged transform-ers	Average repair charges per transfor-mer (Rupees)	Expendi-ture in excess of norms (Rupees in crore)
UHBVNL							
2002-03	69,462	9,721	6,946	2,775	13.99	14,728	4.09
2003-04	73,456	10,817	7,346	3,471	14.73	15,407	5.35
2004-05	79,083	11,433	7,908	3,525	14.46	18,000	6.35
			Total				**15.79**
DHBVNL							
2002-03	51,873	8,619	5,187	3,432	16.62	14,728	5.05
2003-04	56,416	9,102	5,642	3,460	16.13	15,407	5.33
2004-05	61,334	9,783	6,133	3,650	15.95	18,000	6.57
Total							**16.95**
Grand total							**32.74**

Companies had to bear financial burden of Rs. 32.74 crore on repair of damaged transformers in excess of norms.

Thus, the companies had to bear heavy financial burden of Rs. 32.74 crore on repair of transformers damaged in excess of the norms during 2002-05.

Audit observed that while damage rate in operation circle Ambala was ranging between 9.14 and 10.40 *per cent* during 2002-05, damage rate in remaining 12 operation circles of UHBVNL and DHBVNL ranged between 10.74 and 20.30 *per cent* during 2002-05.

UHBVNL attributed (August 2005) the excessive damage rate to overloading of transformers due to unauthorised extension of load by agricultural consumers, two phase supply causing imbalance and low system voltage during peak tubewell load months. During ARCPSE meeting, the Director (Project) stated that in order to overcome these problems, the Company was making efforts for separating the agricultural and domestic loads in rural areas. Outcome of these efforts would be awaited in audit.

Excess expenditure on maintenance of 33 KV sub-stations and HT/LT lines

2.2.21 The estimates for repair and maintenance of HT/LT lines and 33 KV sub-stations are prepared and sanctioned every year by field units and provision of material is made in the estimates as per norms laid down in technical instructions keeping in view the length of lines and number of sub-stations.

The companies incurred excess expenditure of Rs. 2.77 crore on maintenance of sub-stations and lines.

During test check of records relating to provision and actual consumption of material in maintenance of HT/LT lines and 33 KV sub-stations of operation divisions of UHBVNL. Audit noticed that in respect of 140 works, material valuing Rs. 97.33 lakh was consumed in excess (43.95 *per cent*) of the provision in concerned estimates during 2001-04. Similarly, in DHBVNL material valuing Rs. 1.80 crore in 155 works was consumed in excess (85.56 *per cent*) of norms during the same period.

Despite extra expenditure on maintenance of HT/LT lines and 33 KV sub-stations, quality of maintenance was poor. Annual average number of interruptions per 10 Km due to fault on lines during 2001-04 ranged between 26 and 36 in respect of 33 KV lines and 42 and 50 in respect of 11 KV lines in UHBVNL. Similarly, interruptions per 10 km ranged between 16 and 24 in respect of 33 KV lines and 29 and 37 in respect of 11 KV lines in DHBVNL during the same period.

UHBVNL stated (August 2005) that norms for repair and maintenance were last revised during 1994, and the price index had gone up considerably due to high annual inflation and that the State had to face dust storms/wind storms which were unprecedented and sensitive equipment had to suffer damage for which no provision was made in the estimates and unauthorised extension of load by consumers were the reasons for excessive expenditure. The norms would be revised to make them realistic .

The reply was not tenable because provision of material was made as per norms laid down in the revised (1998) technical instructions in estimates with respect to length of lines and number of sub-stations and separate special estimates were prepared for replacement of equipments damaged during storms/replacement of damaged transformers.

Conclusion

The companies failed to achieve their targets for erection and augmentation of sub-stations and transmission lines. Delays in implementation of system improvement schemes/works resulted in non-accrual of envisaged benefits through reduction in distribution losses.

Distribution losses were higher than the prescribed norms and the companies suffered considerable financial loss. The maintenance and up keep of distribution transformers was marred by deficiencies, which rendered the transformers susceptible to higher risk of damage.

Recommendations

- **The companies need to take steps for timely implementation of system improvement schemes to bring the energy losses within the prescribed range.**
- **The maintenance and up keep of distribution transformers need to be strengthened in order to avoid damage to these transformers and ensure availability of quality power to consumers.**

The matter was referred to the Government in May 2005; the replies had not been received (August 2005).

Chapter-III

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

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

Government companies

Haryana State Industrial Development Corporation Limited

3.1 Doubtful recovery of loan

Sanction and disbursement of loan without safeguarding its interest put the recovery of Company's dues of Rs. 9.13 crore at stake.

The State Government directed (12 March 2003) the Company to advance working capital loan upto rupees seven crore to Naraingarh Sugar Mills Limited (unit) to bail it out from financial crisis. The unit was not eligible for loan as it had already defaulted in repayment of earlier loan. The State Government also directed the Company to formulate detailed terms and conditions of the loan agreement adequately safeguarding its interest. In case the loan was not recovered from the unit it was adjustable against the dues payable by the Company to the Government on annual basis.

The Company sanctioned (14 March 2003) a corporate loan of rupees seven crore to the unit. The terms and conditions of sanction, *inter-alia,* provided that the loan shall be:

- repayable in two years in eight equal quarterly instalments;
- guaranteed by personal guarantees of unit's promoters;
- secured by first party *pari-passu* charge with other loans from term lending institutions on fixed assets; and
- charged on collateral security already mortgaged to the Company for earlier loans.

The Company released (17 March-7 May 2003) rupees seven crore without ensuring compliance of the stipulated terms and conditions of sanction. The unit was in default since inception (April 2003) and requested (11 July 2003) for rescheduling the recovery from December 2005 and waiver of some of the conditions *ibid.* The Company declined (21 August 2003) the request of the unit and directed to comply with the terms and conditions within 15 days. The unit did not respond and the Company issued (15 January 2004) a recovery notice under Public Moneys (Recovery of dues) Act, 1979. The Company, without taking the approval of the State Government, adjusted (March 2004) Rs. 3.52 crore (term loan: Rs. 2.63 crore and interest: Rs. 0.89 crore) due for payment by the unit in their books against the dues payable by the Company to the State Government.

As the Company had not taken adequate safeguards before disbursement of the loan, it had to reverse the adjustment entry from the books. The unit neither paid interest nor any instalment of principal. As of March 2005, the default amount accumulated to Rs. 9.13 crore (principal: Rs. 7 crore and interest: Rs. 2.13 crore) for which the Company had no security (primary or collateral).

Thus, sanction of loan and disbursement thereof, without compliance of the terms & conditions led to doubtful recovery of Rs. 9.13 crore.

The management stated (April 2005) that the loan was disbursed with the condition that two *per cent* higher rate of interest would be charged till the compliance of the pending terms and conditions. Reply is not tenable as the Company should have safeguarded its interest through enforcing the terms & conditions as directed by the State Government prior to disbursement of the loan.

The matter was referred to the Government in March 2005; the reply had not been received (August 2005).

Haryana Roads and Bridges Development Corporation Limited

3.2 Avoidable payment of interest

Mobilising high cost funds without matching requirement and parking the surplus funds at low rate of interest resulted in avoidable interest out go of Rs. 44.79 lakh.

Housing and Urban Development Corporation Limited (HUDCO) sanctioned (June 2000) a loan of Rs. 144.08 crore to the Company for improvement/upgradation of district roads in the State. As per the plan the Company would draw the loan during October 2001 - July 2003 in eight quarterly instalments. In case of non-drawal of any loan instalment within six months of the stipulated date, the Company would pay commitment charges at the rate of 0.10 *per cent* per quarter for the delayed drawal of funds. The State Government decided (December 2001) that the work would be executed by Public Works Department (PWD) as a deposit work. PWD would provide utilisation certificate every month and the Company would release funds in phases after ensuring utilisation of the earlier funds. The loan amount was reduced (December 2002) to Rs. 105.91 crore due to reduction in project cost and drawal period was extended up to April 2004.

The Company made payment of Rs. 25.96 crore to PWD during May 2002 - February 2003 against the release (March 2002 - January 2003) of 1st and 2nd instalments amounting to Rs. 26.87 crore by HUDCO. The Company further released (June 2003) Rs. 8.33 crore to PWD against the receipt (April 2003) of Rs. 13.56 crore from HUDCO as 3rd instalment of loan. In the intervening period the Company parked the surplus funds in Term Deposits (TDs) with the banks. Though there was an available balance of Rs. 6.14 crore as on 24 June 2003 out of Rs. 40.43 crore already received, the Company requested (June, September and December 2003) HUDCO for release of subsequent instalments without ascertaining requirement. HUDCO released Rs. 42.49 crore towards 4th to 6th instalments during March 2004.

Out of the total available amount of Rs. 48.63 crore, the Company released Rs. 32.55 crore to PWD in March and May 2004 and kept the surplus funds of Rs. 16.08 crore in TDs earning interest between 5.50 and 5.75 *per cent* against the interest outgo rate to HUDCO ranging from 9 to 10.75 *per cent*.

Had the Company regulated drawal of funds as per utilisation of funds by PWD, it could have saved the differential interest of Rs. 44.79 lakh during May 2004 to March 2005 even after paying commitment charges to HUDCO.

The management stated (March 2005) that anticipated physical progress of works of improvement could not be achieved due to various reasons and the loan drawal had to be effected as envisaged in the agreement otherwise the Company had to pay commitment charges. The surplus funds were kept in TDs with the banks.

The reply is not tenable as better fund management could save an interest outgo of Rs. 44.79 lakh net of commitment charges.

The matter was referred to the Government and the Company in May 2005; their replies had not been received (August 2005).

Dakshin Haryana Bijli Vitran Nigam Limited

3.3 Extra expenditure

Acceptance of delayed supply of 1,73,502 single–phase electronic meters resulted in extra expenditure of Rs. 2.98 crore as compared to lower prevailing market rate for similar type of meters.

On the basis of tenders finalised on 12 October 2002, the Company placed (29 November 2002) purchase orders on six* firms for the supply of 5,02,000 single-phase electronic meters at a negotiated rate of Rs. 600 per meter (inclusive of meter cupboards (MCBs) at Rs. 130 each). As per delivery schedule, the firms were to get drawings/samples approved within two months

* Elymer International Pvt. Ltd., Faridabad, Genus Overseas Electronics Limited, Jaipur, HPL Socomec Pvt. Ltd., New Delhi, HSC Hotline Switchgear & Control, Delhi, K.C. Mercantile Ltd., Jaipur and Omni Agate Systems Pvt. Ltd., Chennai.

from the date of receipt of orders and thereafter to supply the ordered quantity in four equal monthly lots. As such, the firms were to supply the meters in four equal lots during March - June 2003. According to terms and conditions of the purchase orders, the Company had the right to refuse the supplies in case of failure to execute supplies within the contractual delivery period.

Audit noticed (December 2003) that all firms except one* failed to execute the supplies in equal monthly lots as specified in the purchase orders. Out of first three lots of 1,25,500 meters each due in March, April and May 2003 respectively, 1,73,502 meters were not received within the stipulated period. Out of the balance order, 2,50,989 meters were received in time and supply of 77,509 meters was not received. While accepting the delayed supplies of 1,73,502 meters at Rs. 470 per meter (Rs. 600 less cost of MCB: Rs. 130), the Company did not ascertain the prevalent market price as one firm Capital Power Systems, Noida which agreed (October 2002) to supply these meters to the Company at Rs. 670 per meter (inclusive of the cost of MCB at Rs.130 each) had offered (March 2003) to supply similar type of meters to Himachal Pradesh State Electricity Board (HPSEB) at Rs. 298 per meter. It is worthwhile to mention that Punjab State Electricity Board had cancelled (May 2003) orders for purchase of 13 lakh meters in view of lower rates finalised by HPSEB.

The Company was under no contractual obligation to accept delayed supply at higher rate and the acceptance of delayed supply of 1,73,502 single-phase electronic meters by the Company at Rs. 470 per meter resulted in avoidable extra expenditure of Rs. 2.98 crore as compared to the lower prevailing market rate of Rs. 298 per meter.

The management stated (May 2005) that the supplies were accepted within overall delivery period. It further stated that the meters purchased had additional tamper proof features unlike the meters of HPSEB. The reply is not tenable because as per conditions of purchase order, the supplier was required to supply the full ordered quantity in four equal monthly lots and in the case of failure, the Company had the right to refuse delayed supplies to avail of the benefit of lower rates in the market. Besides, the meters purchased by HPSEB were of similar specifications relating to tamper proof features.

The matter was referred to the Government in January 2005; the reply had not been received (August 2005).

3.4 Loss of revenue

Undercharging penalty for theft of energy in violation of sale instructions resulted in revenue loss of Rs. 72.15 lakh.

The sales instructions (27 October 1998) of Haryana Vidyut Prasaran Nigam Ltd. provided that in case of theft of energy by HT industrial consumers, penalty would be assessed for preceding six months, if the actual period of theft could not be determined. The tariff leviable was two and three times of the normal tariff for the first and second/subsequent default respectively.

* Elymer International Pvt. Ltd., Faridabad.

The Metering and Protection staff (M&P) of the Company checked (29 October 2003) the premises of Mayor International with sanctioned load of 440 KW under Industrial Area, Gurgaon. The consumer was found indulging in theft of energy. Audit noticed (February 2005) that the penalty for the preceding six months in terms of Company's instructions worked out to Rs. 30.04 lakh, but the Company charged (31 October 2003) penalty of only Rs. 4.97 lakh for 11 days on the plea that all the seals were intact on 18 October 2003 when meter reading was taken.

During the subsequent inspection on 10 June 2004, the M&P staff again detected theft. This time also, the Company charged only Rs 5.31 lakh from the consumer for 23 days against chargeable penalty of Rs. 52.39 lakh for preceding six months on the same plea that the seals were intact on 18 May 2004 at the time of taking reading. Charging of penalty for less than six months on the plea that the seals were intact at the time of monthly meter reading is not tenable as the period of theft could not be determined due to non-availability of tamper data. The capacity of the meter to record tamper information had exhausted in 1997 and old data had not been washed thereafter to enable the meter to record the latest data. In the absence of actual duration of theft, assessment should have been made for the last six months.

Thus, against the recoverable penalty of Rs 82.43 lakh, the Company recovered Rs. 10.28 lakh, which resulted in loss of Rs. 72.15 lakh.

The matter was referred to the Government and the Company in May 2005; their replies had not been received (August 2005).

3.5 Loss due to non levy of HT surcharge

The Company was put to a loss of Rs. 1.41 crore as it did not recover surcharge for low power factor from the consumers as per schedule of tariff.

As per schedule of tariff, industrial consumers having connected load above 70 KW are covered under HT supply. These consumers are required to maintain the limit of minimum average power factor of 90 *per cent*. In case of failure, surcharge at one *per cent* of energy charges for each one *per cent* decrease up to 80 *per cent* and two *per cent* for each one *per cent* decrease in power factor below 80 *per cent* is to be levied. As per orders (August 2001) of Haryana Electricity Regulatory Commission (HERC) the bulk supply consumers were to be treated at par with industrial consumers for charging of power rates. As per Haryana Electricity Reforms Act 1997, orders of the Commission are binding on the power utilities.

Audit noticed (March 2005) that 39 bulk supply consumers under operation-cum-construction sub-division, Gurgaon did not maintain the minimum power factor. The Company, however, did not levy the requisite surcharge which worked out to Rs.1.41 crore during June 2003-January 2005. Thus, non compliance of the schedule of tariff had resulted in loss of Rs 1.41 crore to the Company.

The matter was referred to the Government and the Company in May 2005; their replies had not been received (August 2005).

3.6 Loss due to non-levy of LT surcharge

The Company was put to a loss of Rs. 24.71 lakh as it did not recover LT power surcharge from the consumer in terms of schedule of tariff.

As per schedule of tariff, industrial consumers having connected load up to 70 KW are covered under LT (230 or 400 volts) supply and those above 70 KW under HT (11KV) supply. In case, an HT industrial consumer avails LT supply, a surcharge of 25 *per cent* of energy charges is leviable. As per orders (August 2001) of HERC the bulk supply consumers are to be treated at par with industrial consumers for charging of power rates. As per Haryana Electricity Reforms Act, 1997 the orders of the HERC are binding on the power utilities.

Audit observed (March 2005) that an HT bulk supply consumer Vidya Devi Jindal School, Satrod, Hisar had a connected load of 248 KW. The consumer was, however, getting LT supply at 400 volts. The Company did not recover surcharge of Rs. 24.71 lakh from the consumer for the period from September 2001 to February 2005 at par with industrial consumers and was thus put to a loss of Rs. 24.71 lakh.

The matter was referred to the Government and the Company in May 2005; their replies had not been received (August 2005).

3.7 Loss of revenue

Failure of the Company to charge for slow meter as per Sales Manual resulted in loss of Rs. 15.95 lakh.

The sales manual of the erstwhile Haryana State Electricity Board (now Company) provides that, in the case of an inaccurate meter found at the premises of the consumer, his account shall be overhauled for a period not exceeding six months.

The meter of a consumer (Amira Foods Private Limited) under Sub-division, Farukhnagar (Gurgaon) with sanctioned load of 1,250 KW was changed on 6 October 2004 with initial reading of 244.2 KWH and multiplying factor of five. During special checking (22 January 2005), Metering and Protection team of the Company found the meter slow by 25.73 *per cent*. Resultantly, the meter with final reading of 2,81,588.8 KWH was changed on 22 January 2005.

Audit observed (February 2005) that the Company overhauled the consumer's account for the month of January 2005 only and charged Rs. 4.47 lakh for 1.07 lakh units for slow meter. As the meter was slow by 25.73 *per cent* and had been installed on 6 October 2004, the Company should have charged

Rs. 20.42 lakh^ from the consumer by overhauling the account for the entire period (6 October 2004 to 22 January 2005). Therefore, the Company suffered a loss of Rs. 15.95 lakh due to under charging for slowness of the meter.

The matter was referred to the Government and the Company in May 2005; their replies had not been received (August 2005).

Haryana Power Generation Corporation Limited

3.8 Idle investment

Investment of Rs. 37.90 lakh on the installation of chlorination plant was rendered unfruitful as it could not be put to use due to non availability of quality water.

In order to improve quality of raw water and increase in power generation, the Company installed and commissioned (December 1998) a project comprising three plate type clarifiers (Rs. 2.13 crore) and one chlorination plant (Rs. 35.28 lakh) at Faridabad Thermal Power Station. Power Finance Corporation provided loan to finance the project. The chlorination plant was installed at the inlet point from Gurgaon Canal near Ballabgarh. A tubewell was installed at a cost of Rs. 2.62 lakh at traveling water screen (TWS) near the chlorination plant for tubewell water to be used in the chlorination plant for chlorine dosing and its subsequent release in raw water. The Company did not verify the suitability of tubewell water prior to its installation. Due to highly brackish* nature of water from the tubewell the chlorination plant could not be put to operation since its installation (December 1998).

The Company got the tubewell water tested (March 2001) and sent the analysis report to Central Electricity Authority (CEA) which advised not to use the tubewell water and proposed (May 2001) a scheme for installation of a clarification cum filtration plant *(CFP)* to meet the requirement of chlorination plant. The specifications of the proposed *CFP* had not been finalised so far (March 2005) despite lapse of more than four years. As there is no other source of water for the operation of chlorination plant, the said plant remained idle since its installation.

Thus, due to deficient planning, the investment of Rs. 37.90 lakh made by the Company on chlorination plant (Rs. 35.28 lakh) and tubewell (Rs. 2.62 lakh) had been rendered unfruitful. It had further resulted in loss of interest burden of Rs. 23.69# lakh on the capital employed from borrowed funds. The loss was still continuing (July 2005) as the management failed to implement the proposal of the CEA for installation of CFP to meet the requirement of the

^ Units less billed = 487343 (18,94,066-1406723) and amount= Rs. 20,41,967 (487343 x Rs. 4.19).

* Salty water.

\# Calculated at the rate of 10 *per cent* per annum for the period from January 1999 to March 2005.

chlorination plant. Besides, poor quality of raw water was causing higher coal and auxiliary consumption.

The matter was referred to the Government and the Company in May 2005; their replies had not been received (August 2005).

3.9 Undue benefit to a contractor

Payment of higher insurance premium and price variation on insurance premium resulted in over payment of Rs. 6.03 crore.

The Company issued (March 2002) a letter of intent for supply, erection and commissioning of two new generation units at Panipat to BHEL on turnkey basis at a cost of Rs. 1,438.70 crore. To execute the project the Company placed (June 2002) a purchase order for supply of components etc. at Rs. 1,080 crore and work order for services at Rs. 358.70 crore. The purchase order and the work order were subject to price variation clause. The work order of Rs. 358.70 crore included insurance premium of Rs. 11 crore payable for comprehensive insurance policy of the lump sum value of Rs. 1,438.70 crore. The payment was to be released at the rate of 12.5 *per cent* in advance and 87.5 *per cent* on *pro rata* basis in 30 equal monthly instalments starting from September 2002 along with 100 *per cent* price variation claims.

BHEL and its sub-contractors obtained two comprehensive policies at an insurance premium of Rs. 6.02 crore for the above project. The Company did not insist for payment of actual insurance premium of Rs. 6.02 crore and paid Rs. 11 crore on account of insurance premium. The Company also paid Rs. 1.05 crore as price variation on the insurance premium component of the contract price.

Audit observed that while awarding the contract, the Company did not consider the implication of price variation formula incorporated in the work order. It led to payment of Rs. 1.05 crore due to price variation on insurance premium, which was of fixed nature. As the payment for insurance premium was in the nature of reimbursement of actual expenditure incurred, it should have been limited to the actual premium paid. Similarly, as price variation clause was also in the nature of compensating the contractor for increase in the prices of inputs during the currency of the contract, no payment was required to be made on insurance premium component being of fixed nature.

Thus, payment of higher amount than actual insurance premium and price escalation on fixed component had resulted in overpayment of Rs. 6.03 crore (excess insurance premium paid: Rs. 4.98 crore and price variation: Rs. 1.05 crore) to the contractor.

The matter was referred to the Government and the Company in March 2005; their replies had not been received (August 2005).

Haryana Vidyut Prasaran Nigam Limited

3.10 Extra expenditure on purchase of power

Purchase of power from a private producer in excess of the contracted capacity resulted in extra expenditure of Rs. 55.89 lakh.

The Company entered (January 2003) into a Memorandum of Understanding (MOU) with Power Trading Corporation (PTC) for purchase of 86 MW power (16.59 lakh units per day) from Malana Power Company Ltd. (MPCL) at Rs. 2.40 per unit for three years from July 2002 to 30 June 2005. The terms and conditions of the MOU, *inter alia*, provided that MPCL would not normally declare the gross available capacity exceeding 86 MW power. In case of availability of extra power, such extra power could also be used by the Company as and when required. The MOU however, did not specify the rates for the purchase of extra power.

Audit observed that during the rainy season (1 July 2003 - 23 August 2003), MPCL supplied 66.73 lakh units in excess of the schedule based on the capacity of 86 MW. Though rates of power available from the Northern grid during this period were lower, the Company did not insist for scheduling supply on the basis of 86 MW and meeting its additional demand from the grid at lower rates or reduction in rates for the excess drawn power, at the lower prevailing rates. The Company paid extra amount of Rs. 55.89* lakh on the excess purchase of power of 66.73 lakh units calculated as per lower prevailing rates for the power drawn in excess of 86 MW during July and August 2003.

The management stated (May 2005) that drawing of lesser power from the project during rainy season would result in loss to independent power producer (IPP) and the country due to spillage of water and the tariff fixed was at firm rate for three years. The Government endorsed (August 2005) the views of the management.

The reply is not tenable. The Company should have negotiated rates for supply beyond contracted demand of 86 MW as it was under no contractual obligation to bear the loss to the IPP and that the fixed rates were applicable only to the contracted demand of 86 MW.

* Amount paid for excess purchase of power: Rs. 160.15 lakh (66.73 LUs x 240 paisa pu) minus amount payable for power available from the grid Rs. 104.26 lakh (July 2003; 44.76 LUs at the rate of 150 paisa and August 2003:/21.97 LUs at the rate of 169 paisa pu): Rs. 55.89 lakh.

3.11 Loss due to short recovery of water charges

The Company suffered loss of Rs. 14.16 lakh due to short recovery of water charges from the staff residing in the housing colony.

The Company developed a housing colony during September 1998 to February 2002 in Panchkula comprising 432 houses of various categories. Out of these, 376 houses were allotted (January 1999: 256, March 2001: 40 and April 2002: 80) to the employees of HVPNL, UHBVNL and HPGCL, 44 houses were used as offices and 12 were lying vacant. A single point connection was obtained from Haryana Urban Development Authority (HUDA) for feeding Company's under ground water storage tank from where the water was supplied to the houses. No separate meters for individual houses were installed. The Company made payment of water charges at the rates fixed by HUDA, which was to be recovered from the residents. Audit noticed that recovery of water charges from employees was made at the rate of half *per cent* of pre-revised basic pay (prior to January 1996) without matching with the payments made to HUDA for these houses.

Thus, due to non matching of water charges paid to HUDA with the recovery made from the residents, the Company suffered loss of Rs. 14.16 lakh from November 2001 to January 2005.

In reply (June 2005) endorsed by Government (July 2005) the Company stated that its Board of Directors had revised (April 2005) the water charges and had written off the loss on account of less recovery of these charges. The fact, however, remained that the loss had to be written off due to laxity of the management in taking timely appropriate action.

Haryana Land Reclamation and Development Corporation Limited, Haryana Agro Industries Corporation Limited and Haryana Seeds Development Corporation Limited

3.12 Excess payment of employers' contribution

Three companies suffered loss of Rs. 82.14 lakh due to payment of contribution to employees provident fund in excess of the limits prescribed under the Employees' Provident Fund Scheme, 1952.

The Employees' Provident Fund Scheme, 1952 provides that the contribution payable by the employer under the Scheme shall be 12 *per cent* of the basic wages, dearness allowance and retaining allowance payable to each employee. Under para 26(A)(2) of the scheme where the monthly pay of such an employee exceeded Rs. 6,500, the contribution payable by the employer shall be limited to the amounts payable on a monthly pay of Rs. 6,500. Para 29(2) of the Scheme further provides that any such employee may contribute an amount exceeding 12 *per cent* of his basic wages, dearness allowance and retaining allowance subject to the condition that employer shall not be under obligation to pay contribution over and above his contribution payable under the Scheme.

Audit observed (May 2003 and March 2004) that three companies viz. Haryana Land Reclamation and Development Corporation Limited (HLRDC), Haryana Agro Industries Corporation Limited (HAIC) and Haryana Seeds Development Corporation Limited (HSDC) contributed their share at the rate of 12 *per cent* towards the fund during 2002-04 without limiting the monthly pay to Rs. 6,500 in contravention of the provisions of Employees' Provident Fund Scheme, 1952. Resultantly, the companies made excess contribution of Rs. 82.14 lakh (HLRDC: Rs. 21.51 lakh, HAIC: Rs. 26.72 lakh and HSDC: Rs. 33.91 lakh).

The management of HAIC, HLRDC and HSDC stated (April, May and August 2005) that there was no bar in the Act to contribute in excess of the statutory limit and decision of the State Government was pending in this regard. Reply of the HLRDC was endorsed by the Government in June 2005. The reply is not tenable in view of the clear limit of employer's contribution under para 26(A)(2) of the Scheme.

The matter was referred to the Government in April 2005; replies of the Government in respect of two companies* had not been received (August 2005).

Statutory corporations

Haryana Financial Corporation

3.13 Disbursement of loan without complying with laid down procedure

Sanction of loan against deficient security and release of loan without obtaining no objection certificate from Pollution Control Board, led to non recovery of Rs. 1.08 crore.

The Corporation sanctioned (November 1995) a term loan of Rs. 1.18 crore (Rs. 7.22 lakh for building and Rs. 1.11 crore for plant and machinery) to Stallion Duplex Pvt. Ltd. (unit) for setting up a craft and duplex board manufacturing unit at village Chirao More district Karnal on the land acquired on lease from its sister concern. The unit was also to procure plant and machinery from the same concern.

As per the policy, the Corporation was to obtain a minimum collateral security of 30 *per cent* of the term loan where the units were located outside the recognised industrial areas and municipal limits. The Corporation did not insist for collateral security on the plea that unit had mortgaged existing land (valuing Rs. 40.06 lakh) and building as primary security. The Corporation sanctioned the loan with the stipulation that the unit would obtain no objection

* HAIC and HSDC

certificate (NOC) from the Pollution Control Board (PCB) in due course. The Corporation disbursed Rs. 97.48 lakh during March 1996 - November 1997 without any survey of mortgaged land. The unit did not obtain NOC from PCB and never started commercial production due to non receipt of Government's approval and dispute among the directors.

The unit was irregular in repayment and committed default since October 2000. So, the Corporation took (4 December 2003) deemed possession of the unit under Section 29 of the State Financial Corporations Act, 1951. Physical possession of the unit could not be taken as the unit had no independent access and it was located on the rear side of its sister unit with a common gate. The Corporation assessed (January 2004) the value of mortgaged security at Rs. 73.52 lakh against the accepted value of Rs. 1.80 crore after providing depreciation at the rate of 20 *per cent* per annum on the plant and machinery. The Corporation could not dispose of the assets as the unit was not having independent access and there was no demarcation of the leased land accepted as security.

Thus, the irregularities, committed ab-initio in sanction of loan by accepting leasehold land without ensuring clear demarcation and independent access as security and release of loan without NOC from PCB, led to non recovery of Rs. 1.08 crore (Principal: Rs.45.08 lakh and Interest: Rs. 62.64 lakh).

The management stated (March 2005) that obtaining of NOC from PCB was not a pre-condition to disbursement, leasehold primary security was taken for which lease deed was duly registered and efforts are being made to ensure independent passage to the unit so that physical possession could be taken. The reply is not tenable as the Corporation failed to make NOC from PCB a pre-condition for releasing the loan. Further acceptance of leasehold land not having independent passage as security by deviating from its laid down procedure had led to failure of the Corporation to take physical possession of the unit.

The matter was referred to the Government in January 2005; the reply had not been received (August 2005).

3.14 Grant of inadmissible benefit

Injudicious decision to grant inadmissible benefit led to a loss of Rs. 55.19 lakh.

The Corporation sanctioned (November 1998 and January 2000) a term loan of Rs. 1.27 crore to Barodia Plastics (P) Ltd. (unit) for setting up flexible industrial packing manufacturing unit in Sampla, Rohtak. The Corporation disbursed Rs. 1.25 crore during June 1999 to September 2000 and cancelled (February 2001) the balance loan.

The unit defaulted in repayments since February 2001. The Corporation recalled (August 2001) the entire loan and threatened to take possession of the unit. A fire broke out (17 April 2002) in the unit, destroying the entire plant & machinery and the unit approached the Corporation for relief. The total loan outstanding (17 April 2002) was Rs. 1.52 crore (principal: Rs. 1.24 crore and interest: Rs. 28.32 lakh).

The unit submitted (April 2003) a fresh request for settlement of its account under OTS scheme for waiver of penal interest, compound interest and 2/3rd of simple interest. As per Company's policy, this concession was available only to the units where primary and collateral securities had been disposed of and for the remaining shortfall amount, Recovery Certificate (RC) had been issued to the revenue authorities. The security available (of Rs. 2.56 crore) with Corporation was more than the amount recoverable (Rs. 1.88 crore).

The Company, however, allowed (29 April 2003) a relief of Rs. 55.19 lakh though no relief was admissible to this unit as both primary and collateral securities were available with the Corporation and no RC had been lodged in this case. Thus, the injudicious decision to grant inadmissible relief in violation of its own policy led to a loss of Rs. 55.19 lakh to the Corporation.

The management, while admitting the facts, stated (March 2005) that the recovery through the process of sale of property is time consuming process and to avoid unnecessary litigation with the borrower the settlement was done.

The reply is not tenable as avoidance of the litigation in a court of law to effect recovery had defeated the very purpose of remedies available to the Corporation under the State Financial Corporations Act, 1951.

The matter was referred to the Government in February 2005; the reply had not been received (August 2005).

3.15 Irregular sanction/disbursement of loan

Non inclusion of working capital stipulation in sanction letter particularly when the same was recommended in the pre-sanction inspection report and delayed possession of the unit rendered the recovery of Rs. 1.33 crore doubtful.

The Corporation sanctioned (November 1999) a term loan of Rs. 65 lakh to Krishna Rice and General Mills (unit) for setting up a rice-processing unit at Village Gandapura, District Yamuna Nagar. The loan was disbursed during February - September 2000.

The unit defaulted in the payment of interest since August 2001. Due to persistent default, the Corporation issued (October 2001) a recall notice. Subsequently, notice was issued (April 2002) for taking possession of the unit. The possession proceedings of the unit were, however, kept in abeyance on a meagre payment of rupees two lakh against due amount of Rs. 84.29 lakh. The Corporation delayed physical possession of the unit on receipt (March - September 2003) of post-dated cheques, which were dishonoured by the banks on presentation (June - October 2003). The Corporation took (November 2003) possession of the unit and assessed (January 2004) the value of primary security at Rs. 59.51 lakh against accepted value of rupees one crore. The Corporation attributed non-availability of working capital as one of the reasons for failure of the unit. The unit was put to auction eight times during March 2004 - January 2005 but the Corporation did not get any buyer. The outstanding amount as on November 2004 was Rs. 1.33 crore (Principal: Rs. 65 lakh, miscellaneous expenditure: Rs. 0.48 lakh and interest: Rs. 67.20 lakh).

Audit noticed (November 2004) that the pre-sanction inspection report of the Branch Manager, *inter-alia*, recommended (October 1999) that the unit would furnish a letter of commitment from the bankers for consideration of working capital limit before disbursement of loan. But the Corporation without assigning any reason omitted the stipulation from the sanction letter.

Thus, exclusion of working capital stipulation in sanction letter and delayed possession of the unit leading to depreciation in the value of assets and putting the recovery of Rs. 1.33 crore at stake.

The management stated (March 2005) that the stipulation to furnish letter of commitment from the bankers for consideration of working capital limit before disbursement was not imposed at the time of sanction in view of prevailing practice for speedy implementation. The reply is not tenable as specific recommendation for letter of commitment from banks was made in the pre-sanction appraisal and lack of working capital had led to failure of the unit.

The matter was referred to the Government in March 2005; the reply had not been received (August 2005).

Haryana Warehousing Corporation

3.16 Loss due to improper storage

Improper storage and belated decision to recondition stock of wheat led to a loss of Rs. 53.14 lakh to the Corporation.

The Corporation keeps wheat stock procured by State agencies for Food Corporation of India (FCI) in covered godowns as well as on open plinth till delivery to FCI. The terms and conditions of storage tariff, *inter alia,* provide that staff deployed by the Corporation would exercise reasonable care and diligence required by law for keeping the goods in good condition.

The Haryana State Federation of Consumers Co-operative Wholesale Stores Ltd. (CONFED) deposited 87,697.12 quintal of wheat during April-May 1998 and the Corporation kept these stocks on open plinth at its Nissing godown. During March 1999 to July 2000, CONFED arranged delivery of 62,531.33 quintal to FCI leaving a balance stock of 25,165.79 quintal wheat. The manager, Nissing centre intimated (August 2000) its head office that the stocks stored on the open plinth was damaged and required segregation and improvement. On joint inspection (March 2001) by the Corporation and CONFED, it was seen that the texture of the gunnies of peripheral layers, top and bottom layer bags was poor and some bags were water affected requiring segregation/salvaging and improvement to get the stock dispatched to FCI. The Nissing centre reconditioned (January 2002) some bags (3500) but the FCI rejected (February 2002) the wheat stocks as the percentages of damage and weevilling* were beyond the permissible limits.

Thereupon, the entire stock was sorted/reconditioned (December 2002) by the Corporation at a cost of Rs. 4.49 lakh. The stock worth Rs. 54.34 lakh was damaged which was disposed off at Rs. 18.91 lakh; besides, there was storage loss of 2,279 quintal valuing Rs. 13.22 lakh. Balance stock of 17,908.90 quintal was delivered to FCI.

The Corporation suffered a loss of Rs. 53.14 lakh (loss on damaged stock: Rs 35.43 lakh, storage loss: Rs. 13.22 lakh and expenditure on reconditioning of stock: Rs. 4.49 lakh).

Thus, belated decision to recondition entire stock led to a loss of Rs. 53.14 lakh to the Corporation.

The matter was referred to the Government and the Company in March 2005; their replies had not been received (August 2005).

3.17 Misappropriation of rice

Delivery of paddy without adequate security led to misappropriation of rice and loss of Rs. 55.93 lakh.

The Corporation procures paddy for Central pool and provides the same to millers, who deliver rice to the Food Corporation of India (FCI) after milling. The milling agreements entered (September and October 2003) with millers, *inter-alia*, provided that the millers would take delivery of paddy for milling purposes either against bank guarantees or delivery of advance rice to FCI equivalent to the cost of paddy handed over to them. The millers would be responsible for safe custody of paddy till delivery of rice and submit fortnightly reports indicating stock position of milled/unmilled paddy. In the event of default in delivery of rice, the millers were liable to pay the price of undelivered rice at the rates fixed by Government of India plus interest at cash credit rate.

Audit observed (February 2005) that the Corporation, without obtaining bank guarantees or ensuring advance delivery of rice to FCI as per terms of agreement, allowed the millers to take delivery of paddy. The Corporation delivered 9809.17 MT paddy to four** millers for milling during October/November 2003 to February 2004. The millers, in turn, delivered 5991.14 MT rice to FCI during October 2003 to May 2005 against 6572.14 MT rice due, leaving an undelivered balance of 581[$] MT rice valuing Rs. 62.45 lakh. The amount recoverable from millers after adjusting security of Rs. 2.25 lakh and amount deposited thereafter (Rs. 4.27 lakh) was

* grain eaten by insects.

** Jagdamba Rice Mill (1,690.85 MT), Shiva Food (2,095.87 MT), Shakumbhra Devi Rice Mill (2,615.55 MT) and Sethi Rice mill (3,406.90 MT).

$ Jagdamba Rice Mill (60 MT), Shiva Food (271 MT), Shakumbhra Rice Mill (79 MT) and Sethi Rice Mill (171 MT).

Rs. 55.93 lakh (August 2005). The Corporation did not initiate any action against the millers.

Thus, failure of the Corporation to obtain bank guarantee or ensuring delivery of advance rice by the millers to the FCI before delivering paddy to the millers facilitated misappropriation of rice by the millers and resulted in loss of Rs. 55.93 lakh.

The management's reply endorsed by the State Government stated (August 2005) that FIR had been lodged against the millers.

General

3.18 Corporate governance

Introduction

3.18.1. Corporate governance is the system by which the companies are directed and controlled by the management in the best interest of the shareholders and others ensuring greater transparency and better and timely financial reporting. Board of Directors are responsible for governance of their companies.

The Companies Act, 1956 was amended in December 2000 by providing, *inter-alia*, Directors' Responsibility Statement (Section 217) to be attached to the Directors' Report to the shareholders. According to Section 217 (2AA) of the Act, the BODs has to report to the shareholders that they have taken proper and sufficient care for the maintenance of accounting records, safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

Further, according to Section 292 A of the Companies Act 1956, every public limited company having paid-up-capital of not less than rupees five crore shall constitute an Audit Committee at Board level.

Inter-alia, two main components viz. matters relating to the BODs and constitution of the Audit Committee that constitute the mechanism of corporate governance have been discussed in this para.

There is no listed Government company in the State. A review was undertaken by Audit in respect of 17 unlisted working Government companies (**Annexure 12**) having turnover/paid up capital exceeding rupees five crore, with the objective of assessing the compliance by these companies of provisions that affect corporate governance and matters related thereto, for the last four years ended 2004-05.

Board of Directors

3.18.2. The Board of Directors is the agency for the implementation of governance policies and practices, it is imperative that the Board devotes adequate attention to corporate governance and must be equipped with the requisite representation and its members should meet regularly.

Board meetings

3.18.3 Section 285 of the Companies Act, 1956 provides that Board meeting shall be held at least once in every three months and at least four such meetings shall be held every year. Audit observed that only three meetings of the Board were held each year in case of HBKN (2002-03, 2003-04 and 2004-05), HFDC (2001-02, 2002-03 and 2004-05), and two meetings in HSRDC (2001-02).

Attendance of directors in the meetings of the Board

3.18.4 Directors in 11 out of 17 companies did not attend the Board meetings regularly as detailed in **Annexure 13**.

It is seen from the **Annexure 13** that on an average 45 to 70 *per cent* directors attended the Board meetings during 2001-05. Some of the directors did not attend at all or attended negligible meetings during the year/their tenure in the Company. This would had adverse effect on the deliberations on the matters discussed in the Board meetings.

Vacancy position of Directors

3.18.5 The post of Director (Finance) was vacant in HVPN and HPGC since August and September 1999 respectively. In HPHC the Managing Director was holding the post of the Chairman also upto August 2004. As such, against requirement of seven directors there were six directors upto August 2004.

Non-submission of Directors' Responsibility Statement

3.18.6 Directors' Responsibility Statements though required under section 217 (2AA) of the Companies Act, 1956 were not attached to the Directors' Reports presented to shareholders in respect of HSRDC and HWDC for the years 2001-03.

Audit Committee

3.18.7 According to Section 292-A of the Companies Act Audit Committees should comprise not less than three directors and such number of other directors as the Board may determine of which two-third of the total number of members shall be directors, other than Managing Director or Whole Time Directors. The Audit Committee shall elect a Chairman from amongst themselves.

The Audit Committee is required to review the annual financial statements before their submission to the Board and should also examine adequacy of internal audit and internal control system. The Act also provides that statutory auditors, internal auditors and the Director in-charge of finance should attend and participate in the meetings of the Audit Committee.

Formation of Audit Committee

3.18.8 Six* companies had not constituted Audit Committees in violation of Section 292A of the Companies Act, 1956.

Meetings of Audit Committee

3.18.9 The Audit Committee set up in August 2001 by HSRDC did not hold any meeting sofar (May 2005).

3.18.10 Audit Committee of DHBVNL did not hold any meeting during 2003-04.

3.18.11 Inspite of the decision of the Board of UHBVNL and HPGCL to hold two meetings in a year, Audit Committee of UHBVNL did not hold any meeting during 2003-04. During 2004-05 Audit Committee of UHBVNL and HPGCL held only one meeting.

3.18.12 The Statutory auditors of three companies (DHBVNL, HVPNL and UHBVNL) did not attend the Audit Committee meetings held during 2001-05.

Discussion by Audit Committees

3.18.13 In DHBVN and UHBVN annual financial statements for 2001-02 and 2002-03 were not placed in the Audit Committee meeting before submission to the Board. Adequacy of internal control/internal audit system was not reviewed in Audit Committee meetings in DHBVNL and HVPNL.

General

3.18.14 As per Section 383-A of Companies Act 1956 all companies having paid up capital of not less than rupees two crore# shall have a whole time Company Secretary. Four$ companies did not comply with these provisions. In HSDC, the post of Company Secretary was vacant since June 2000.

Attendance in Annual General Meetings (AGMs)

3.18.15 The attendance of directors in AGMs of the companies under review was negligible. Managing Director, Chairman, and directors holding shares of the companies concerned only attended the AGMs.

Impact of poor corporate governance

3.18.16 Foregoing paras would reveal that the companies not only violated the legal provisions, there was a lack of seriousness with which these were governed. Deficient Corporate governance contributed to the following:

- During last 4 years four@ companies closed down their activities.

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* HBKN, HPHC, HARTRON, HTC, HWDC and HSFDC.

\# Prior to 11.06.2002 Rs. 50 lakh

$ HSFDC, HBKN, HWDC and HSRDC.

@ Haryana Minerals Limited, Haryana State Minor Irrigation and Tubewells Corporation Limited, Haryana State Small Industries and Export Corporation Limited and Haryana State Handloom and Handicrafts Corporation Limited

- Four[^] companies incurred loss of Rs.3.25 crore as per latest available accounts finalised upto September 2004.
- Thirty six accounts of 14[$] working companies were in arrears as on 30 September 2004 ranging from one to six years.
- Targets for disbursement of loans to various weaker sections of society/minorities could not be achieved.
- Adequate steps were not taken to strengthen the internal audit and internal control system.
- Funds were diverted from the purpose for which sanctioned by various funding agencies.
- Due to lack of coordination with government, administrative expenditure of social welfare companies was not got reimbursed from Government which resulted in diversion from other sources.

Summary

- Directors were not regular in attending Board meetings in most of the companies.
- Audit Committees were either not formed or did not function as required under the Companies Act, 1956.
- Statutory Auditors were not regular in attending the meetings of the Audit Committee.

The matter was referred to the Government and the companies in April 2005. Seven companies[*] accepted (May/June 2005) the facts. This includes two companies, HVPNL and HLRDC which stated that absence of directors in the Board meetings was due to their holding important posts in various Government departments and remained busy in attending important and time bound departmental works/meetings. The Financial Commissioner & Principal Secretary to Government of Haryana, Power Department endorsed (July 2005) the views expressed by the HVPNL. Nomination of persons holding important posts elsewhere without ensuring their contribution not only violated the statutory provisions but also prevented better governance of these companies. Reply of management in respect of 10 companies and the Government in respect of 16 companies was awaited (August 2005).

^ HML, HSRDC, HBKN and HTC.

$ HAIC, HREC, HARTRON, HFDC, HPHC, HSRDC, HSFDC, HBKN, HWDC, HTC, HPGCL, HVPN, UHBVN and DHBVN.

* HLRDC, HVPNL, HSIDC, HSRDC, HFDC, HAIC and HPHC.

3.19 Deficiencies in internal control system in State Financial Sector Undertakings: Haryana State Industrial Development Corporation Limited and Haryana Financial Corporation

3.19.1 Internal control is a management tool to provide reasonable assurance that the objectives are being achieved. It is an integral part of the process designed and effected to achieve its specified objects ethically, economically and efficiently. It helps in creating reliable financial and management information system besides effective decision making. Internal control system is most effective when it is built into the entity's infrastructure and is an integral part of the organisation. It assumes more significance in the Government financial institutions so that the risk of default by the borrowers is reduced to the minimum.

There is one Government company, Haryana State Industrial Development Corporation Limited (HSIDC) and one Statutory corporation, Haryana Financial Corporation (HFC) in the financial sector. Audit observed (February 2005) the following deficiencies in the implementation of internal control system in these PSUs:

Budgetary control

Preparation of budget

3.19.2 Timely preparation of budget and analysis of the variations in the execution serves as an effective internal control. Audit observed the following deficiencies in the preparation and analysis of the budget:

HSIDC

- The Company did not prepare budget manual.
- Budgets for the year 2000-01 to 2004-05 were prepared and approved by the Board after two to three months of the commencement of the year.

HFC

The Corporation is required to prepare business plan and resource forecasting (BPRF) for submission to Small Industries Development Bank of India (SIDBI) and then the Board of the Corporation approves the same. Thereafter, the Corporation borrows funds from financial institutions, banks etc. depending upon the requirement. Audit observed that:

- The Corporation did not prepare budget/BPRF Manual.
- The Corporation did not prepare and submit the BPRF well before the commencement of the financial year (FY) to SIDBI. Resultantly, there was delay in approval by the Board. The delay ranged between six and 13 months of the commencement of the year during 2000-05.

  The management stated (June/July 2005) that delay was due to time taken in compilation of annual accounts and collection of data from various branch offices relating to previous years. The reply is not acceptable, as the Corporation did not devise any system for timely preparation of budgets.

- The Corporation did not analyse the reasons for variances between budgeted and actual figures which ranged between (-) 7.98 and 14.21 *per cent* during 2000-04.

The above deficiencies indicate that both HSIDC and HFC were not using budget as a tool of internal control.

Documentation of procedures

3.19.3 Functional manuals provide guidance for appraisal, disbursement and recovery of loan as per terms and conditions. These manuals required modifications to cope with changing environments.

Audit observed that HFC and HSIDC did not revise their manuals (Appraisal and disbursement: HFC and Finance Division Manual: HSIDC) since 1992 and 1997 respectively to incorporate changes occurred with the passage of time.

Audit Committee

HFC

3.19.4 Under Clause 49 (Corporate Governance) of listing agreement, the Board of Corporation constituted (January 2002) an Audit Committee. The Committee held three meetings only (22 March 2002, 16 March 2004 and 28 February 2005) as against the requirement of minimum nine meetings.

Internal audit

3.19.5 Internal audit (IA) is an appraisal activity established within an entity as an independent internal control. Its functions include, amongst others, examining, evaluating and monitoring the adequacy and effectiveness of the accounting and internal control systems.

A review of the internal audit systems revealed the following deficiencies:-

HSIDC

- The Company had no IA wing and the internal audit had been outsourced to Chartered Accountants (CAs). Even after 38 years of its formation (1967) the Company had not prepared Internal Audit Manual. The Company did not prepare elaborate plans for internal audit on the plea that it was conducted by firms of CAs and the audit plans approval rested with these firms.

- The internal audit reports were too general. These did not cover important areas like policies and procedures of the Company, performance of the schemes, segregation of duties and responsibilities, personnel planning, budgeting, risk management and recovery accounts of allottees.

HFC

- The Corporation had not updated its IA Manual since 1992.
- Though required by IA Manual, audit of divisions at head office and implementation of policies and procedures was not specifically carried out since inception. The Corporation stated (July 2005) that all important issues, changes/deviations are decided by the General Managers' Committee (GMC) hence audit of divisions at head office was not carried out. The reply is not tenable as IA is an independent mechanism to provide assurance.
- There was no system to monitor timely submission/disposal of IA reports.

Internal control system regarding lending activity

3.19.6 The lending function involves three major activities viz:

- Appraisal and sanction;
- Disbursement (obtaining security and documentation) and monitoring;
- Demand and recovery; and
- Disposal of assets taken over.

Audit noticed deficiencies as under:

Appraisal and sanction

3.19.7 Appraisal is the critical examination of technical, financial and commercial feasibility of a project. Faulty appraisal is mainly responsible for advancing loans to unviable units leading to their ultimate closure and non-recovery of public dues.

HFC

Appraisal Manual of the Corporation prescribed that thorough examination of the back ground of the borrower and technical, financial and market appraisal of the project should be conducted. Audit observed following deficiencies in a test check of 73 out of 367 cases in three* districts.

Sl. No.	Nature of deficiency	No. of cases
1.	Credit worthiness of applicant was not properly ascertained independently from banks/financial institutions.	30
2.	Promoters' background/track record was not evaluated properly.	25
3.	Evidence in support of projections in applications was not obtained.	4
4.	Technical/commercial appraisal was not properly done.	30
5.	Statutory clearances were not obtained during appraisal.	4
6.	Security was accepted at much higher rates than realizable rates in the market.	39
7.	Collateral security was not taken or disputed security was taken	8

* Ambala, Panchkula and Yamunanagar.

Audit further observed that the Corporation had not been analysing the credit risk of the project on the basis of its strengths, weaknesses, opportunities and threats (SWOT) to ensure more objective appraisal of the project risks and to minimise level of subjectivity and individual bias involved in lending decisions. Further, the audited accounts of existing units financed by the Corporation had not been obtained and verified to ascertain the actual viability of the similar unit to be financed.

Disbursement and monitoring of term loans

HSIDC and HFC

3.19.8 The scrutiny of the system of monitoring and disbursement revealed the following deficiencies:

- Both the PSUs did not maintain any separate control register indicating status of the units financed.
- The PSUs did not maintain inspection registers indicating progress of projects to ensure their completion as per schedule.
- As per the terms of sanction of the loan, the HSIDC and HFC are empowered to nominate Directors in their assisted units. This is important way to ascertain the status and to have control over the affairs of the assisted unit. The HSIDC appointed nominee directors on the Board of 61 out of 212 assisted units whereas in case of HFC complete information was not available.

Demand and recovery of loans

3.19.9 The position of demand and recovery during 2001-04 was as below:

HSIDC

As per generally accepted principles, recovery of loans is the most important operation as the Company has to plough back the funds and recycle it. The position of demand and recovery up to 2002-03 was included in CAG's Report (Commercial) 2002-03 (Government of Haryana) (para 2.2.15 and 2.2.16). During 2003-04 the Company recovered Rs. 93.02 crore against the demand of Rs. 195.81 crore which comes to 47.51 *per cent*.

The management stated (March/June 2005) that targets had been fixed for each branch office and recovery was monitored regularly. The reply is evasive as it does not explain the reasons for sub-performance.

HFC

3.19.10 The position of demand and recovery for the last three years ended March 2004 is given below:

(Rupees in crore)

Year	Demand	Recovery	Percentage of recovery
2001-02	1028.80	149.71	14.55
2002-03	1219.42	147.51	12.10
2003-04	1390.65	166.55	11.98

It is evident from above that the percentage of recovery dropped from meagre 14.55 during 2001-02 to 11.98 during 2003-04. The Corporation had not taken any remedial measures to improve recovery.

Test-check of loan cases of HFC revealed that reasons for default were not analysed for taking corrective measures. Audit noticed the following deficiencies regarding demand and recovery.

Sl. No.	Nature of deficiency	No. of cases
1.	There was delay in initiating action against persistent defaulters to ensure safety of assets.	33
2.	Inspection of assisted units was not regularly done to verify security and health of units.	13
3.	Either no or delayed action was taken against promoters for missing assets.	8
4.	Collateral/personal guarantees were not invoked.	1
5.	Follow up of recovery was deficient.	5
6.	Assets created with loan amount were not insured by borrower during the currency of loan.	2

Disposal of assets taken over

3.19.11 Audit observed that the PSUs were taking abnormal long time in the disposal of these units. The table given below indicates the position of units under possession as on 31 March 2004:

Period	HSIDC		HFC	
	Number of units	Amount outstanding (Rupees in crore)	Number of units	Amount outstanding (Rupees in crore)
Less than one year	1	2.75	54	46.90
One-two Years	4	2.16	76	75.46
Two-three years	3	4.08	39	62.54
More than three years	1	1.53	106	127.01
Total	**9**	**10.52**	**275**	**311.91**

It is evident from above that in both the PSUs, units taken over were lying for disposal for over three years. Both HSIDC and HFC had not fixed time limit for sale of such units.

The matter was referred to the State Government in (May 2005); reply had not been received (August 2005).

3.20 Follow up action on Audit Reports

Replies outstanding

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

Though the Audit Reports for the years, 2001-02, 2002-03 and 2003-04 were presented to the State Legislature in, March 2003, February 2004 and March 2005 respectively, seven out of 11 departments, which were commented upon, did not submit replies to 31 out of 62 paragraphs/reviews as on 30 September 2005 as indicated below:

Year of the Audit Report (Commercial)	Number of reviews/paragraphs appeared in Audit Report		Number of reviews/paragraphs for which replies were not received	
	Reviews	Paragraphs	Reviews	Paragraphs
2001-02	2	14	-	3
2002-03	3	19	1	11
2003-04	2	22	-	16
Total	7	55	1	30

Department-wise analysis is given in **Annexure 14**. Departments largely responsible for non-submission of replies were Power, Industries and Agriculture. The Government did not respond to even reviews highlighting important issues like system failure, mismanagement and inadequacy of recovery system.

Action taken notes on Reports of Committee on Public Undertakings (COPU) outstanding

3.20.2 Replies to 12 paragraphs pertaining to 11 Reports of the COPU presented to the State Legislature between March 1995 and February 2004 had not been received (September 2005) as indicated below:

Year of the COPU Report	Total number of Reports involved	No. of paragraphs where replies not received
1994-95	2	3
1996-97	2	1
2000-01	3	3
2002-03	2	2
2003-04	2	3
Total	**11**	**12**

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

Action taken on persistent irregularities

3.20.3 With a view to assist and facilitate discussion of irregularities of persistent nature by the State COPU, an exercise had been carried out to verify the extent of corrective action taken by the auditee organisations concerned. The results are indicated in **Annexures 15** and **16.**

Government companies

Irregularities of various nature having financial implications of Rs. 19.55 crore including Rs. 10.78 crore (Haryana State Industrial Development Corporation Limited) in respect of persistent irregularities mentioned in para 3.21.3 of Audit Report (Commercial) 2003-04 were included in the Reports of the Comptroller and Auditor General of India for the years 1997-98 to 2003-04 (Commercial)-Government Haryana. These irregularities were persisting with the companies for two to seven years. Audit observed that action taken by the companies/State Government on the irregularities was inadequate as per details given in **Annexure 15**.

Statutory corporations

Irregularities of various nature having financial implications of Rs. 7.86 crore including Rs. 3.92 crore (Haryana Financial Corporation) in respect of persistent irregularities mentioned in para 3.21.3 of Audit Report (Commercial) 2003-04 were included in the Reports of the Comptroller and Auditor General of India for the year 1998-99 to 2003-04 (Commercial)-Government of Haryana. The irregularities were persisting with the Corporation for six years. Audit observed that action taken by the Corporation/State Government on the irregularities was inadequate as per details given in **Annexure 16**.

The matter was referred to the Government in June 2005; the reply had not been received (September 2005).

3.20.4 Response to Inspection Reports, Draft paragraphs and Reviews

Audit observations noticed during audit and not settled on the spot are communicated to the respective head of PSU and concerned department of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads

@ Power (three), Industry (two), Mines and Geology (three), Forest (one), Tourism (two) and Agriculture (one).

of departments within a period of six weeks. Review of Inspection Reports issued up to March 2005 revealed that 742 paragraphs relating to 254 Inspection Reports pertaining to 21 PSUs and Haryana Electricity Regulatory Commission remained outstanding at the end of 30 September 2005. Department-wise break up of Inspection Reports and audit observations outstanding as on 30 September 2005 is given in **Annexure 17**.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Secretary of the Administrative Department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. Audit, however, observed that 17 draft paragraphs and two reviews forwarded to the various departments during January to July 2005 as detailed in **Annexure 18** had not been replied to so far (30 September 2005).

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

Chandigarh
Dated

(Ashwini Attri)
Accountant General (Audit) Haryana

Countersigned

New Delhi
Dated

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

ANNEXURES

ANNEXURE-1

Statement showing particulars of up to date paid-up capital, equity/loans received out of budget and loans outstanding as on 31 March 2005 in respect of Government companies and Statutory corporations

(Referred to in paragraphs 1.2, 1.3, 1.4, 1.5 and 1.16)

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

Sl. No.	Sector & name of the Company	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year*	Loans** outstanding at the close of 2004-05			Debt equity ratio for 2004-05 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Government	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
A. Working Government companies													
AGRICULTURE & ALLIED													
1.	Haryana Agro Industries Corporation Limited	253.83	160.21	-	-	414.04	-	-	-	-	309.61	309.61	0.75 : 1 (0.85 : 1)
2.	Haryana Land Reclamation and Development Corporation Limited	136.64	-	-	19.66	156.30	-	-	-	-	-	-	-
3.	Haryana Seeds Development Corporation Limited	275.87^	111.50	-	98.54 (7.65)	485.91 (7.65)	-	-	-	75.00	-	75.00	0.15 : 1 (0.26 : 1)
Sector wise total		**666.34**	**271.71**		**118.20** **(7.65)**	**1056.25** **(7.65)**	**-**	**-**	**-**	**75.00**	**309.61**	**384.61**	**0.36 : 1** **(0.45 : 1)**
INDUSTRY													
4.	Haryana State Industrial Development Corporation Limited	6781.73 (2070.46)	-	-	-	6781.73 (2070.46)	0.20	-	1520.00	19.00	17373.00	17392.00	2.56 : 1 (3.50 : 1)
Sector wise total		**6781.73** **(2070.46)**	**-**	**-**	**-**	**6781.73** **(2070.46)**	**0.20**	**-**	**1520.00**	**19.00**	**17373.00**	**17392.00**	**2.56 : 1** **(3.50 : 1)**
ENGINEERING													
5.	Haryana Roadways Engineering Corporation Limited	200.00	-	-	-	200.00	-	-	3247.00	-	9355.00	9355.00	46.78 : 1 (43.90 : 1)
Sector wise total		**200.00**	**-**	**-**	**-**	**200.00**	**-**	**-**	**3247.00**	**-**	**9355.00**	**9355.00**	**46.78 : 1** **(43.90 : 1)**

Sl. No.	Sector & name of the Company	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year*	Loans** outstanding at the close of 2004-05			Debt equity ratio for 2004-05 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Government	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
ELECTRONICS													
6.	Haryana State Electronics Development Corporation Limited	780.76	-	-	-	780.76	-	-	-	-	-	-	-
7.	Hartron Informatics Limited@	-	-	50.00	-	50.00	-	-	-	-	-	-	-
Sector wise total		**780.76**	**-**	**50.00**	**-**	**830.76**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
FOREST													
8.	Haryana Forest Development Corporation Limited	20.03	-	-	-	20.03	-	-	-	-	-	-	-
Sector wise total		**20.03**	**-**	**-**	**-**	**20.03**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
MINING													
9.	Haryana Minerals Limited@	-	-	24.04	-	24.04	-	-	-	-	-	-	-
Sector wise total		**-**	**-**	**24.04**	**-**	**24.04**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
CONSTRUCTION													
10.	Haryana Police Housing Corporation Limited	2500.00	-	-	-	2500.00	-	-	-	-	369.81	369.81	0.15 : 1 (0.26 : 1)
11.	Haryana State Roads and Bridges Development Corporation Limited	7060.23 (2060.23)	-	-	-	7060.23 (2060.23)	-	-	7389.00	-	34175.00	34175.00	4.84 : 1 (4.32 : 1)
Sector wise total		**9560.23 (2060.23)**	**-**	**-**	**-**	**9560.23 (2060.23)**	**-**	**-**	**7389.00**	**-**	**34544.81**	**34544.81**	**3.61 : 1 (3.26 : 1)**
DEVELOPMENT OF ECONOMICALLY WEAKER SECTION													
12.	Haryana Scheduled Castes Finance & Development Corporation Limited	1593.87	1387.82 (19.24)	-	-	2981.69 (19.24)	25.00	-	140.04	47.32	528.59	575.91	0.19 : 1 (0.21:1)

Sl. No.	Sector & name of the Company	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year*	Loans** outstanding at the close of 2004-05			Debt equity ratio for 2004-05 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Government	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
13.	Haryana Backward Classes & Economically Weaker Section Kalyan Nigam Limited	995.99 (50.00)	-	-	-	995.99 (50.00)	50.00	-	489.88	-	2688.01	2688.01	2.70:1 (2.47:1)
14.	Haryana Women Development Corporation Limited	619.72 (120.00)	109.98	-	-	729.70 (120.00)	120.00	-	-	-	-	-	-
Sector wise total		**3209.58 (170.00)**	**1497.80 (19.24)**	**-**	**-**	**4707.38 (189.24)**	**195.00**	**-**	**629.92**	**47.32**	**3216.60**	**3263.92**	**0.69:1 (0.66:1)**
TOURISM													
15.	Haryana Tourism Corporation Limited	1858.43	-	-	-	1858.43	53.11	-	-	-	-	-	-
Sector wise total		**1858.43**	**-**	**-**	**-**	**1858.43**	**53.11**	**-**	**-**	**-**	**-**	**-**	**-**
POWER													
16.	Haryana Power Generation Corporation Limited	58966.07 (29006.00)	-	-	-	58966.07 (29006.00)	14950.00	-	55116.00	2114.60	255951.00	258065.60	4.38 : 1 (5.07 : 1)
17.	Haryana Vidyut Prasaran Nigam Limited	56436.07 (1850.00)	-	-	-	56436.07 (1850.00)	1500.00	1070.00	79308.00	40787.00	254215.00	295002.00	5.23 : 1 (4.46:1)
18.	Uttar Haryana Bijli Vitran Nigam Limited @	11498.06	-	54698.55	-	66196.61	-	884.00	5769.00	7376.00	27903.00	35279.00	0.53 : 1 (1.37:1)
19.	Dakshin Haryana Bijli Vitran Nigam Limited @	8728.16 (156.10)	-	43727.35	-	52455.51 (156.10)	-	242.00	2499.00	7138.00	15231.00	22369.00	0.43 : 1 (0.50:1)
Sector wise total		**135628.36 (31012.10)**	**-**	**98425.90**	**-**	**234054.26 (31012.10)**	**16450.00**	**2196.00**	**142692.00**	**57415.60**	**553300.00**	**610715.60**	**2.61 :1 (2.69:1)**
Total A (All sector wise Government companies)		**158705.46 (35312.79)**	**1769.51 (19.24)**	**98499.94**	**118.20 (7.65)**	**259093.11 (35339.68)**	**16698.31**	**2196.00**	**155477.92**	**57556.92**	**618099.02**	**675655.94**	**2.61:1 (2.69:1)**

Sl. No.	Sector & name of the Company	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year*	Loans** outstanding at the close of 2004-05			Debt equity ratio for 2004-05 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Government	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
B. Statutory corporations													
FINANCING													
1.	Haryana Financial Corporation	2527.87	-	-	564.64	3092.51	0.20	-	826.00	-	31351.00	31351.00	10.14:1 (12.22:1)
Sector wise total		**2527.87**	-	-	**564.64**	**3092.51**	**0.20**	-	**826.00**		**31351.00**	**31351.00**	**10.14:1 (12.22:1)**
AGRICULTURE AND ALLIED													
2.	Haryana Warehousing Corporation	292.04	292.04	-	-	584.08	-	-	-	-	892.90	892.90	1.53: 1 (1.73 : 1)
Sector wise total		**292.04**	**292.04**	-	-	**584.08**	-	-	-	-	**892.90**	**892.90**	**1.53: 1 (1.73 : 1)**
Total B (All sector wise Statutory Corporations		**2819.91**	**292.04**	-	**564.64**	**3676.59**	**0.20**	-	**826.00**	-	**32243.90**	**32243.90**	**8.77 (10.55:1)**
Grand total (A+B)		**161525.37 (35312.79)**	**2061.55 (19.24)**	**98499.94**	**682.84 (7.65)**	**262769.70 (35339.68)**	**16698.51**	**2196.00**	**156303.92**	**57556.92**	**650342.92**	**707899.84**	**2.69:1 (2.81 :1)**
C. NON-WORKING GOVERNMENT COMPANIES													
AGRICULTURE AND ALLIED													
1.	Haryana Dairy Development Corporation Limited***	-	-	-	-	-	-	-	-	-	-	-	-
2.	Haryana State Minor Irrigation and Tubewells Corporation Limited	1089.10	-	-	-	1089.10	-	-	-	9766.00	-	9766.00	8.97:1 (2.18:1)
Sector wise total		**1089.10**	-	-	-	**1089.10**	-	-	-	**9766.00**	-	**9766.00**	**8.97:1 (2.18:1)**
INDUSTRY													
3.	Haryana Tanneries Limited	117.15	-	-	18.00	135.15	-	-	0.28	253.19	104.19	357.38	2.64:1 (2.64:1)
4.	Punjab State Irons Limited	7.45 (7.05)	-	-	-	7.45 (7.05)	-	-	-	-	-	-	-

Sl. No.	Sector & name of the Company	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year*	Loans** outstanding at the close of 2004-05			Debt equity ratio for 2004-05 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Government	Others	Total	
(1)	**(2)**	**3(a)**	**3(b)**	**3(c)**	**3(d)**	**3(e)**	**4(a)**	**4(b)**	**4(c)**	**4(d)**	**4(e)**	**4(f)**	**5**
5.	Haryana Concast Limited@	290.00	-	340.51	54.99	685.50	-	-	-	139.00	230.00	369.00	0.54:1 (0.54:1)
6.	Haryana State Small Industries and Export Corporation Limited	181.48	10.00	-	-	191.48	-	-	-	1049.36	-	1049.36	5.48:1 (5.86:1)
7.	Haryana State Housing Finance Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-
Sector wise total		**596.08 (7.05)**	**10.00**	**340.51**	**72.99**	**1019.58 (7.05)**	**-**	**-**	**0.28**	**1441.55**	**334.19**	**1775.74**	**1.74:1 (1.81:1)**
HANDLOOM & HANDICRAFTS													
8.	Haryana State Handloom and Handicrafts Corporation Limited	265.17	30.00	-	-	295.17	-	-	-	122.50	-	122.50	0.42:1 (0.42:1)
Sector wise total		**265.17**	**30.00**	**-**	**-**	**295.17**	**-**	**-**	**-**	**122.50**	**-**	**122.50**	**0.42:1 (0.42:1)**
Total -C		**1950.35 (7.05)**	**40.00**	**340.51**	**72.99**	**2403.85 (7.05)**	**-**	**-**	**0.28**	**11330.05**	**334.19**	**11664.24**	**4.85:1 (1.81:1)**
Grand Total (A+B+C)		**163475.72$ (35319.84)**	**2101.55 (19.24)**	**98840.45**	**755.83 (7.65)**	**265173.55 (35346.73)**	**16698.51**	**2196.00**	**156304.20**	**68886.97**	**650677.11**	**719564.08**	**2.71:1 (2.80:1)**

Note: Except in respect of companies/corporations, which finalised their accounts for 2004-05 figures are provisional and as given by the companies/corporations. Figures in brackets in column 3(a) to 3(e) indicate share application money.

* Includes bonds, debentures, inter corporate deposits etc.

** Loans outstanding at the end of 2004-05 represents long-term loans only.

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

@ Subsidiary companies.

^ The figure as per Finance Account (Statement 14) is Rs 274.87 lakh. The difference of rupees one lakh is due to inclusion of this amount under the head State Government though the amount pertains to Haryana Agricultural University, Hisar.

$ The figure as per Finance Accounts is Rs. 1,67,423.32 lakh, the difference is under reconciliation.

ANNEXURE-2

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

(Referred to in paragraphs 1.6, 1.7, 1.8, 1.13, 1.19, 1.20 and 1.36)

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

Sl. No.	Sector and name of the Company	Name of Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit(+)/ loss (-)	Capital employed#	Total return on capital employed$	Percentage of total return on capital employed	Arrears of accounts in term of years	Turnover (Rupees in lakh)	Manpower (No. of employees) (as on 31.3.2005)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
A. Working Government companies															
AGRICULTURE AND ALLIED															
1.	Haryana Agro Industries Corporation Limited	Agriculture	30 March 1967	2003-04	2004-05	(+) 625.05	-	414.04	(+) 2477.43	(+) 32989.40	(+) 6485.80	19.66	1	92511.29	343
2.	Haryana Land Reclamation and Development Corporation Limited	-do-	27 March 1974	2003-04	2004-05	(+) 16.17	-	156.30	(+) 765.90	(+) 1013.11	(+) 33.40	3.30	1	6151.92	224
3.	Haryana Seeds Development Corporation Limited	-do-	12 September 1974	2003-04	2004-05	(+) 97.74	-	485.91	(+) 272.55	(+) 1568.93	(+) 135.33	8.63	1	3322.10	409
Sector wise total						**(+) 738.96**	**-**	**1056.25**	**(+)3515.88**	**(+) 35571.44**	**(+)6654.53**	**18.71**		**101985.31**	**976**
INDUSTRY															
4.	Haryana State Industrial Development Corporation Limited	Industry	8 March 1967	2004-05	2005-06	(+) 637.04	Under finalisation	6781.73	(+) 1295.72	(+) 29701.18	(+) 1639.83	5.52	-	2705.73	535
Sector wise total						**(+) 637.04**		**6781.73**	**(+) 1295.72**	**(+) 29701.18**	**(+) 1639.83**	**5.52**		**2705.73**	**535**
ENGINEERING															
5.	Haryana Roadways Engineering Corporation Limited	Transport	27 November 1987	2002-03	2004-05	(+) 10.29	Overstatement of Reserve and surplus by Rs.101.21 lakh	200.00	(+) 103.89	(+) 1910.29	(+) 1379.98	72.24	2	4178.24	162
Sector wise total						**(+) 10.29**	**-**	**200.00**	**(+) 103.89**	**(+) 1910.29**	**(+) 1379.98**	**72.24**		**4178.24**	**162**

Sl. No.	Sector and name of the Company	Name of Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit(+)/ loss (-)	Capital employed[#]	Total return on capital employed[$]	Percentage of total return on capital employed	Arrears of accounts in term of years	Turnover (Rupees in lakh)	Manpower (No. of employees) (as on 31.3.2005)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
ELECTRONICS															
6.	Haryana State Electronics Development Corporation Limited	Electronics	15 May 1982	2002-03	2005-06	(+) 72.90	Under finalisation	780.76	(+) 1260.26	(+) 1892.42	(+) 72.90	3.85	2	605.92	291
7.	Hartron Informatics Limited[@]	- do -	8 March 1995	2004-05	2005-06	(+) 2.92	Under finalisation	50.00	(+) 51.62	(+) 101.62	(+) 2.92	2.87	-	275.39	-
Sector wise total						**(+)75.82**	-	**830.76**	**(+) 1311.88**	**(+) 1994.04**	**(+)75.82**	**3.80**	-	**881.31**	**291**
FOREST															
8.	Haryana Forest Development Corporation Limited	Forest	7 December 1989	1997-98	2004-05	(+) 85.39	Understatement of liabilities and overstatement of profit by Rs. 6.27 lakh	60.46	(+) 205.29	(+) 266.28	(+) 85.39	32.07	7	1164.33	110
Sector wise total						**(+) 85.39**	-	**60.46**	**(+) 205.29**	**(+) 266.28**	**(+) 85.39**	**32.07**		**1164.33**	**110**
MINING															
9.	Haryana Minerals Limited[@]	Mining and Geology	2 December 1972	2003-04	2004-05	(-) 88.66	Non-Review Certificate	24.04	(-) 947.40	(-) 667.02	(-) 78.39	-	1	0.55	1
Sector wise total						**(-) 88.66**		**24.04**	**(-) 947.40**	**(-) 667.02**	**(-) 78.39**	-	-	**0.55**	**1**
CONSTRUCTION															
10.	Haryana Police Housing Corporation Limited	Home	29 December 1989	2002-03	2004-05	¶	-	2500.00	-	(+) 5253.92	-	-		3325.06	127
				2003-04	2005-06		Under finalisation	2500.00	-	(+) 5333.61	-	-	1	4383.03	
11.	Haryana State Roads and Bridges Development Corporation Limited	PWD(B &R)	13 May 1999	2003-04	2004-05	(-) 498.41	-	7060.23	(-) 796.58	(+) 14218.04	(+) 1086.23	7.64	1	2529.68	-
Sector wise total						**(-) 498.41**		**9560.23**	**(-) 796.58**	**(+) 19551.65**	**(+) 1086.23**	**7.64**		**6912.71**	**127**
DEVELOPMENT OF ECONOMICALLY WEAKER SECTION															
12	Haryana Scheduled Castes Finance and Development Corporation Limited	Scheduled Castes and Backward Classes Welfare	2 January 1971	2000-01	2005-06	(-) 5.76	-	2817.45	(-) 585.66	(+) 5318.95	(+) 22.76	0.43	4	237.59	234

Sl. No.	Sector and name of the Company	Name of Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit(+)/ loss (-)	Capital employed[#]	Total return on capital employed[$]	Percentage of total return on capital employed	Arrears of accounts in term of years	Turnover (Rupees in lakh)	Manpower (No. of employees) (as on 31.3.2005)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
13.	Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited	Scheduled Castes and Backward Classes Welfare	10 December 1980	1999-2000	2004-05	(-) 59.45	Understatement of accumulated losses by Rs. 59.99 lakh.	815.99	(-) 436.54	(+) 2016.35	(-) 16.95	-	5	75.64	72
14.	Haryana Women Development Corporation Limited	Women and Child Development	31 March 1982	2002-03	2004-05	(+) 11.49	-	574.70	(+) 12.11	(+) 586.81	(+) 11.49	1.96		15.26	68
				2003-04	2005-06	(-) 16.67	Under finalisation	609.70	(-) 4.78	(+) 731.98	(-) 16.67	-	1	22.10	68
Sector wise total						**(-) 81.88**		**4243.14**	**(-) 1026.98**	**(+) 8067.28**	**(-) 10.86**	-		**335.33**	**374**
TOURISM															
15.	Haryana Tourism Corporation Limited	Tourism and Public Relations	1 May 1974	2000-01	2004-05	(-) 135.10	-	1553.06	(+) 335.30	(+) 2091.41	(-) 135.10	-	4	12517.41	2050
Sector wise total						**(-) 135.10**	-	**1553.06**	**(+) 335.30**	**(+) 2091.41**	**(-) 135.10**	-		**12517.41**	**2050**
POWER															
16.	Haryana Power Generation Corporation Limited	Power	17 March 1997	2002-03	2005-06	*	Under Audit	34212.07	(-) 5191.14	(+) 211698.06	(+) 16993.38	8.03	2	140432.21	4377
17.	Haryana Vidyut Prasaran Nigam Limited	-do-	19 August 1997	2003-04	2004-05	(+) 16609.28	-	54936.07	(-) 8517.70	(+) 163476.20	(+) 40318.40	24.66	-	358309.81	5367
				2004-05	2005-06	(+) 60.85	-	56436.07	(-) 8779.65	(+) 211852.93	(+) 23680.79	11.18	-	457270.28	5367
18.	Uttar Haryana Bijli Vitran Nigam Limited	-do-	15 March 1999	2003-04	2004-05	(+) 5347.58	Overstatement of profit by Rs. 467.50 lakh	69192.95	(-) 25086.96	(+) 137370.82	(+) 14687.96	10.69	1	225941.65	14431
19.	Dakshin Haryana Bijli Vitran Nigam Limited	-do-	15 March 1999	2003-04	2004-05	(+) 2012.02	Overstatement of profit by Rs. 187.13 lakh	55265.07	(-) 36531.75	(+) 85241.86	(+) 6634.62	7.78	1	209848.98	11781
Sector wise total						**(+) 7420.45**		**215106.16**	**(-) 75589.50**	**(+) 646163.67**	**(+) 61996.75**	**9.59**		**1033493.12**	**35956**
Total A (Working Government companies)						**(+) 8163.90**		**239415.83**	**(-) 71592.50**	**(+) 744650.22**	**(+) 72694.18**	**9.76**		**1164174.04**	**40582**
B.	**Statutory Corporations**														
FINANCING															
1.	Haryana Financial Corporation	Industry	1 April 1967	2002-03	2004-05	(-) 290.59	Understatement of loss by Rs.193.84 lakh	3092.31	(-) 12509.82	(+) 50886.76	(+) 5481.99	10.77	-	6245.24	306
				2003-04	2005-06	(-) 382.33	Under finalisation	3092.31	(-) 14324.64	(+) 46206.51	(+) 4385.38	9.49	1	5603.34	306
Sector wise total						**(-) 382.33**		**3092.31**	**(-) 14324.64**	**(+) 46206.51**	**(+) 4385.38**	**9.49**	**1**	**5603.34**	**306**

Sl. No.	Sector and name of the Company	Name of Department	Date of Incorpora-tion	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit(+)/ loss (-)	Capital employed[#]	Total return on capital employed[$]	Percentage of total return on capital employed	Arrears of accounts in term of years	Turnover (Rupees in lakh)	Manpower (No. of employees) (as on 31.3.2005)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
AGRICULTURE AND ALLIED															
2.	Haryana Warehousing Corporation	Agriculture	1 November 1967	2003-04	2004-05	(+) 1391.81	Overstatement of profit by Rs. 12.00 crore.	584.08	(+) 0.15	(+) 35833.87	(+) 1391.81	3.88	1	2988.53	932
Sector wise total						**(+) 1391.81**	-	**584.08**	**(+) 0.15**	**(+) 35833.87**	**(+) 1391.81**	**3.88**		**2988.53**	**932**
Total B (Statutory corporations)						**(+) 1009.48**	-	**3676.39**	**(-) 14324.49**	**(+) 82040.38**	**(+) 5777.19**	**7.04**	-	**8591.87**	**1238**
Grand Total (A+B)						**(+) 9173.38**		**243092.22**	**(-) 85916.99**	**(+) 826690.60**	**(+) 78471.37**	**9.49**		**1172765.91**	**41820**
C. Non Working Companies															
AGRICULTURE AND ALLIED															
1	Haryana Dairy Development Corporation Limited	Agriculture	3 November 1969	2000-01	2000-01	(-) 0.43	-	557.48	(-) 673.74	-	-	-	Under liquidation since 28 February 2001	-	-
2..	Haryana State Minor Irrigation and Tubewells Corporation Limited	- do -	9 January 1970	1999-2000	2004-05	(-) 865.73	Overstatement of loss by Rs.60.03 lakh	1089.10	(-) 11279.38	(-) 6980.14	(-) 713.17	-	5	-	14
Sector wise total						**(-) 866.16**		**1646.58**	**(-) 11953.12**	**(-) 6980.14**	**(-) 713.17**	-		-	**14**
INDUSTRY															
3.	Haryana Tanneries Limited	Industry	12 September 1972	2004-05	2005-06	(-) 0.28	-	135.15	(-) 1055.97	(-) 39.91	(-) 0.28	-	-	-	-
4.	Punjab State Irons Limited	-do-	1 July 1965	2003-04	2004-05	(-) 0.36	Nil	7.45	(-) 2.53	(+) 4.93	(-) 0.36	-	-	-	-
				2004-05	2005-06	(-) 1.83	Non-Review Certificate	7.45	(-) 4.36	(+) 3.09	(-) 1.83	-	-	-	-
5.	Haryana Concast Limited	-do-	29 November 1973	1997-98	1998-99	(-) 797.09	-	685.50	(-) 2718.04	(+) 939.68	(-) 357.03	-	Under liquidation since 11 November 1999	-	-
6.	Haryana State Small Industries and Export Corporation Limited	-do-	19 July 1967	2001-02	2004-05	(-) 332.04	Nil	191.48	(-) 732.7	(-) 79.79	(-) 287.98	-	3	4574.63	12

Sl. No.	Sector and name of the Company	Name of Department	Date of Incorpora-tion	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit(+)/ loss (-)	Capital employed#	Total return on capital employed$	Percentage of total return on capital employed	Arrears of acco-unts in term of years	Turnover (Rupees in lakh)	Manpo-wer (No. of employ-ees) (as on 31.3.2005)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
7.	Haryana State Housing Finance Corporation Limited	Industry	19 June 2000	Ended 31 August 2001	2003-04	-	Non-Review Certificate	-	-	-	-		4	-	-
Sector wise total						**(-) 1131.24**		**1019.58**	**(-) 4511.07**	**823.07**	**(-) 647.12**	**-**		**4574.63**	**12**
HANDLOOM AND HANDICRAFTS															
8.	Haryana State Handloom and Handicrafts Corporation Limited	Industry	20 February 1976	2000-01	2004-05	(-) 351.98	Non-Review Certificate	295.17	(-) 386.04	(+) 525.35	(-) 339.11	-	4	556.78	4
Sector wise total						**(-) 351.98**		**295.17**	**(-) 386.04**	**(+) 525.35**	**(-) 339.11**	**-**		**556.78**	**4**
Total C (Non working companies)						**(-) 2349.38**		**2961.33**	**(-) 16850.23**	**(-) 5631.72**	**(-) 1699.40**	**-**		**5131.41**	**30**
Grand Total (A+B+C)						**6824.00**		**246053.55**	**(-) 102767.22**	**(+) 821058.88**	**(+) 76771.97**	**9.35**		**1177897.32**	**41850**

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

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

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

@ Subsidiary companies

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

ANNEXURE-3

Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and guarantees outstanding at the end of March 2005

(Referred to in paragraph 1.5)

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

Sl. No.	Name of the Public Sector Undertaking	Grants and subsidy received during the year				Guarantees received during the year and outstanding at the end of the year[@]					Waiver of dues during the year				Loans on which moratorium allowed	Loans converted into equity during the year
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letter of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultant or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total		
(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d))	(6)	(7)
A. Working Government Companies																
1.	Haryana Agro Industries Corporation Limited	-	-	-	-	23354.00 (1832.00)	-	-	-	23354.00 (1832.00)	-	-	-	-	-	-
2.	Haryana Land Reclamation and Development Corporation Limited	41.29	371.58	200.00	612.87	-	-	-	-	-	-	-	-	-	-	-
3.	Haryana Seeds Development Corporation Limited	36.39 40.00ψ	273.48 19.50ψ	- -	309.87 59.50ψ	-	-	-	-	-	-	-	-	-	-	-
4.	Haryana State Industrial Development Corporation Limited	- 137.42ψ	- 54.00ψ	-	- 191.42ψ	-	- (5000.00)	-	-	- (5000.00)	-	-	-	-	-	-
5.	Haryana Roadways Engineering Corporation Limited	-	-	-	-	-	3247.00 (9355.00)	-	-	3247.00 (9355.00)	-	-	-	-	-	-
6.	Haryana Police Housing Corporation Limited	-	- 693.92ψ	-	- 693.92ψ	-	- (4960.23)	-	-	- (4960.23)	-	-	-	-	-	-
7.	Haryana State Roads and Bridges Development Corporation Limited.	56.00 2804.00ψ	- -	- -	56.00 2804.00ψ	-	- (52590.00)	-	-	- (52590.00)	-	-	-	-	-	-
8.	Haryana Scheduled Castes Finance and Development Corporation Limited	625.59	-	-	625.59	-	140.04 (528.59)	-	-	140.04 (528.59)	-	-	-	-	-	-
9.	Haryana Backward Classes & Economically Weaker Section Kalyan Nigam Limited	-	36.44	-	36.44	-	- (4000.00)	-	-	- (4000.00)	-	-	-	-	-	-
10.	Haryana Women Development Corporation Limited	-	206.00	-	206.00	-	-	-	-	-	-	-	-	-	-	-

Sl. No.	Name of the Public Sector Undertaking	Grants and subsidy received during the year				Guarantees received during the year and outstanding at the end of the year@					Waiver of dues during the year				Loans on which morato-rium allowed	Loans converted into equity during the year
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letter of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultant or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total		
(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d))	(6)	(7)
11.	Haryana Tourism Corporation Limited	- 592.08ψ	- 550.00ψ	- 158.55ψ	- 1300.63ψ	-	-	-	-	-	-	-	-	-	-	-
12.	Haryana Power Generation Corporation Limited	-	-	-	-	- (990.00)	10080.70 (112474.28)	- (2500.00)	- (1602.00)	10080.70 (117566.28)	-	-	-	-	-	-
13.	Haryana Vidyut Prasaran Nigam Limited	-	-	-	-	- (5230.70)	13160.39 (178501.96)	-	-	13160.39 (183732.66)	-	-	-	-	-	-
14.	Uttar Haryana Bijli Vitran Nigam Limited	-	78440.29	- 51.00ψ	78440.29 51.00ψ	-	- (17125.60)	-		- (17125.60)	-	-	-	-	-	-
15.	Dakshin Haryana Bijli Vitran Nigam Limited	-	38020.00 18.57ψ	-	38020.00 18.57ψ	-	161.00 (10241.00)	-	-	161.00 (10241.00)	-	-	-	-	-	-
Total A		**759.27 3573.50ψ**	**117347.79 1335.99ψ**	**200.00 209.55ψ**	**118307.06 5119.04ψ**	**23354.00 (8052.70)**	**26789.13 (394776.66)**	**- (2500.00)**	**- (1602.00)**	**50143.13 (406931.36)**	**-**	**-**	**-**	**-**	**-**	**-**
B. Statutory Corporations																
1.	Haryana Financial Corporation	-	-	-	-	-	- (9851.00)	-	-	- (9851.00)	-	-	-	-	-	-
2.	Haryana Warehousing Corporation	-	-	-	-	48411.00	-	-	-	48411.00	-	-	-	-	-	-
Total B		**-**	**-**	**-**	**-**	**48411.00**	**- (9851.00)**	**-**	**-**	**48411.00 (9851.00)**	**-**	**-**	**-**	**-**	**-**	**-**
Grand total (A+B)		**759.27 3573.50ψ**	**117347.79 1335.99ψ**	**200.00 209.55ψ**	**118307.06 5119.04ψ**	**71765.00 (8052.70)**	**26789.13 (404627.66)**	**- (2500.00)**	**- (1602.00)**	**98554.13 (416782.36)**	**-**	**-**	**-**	**-**	**-**	**-**
C. Non Working Companies																
1.	Haryana Tanneries Limited	-	-	-	-	-	- (30.00)	-	-	- (30.00)	-	-	-	-	-	-
Total C		**-**	**-**	**-**	**-**	**-**	**- (30.00)**	**-**	**-**	**- (30.00)**	**-**	**-**	**-**	**-**	**-**	**-**
Grand Total (A+B+C)		**759.27 3573.50ψ**	**117347.79 1335.99ψ**	**200.00 209.55ψ**	**118307.06 5119.04ψ**	**71765.00 (8052.70)**	**26789.13 (404657.66)**	**- (2500.00)**	**- (1602.00)**	**98554.13 (416812.36)**	**-**	**-**	**-**	**-**	**-**	**-**

Note: Except in respect of companies/corporations, which finalised their accounts for 2004-05 figures are provisional and as given by the companies/corporations.

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

ψ Represents grants received.

ANNEXURE – 4

Statement showing financial position of Statutory corporations

(Referred to in paragraph 1.7)

1. Haryana Financial Corporation

	Particulars	2002-03	2003-04	2004-05 (Provisional)
		(Rupees in crore)		
A.	**Liabilities**			
	Paid-up capital	30.92	30.92	30.93
	Share application money	-	-	-
	Reserve fund and other reserves and surplus	16.53	16.53	16.53
	Borrowings:			
(i)	Bonds and debentures	261.34	236.86	198.61
(ii)	Fixed deposits	10.23	-	-
(iii)	Industrial Development Bank of India and Small Industries Development Bank of India	179.73	141.07	114.89
(iv)	Reserve Bank of India	-	-	-
(v)	Loan in lieu of share capital:			
(a)	State Government	-	-	-
(b)	Industrial Development Bank of India	-	-	-
(vi)	Others (including State Government)	-	-	-
	Other liabilities and provisions	196.48	205.14	210.44
	Total A	**695.23**	**630.52**	**571.40**
B.	**Assets**			
	Cash and Bank balances	31.81	35.84	24.30
	Investments	9.54	9.34	8.62
	Loans and Advances	475.57	399.68	335.74
	Net Fixed assets	16.59	17.43	17.34
	Other assets	14.81	17.66	12.36
	Miscellaneous expenditure and deficit	146.91	150.57	173.04
	Total B	**695.23**	**630.52**	**571.40**
C.	**Capital employed***	**508.87**	**462.07**	**393.17**

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

2. Haryana Warehousing Corporation

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

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

ANNEXURE - 5

Statement showing working results of Statutory corporations

(Referred to in paragraph 1.7)

1. Haryana Financial Corporation

	Particulars	2002-03	2003-04	2004-05 (Provisional)
		(Rupees in crore)		
1.	Income			
(a)	Interest on loans	62.45	56.03	48.67
(b)	Other income	1.27	1.15	2.31
	Total-1	**63.72**	**57.18**	**50.98**
2.	Expenses			
(a)	Interest on long-term and short-term loans	57.73	47.67	38.40
(b)	Other expenses	8.90	13.33	35.20
	Total-2	**66.63**	**61.00**	**73.60**
3.	Profit (+)/loss (-) before tax (1-2)	(-) 2.91	(-) 3.82	(-) 22.62
4.	Provision for tax	-	-	-
5.	Other appropriations	-	-	-
6	Provision for non-performing assets	-	-	-
7.	Amount available for dividend	-	-	-
8.	Dividend paid/payable	-	-	-
9.	Total return on Capital employed	54.82	43.85	15.78
10.	Percentage of return on capital employed	10.77	9.49	4.01

2. Haryana Warehousing Corporation

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

ANNEXURE – 6

Statement showing operational performance of Statutory corporations

(Referred to in paragraph 1.12)

1. Haryana Financial Corporation

Particulars	(Amount: Rupees in crore)					
	2002-03		2003-04		2004-05 (Provisional)	
	Number	Amount	Number	Amount	Number	Amount
Applications pending at the beginning of the year	71	26.75	45	26.76	25	10.69
Applications received	458	131.61	261	35.47	281	95.76
Total	**529**	**158.36**	**306**	**62.23**	**306**	**106.45**
Loan applications sanctioned	416	90.66	244	34.88	257	51.70
Applications cancelled/ withdrawn/rejected/ reduced	68	40.94	37	16.66	25	33.98
Applications pending at the close of the year	45	26.76	25	10.69	24	20.77
Loans disbursed	440	70.98	306	30.93	244	26.95
Loan outstanding at the close of the year	4004	463.35	3503	387.39	3038	324.54
Amount overdue for recovery at the close of the year						
(a) Principal	-	277.60	-	224.98	-	223.28
(b) Interest	-	859.32		1024.52	-	1253.03
Total	-	**1136.92**	-	**1249.50**	-	**1476.31**
Amount involved in recovery certificate cases	-	526.61	-	69.22	-	565.52
Percentage of overdue loans to the total outstanding loans	-	59.91	-	58.08	-	68.80

2. Haryana Warehousing Corporation

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

ANNEXURE - 7
List of schemes
(Referred to in para 2.1.14)

I. Agriculture & allied sector

1. Dairy farming
2. Piggery
3. Poultry farming
4. J.Buggi/C.Cart/M.Cart/B.Cart etc.
5. Sheep & goat rearing
6. Shallow tube well

II. Industrial sector

7. Carpentry
8. Blacksmithy
9. Handloom
10. Wood work/Saw Mills
11. Toy making
12. Soap making
13. Motor & Motor cycle spare parts
14. Oil expeller (Kohlu)
15. Atta chakki
16. Candle making
17. Match box
18. Tyre retreading
19. Leather & Leather goods making
20. Khandsari or gur making
21. Brass hardware
22. Carpet weaving
23. Ceramic work
24. Printing press
25. Hand knitting machines
26. Making of polythene bags/paper
27. Lathe
28. Welder
29. Turner
30. Grinder
31. Mixi manufacturing
32. Motor & Motor cycle repair

III. Trade & business sector

33. Tea shop
34. Medicine shop/chemist
35. Halwai shop
36. Fruit shop
37. Pan shop
38. Sports shop
39. Auto rickshaw/Cycle rickshaw repair shop
40. Contractor ship
41. Stationery shop
42. Crockery shop
43. Wool business
44. Fertilizers shop
45. Soft drinks
46. Fire wood stall
47. Toori tall
48. Coal depot
49. Kabari shop
50. Cement shop
51. Photography
52. Dry cleaner shop
53. Watch repairing shop
54. Book shop
55. Radio/TV repairing shop
56. Khokha
57. Shoe repairing shop
58. Hotel/Dhaba
59. Karyana shop
60. Cloth shop
61. Govt. fair price shop
62. Cooking gas
63. Tyre dealers

IV. Professional & self employment sector

64. Purchase of car (taxi)
65. Purchase of light commercial vehicle
66. Auto rickshaw (diesel)
67. Tractor trolley for commercial use
68. Construction of shed/shop for running of business
69. Beauty parlour
70. Band party
71. Doctor
72. Chartered Accountant
73. Architects
74. Engineers
75. Legal profession

ANNEXURE-8
Sector wise targets and achievements
(Referred to in paragraph-2.1.14)

Particulars	1999-2000		2000-01		2001-02		2002-03		2003-04		Total	
	Physical	Financial	Physical	Financial	Physical	Financial	Physical	Financial	Physical	Financial	Physical	Financial
Agricultural & allied sector												
Target	4,456	12.44	4,121	13.80	5,047	19.61	4,420	13.16	3,855	11.62	21899	70.63
Achievement	1,406	2.23	4,735	8.02	4,509	8.65	4,555	8.75	4,453	8.26	19658	35.91
Percentage of achievements	32	18	115	58	89	44	103	66	116	71	90	51
Trade & business sector												
Target	2,800	7.00	2,700	6.75	3,000	9.00	3,000	12.00	2,725	10.90	14225	45.65
Achievement	1,135	2.29	4,016	8.69	4,229	10.16	4,465	11.19	4,534	11.54	18379	43.87
Percentage of achievement	41	33	149	129	140	113	149	93	166	106	129	96
Industrial sector												
Target	2,000	5.00	1,875	4.69	2,200	6.60	2,200	8.80	1,850	7.40	10125	32.49
Achievement	271	0.50	1,220	2.64	1,040	2.50	945	2.35	813	2.11	4289	10.10
Percentage of achievement	14	10	65	56	47	38	43	27	44	28	42	31
Professioinal & self employment sector												
Target	304	4.98	264	3.97	233	3.28	1,260	6.16	860	4.04	2921	22.43
Achievement	74	1.70	143	2.77	115	2.92	224	2.47	283	2.54	839	12.40
Percentage of achievement	24	34	54	70	49	89	18	40	33	63	29	55
Total of all sectors												
Target	9,560	29.42	8,960	29.21	10,480	38.49	10,880	40.12	9,290	33.96	49170	171.20
Achievement	2,886	6.72	10,114	22.12	9,893	24.23	10,189	24.76	10,083	24.45	43165	102.28
Percentage of achievement	30	23	113	76	94	63	94	62	109	72	88	56

ANNEXURE-9

Statement showing the physical and financial targets vis-à-vis achievements during 2000-05 in respect of UHBVNL and DHBVNL

(Referred to in paragraph-2.2.8)

1. UHBVNL

A. 33/11 KV Sub-stations (capacity in MVA and cost: Rupees in crore)

Year	Targets			Achievements			Excess (+)/Shortfall (-)			Shortfall in capacity (*per cent*)
	Physical		Financial Cost	Physical		Financial Cost	Physical		Financial Cost	
	No.	Capacity		No.	Capacity		No.	Capacity		
(a) New sub-stations										
2000-01	5	25	3.75	2	10	1.55	(-)3	(-)15	(-)2.20	60
2001-02	4	25	3.75	1	6	0.90	(-)3	(-)19	(-)2.85	76
2002-03	5	35	5.25	3	21	3.09	(-)2	(-)14	(-)2.16	40
2003-04	11	98	14.70	8	72	10.80	(-)3	(-)26	(-)3.90	27
2004-05	15	123	14.00	15	123	13.50	-	-	(-)0.50	-
Total	**40**	**306**	**41.45**	**29**	**232**	**29.84**	**(-)11**	**(-)74**	**(-)11.61**	**24**
(b) Augmentation of existing sub-station capacity										
2000-01	21	73	0.75	15	53	0.52	(-)6	(-)20	(-)0.23	27
2001-02	9	31	0.32	6	26	0.21	(-)3	(-)5	(-)0.11	16
2002-03	11	38	0.40	9	29	0.32	(-)2	(-)9	(-)0.08	24
2003-04	25	87	0.90	22	76	0.77	(-)3	(-)11	(-)0.13	13
2004-05	22	95	2.50	19	71	1.80	(-)3	(-)24	(-)0.70	25
Total	**88**	**324**	**4.87**	**71**	**255**	**3.62**	**(-)17**	**(-)69**	**(-)1.25**	**21**

B. Construction of 33 KV lines (length in circuit Kms and cost Rupees in crore)

Year	Targets		Achievements		Excess (+)/Shortfall (-)		Shortfall in length (*per cent*)
	Length	Financial	Length	Financial	Length	Financial	
2000-01	30	0.75	27	0.67	(-)3	(-)0.08	10
2001-02	67	1.68	61	1.52	(-)6	(-)0.16	9
2002-03	14	0.35	12	0.30	(-)2	(-)0.05	14
2003-04	47	1.18	42	1.05	(-)5	(-)0.13	11
2004-05	165	3.40	161	3.30	(-)4	(-)0.10	2
Total	**323**	**7.36**	**303**	**6.84**	**(-)20**	**(-)0.52**	**6**

2. DHBVNL

A. 33/11 KV Sub-stations (capacity in MVA and cost: Rupees in crore)

Year	Targets			Achievement			Excess (+)/Shortfall (-)			Shortfall in capacity (*per cent*)
	Physical		Financial	Physical		Financial	Physical		Financial	
	No.	Capacity	Cost	No.	Capacity	Cost	No.	Capacity	Cost	
(a) New sub-stations										
2000-01	9	53.1	6.64	1	4	0.50	(-) 8	(-) 49.1	(-) 6.14	92
2001-02	6	36.3	5.45	4	20	3.00	(-) 2	(-) 16.3	(-) 2.45	45
2002-03	10	58.0	8.70	1	5	0.75	(-) 9	(-) 53.0	(-) 7.95	91
2003-04	18	123.0	13.83	7	50	5.62	(-) 11	(-) 73.0	(-) 8.21	59
2004-05	18	141.0	14.35	7	56	5.70	(-) 11	(-) 85.0	(-) 8.65	60
Total	**61**	**411.40**	**48.97**	**20**	**135**	**15.57**	**(-) 41**	**(-) 276.40**	**(-) 33.40**	**67**
(b) Augmentation of existing sub-station capacity										
2000-01	6	20.8	1.83	6	16.90	1.49	-	(-) 3.9	(-) 0.34	19
2001-02	14	22.3	2.35	9	18.90	1.99	(-) 5	(-) 3.4	(-) 0.36	15
2002-03	13	36.0	3.27	23	65.90	5.98	(+) 10	(+) 29.9	(+) 2.71	-
2003-04	31	87.4	7.87	27	84.30	7.59	(-) 4	(-) 3.1	(-) 0.28	4
2004-05	25	114.60	8.26	15	55.50	4.0	(-) 10	(-) 59.10	(-) 4.26	52
Total	**89**	**281.10**	**23.58**	**80**	**241.50**	**21.05**	**(-) 9**	**(-) 39.60**	**(-) 2.53**	**14**

B. Construction/augmentation of 33 KV lines (length in circuit Kms; cost: Rupees in crore)

Year	Targets		Achievements		Excess (+)/Shortfall (-)		Shortfall in length (*per cent*)
	Length	Financial	Length	Financial	Length	Financial	
2000-01	143	1.91	27.00	0.36	(-) 116.00	(-) 1.55	81
2001-02	86	1.22	45.00	0.64	(-) 41.00	(-) 0.58	48
2002-03	87	1.19	17.00	0.24	(-) 70.00	(-) 0.95	80
2003-04	180	2.71	107.50	1.61	(-) 72.50	(-) 1.10	40
2004-05	142	2.24	49.00	0.77	(-) 93.00	(-) 1.47	65
Total	**638**	**9.27**	**245.50**	**3.62**	**(-) 392.50**	**(-) 5.65**	**62**

ANNEXURE-10

Statement showing contract wise delay in construction/augmentation of sub-stations and related lines with consequential energy loss

(Referred to in paragraph 2.2.13)

UHBVNL

Sl. No.	Contract number and date	Package number	Name of contractor	Date of award of contract	Contract cost (Rupees in crore)	Schedule date of completion	Name of 33 KV sub-station	Actual date/ month of completion	Delay (Days)	Projected annual saving in energy loss (LUs)	Energy loss due to delay in completion (LUs)
1	PDC-3, 4 dt. 16.8.02	A	Telmos Hisar	24.7.2002	4.68	23.4.2003	Padda	28.08.2003	127	5.20	1.81
2						23.4.2003	Manjura	10.07.2003	78	6.54	1.40
3						23.4.2003	Sewah	16.10.2003	176	8.85	4.27
4						23.4.2003	Kutani road Panipat	10.08.2003	109	7.85	2.34
5	PDC-1, 2/B-4 dt. 16.8.02	B	Telmos Hisar	24.7.2002	2.23	23.4.2003	Murthali	12.06.2003	50	5.92	0.81
6						23.4.2003	Naissi	12.06.2003	50	4.47	0.61
7						23.4.2003	Keorak	17.06.2003	55	15.47	2.33
8	PDC-33, 34/B-7 dt. 5.9.03	A	YGCL Yamuna Nagar	29.07.2003	2.19	28.4.2004	Mini Sectt. Kaithal	31.05.2004	33	4.40	0.40
9						28.4.2004	Teak	8.12.2004	224	5.10	3.13
10						28.4.2004	Sainsa	16.05.2004	18	8.27	0.41
11	PDC-35, 36/B-7 dt. 5.9.03	B	Telmos Hisar	27.7.2003	4.63	28.4.2004	Nigdhu	11.08.2004	105	NA	NA
12						28.4.2004	Bapoli	3/05	321	NA	NA
13						28.4.2004	Barota	3/05	321	NA	NA
14						28.4.2004	Sugar Mill Sonepat	3/05	321	NA	NA
15						28.4.2004	Khanpur Kalan	8.07.2004	71	5.48	1.07
16	PDC-37-38/B-7 dt. 5.9.03	C	YGCL Yamuna Nagar	29.7.2003	3.98	28.4.2004	Balu	28.08.2004	122	14.04	4.69
17						28.4.2004	Kheri Sher Khan	8.07.2004	71	14.04	2.73
18						28.4.2004	Gurusar (Bhana)	8.12.2004	224	14.04	8.62
19						28.4.2004	Kansala	11.10.2004	166	NA	NA
					17.71						**34.62**

DHBVNL

Sl. No.	Contract number and date	Package number	Name of contractor	Date of award of contract	Contract cost (Rupees in crore)	Schedule date of completion	Name of 33 KV sub-station	Actual date/month of completion	Delay (Days)	Projected annual saving in energy loss (LUs)	Energy loss due to delay in completion (LUs)
1	Ch 31, 32 SEPS 164 DD-204/ 8.10.02	A	BSES, Noida	8.8.2002	` 3.87	7.5.2003	Umra	6.4.2005	700	20.34	39.01
2		B					Barwala Road Hansi	3.11.2003	180	22.67	11.18
3		C					Sadhanwas	21.7.2003	745	NA	-
4		D					Mangali	24.2.2004	293	NA	-
5		E					Daryapur	25.6.2003	49	NA	-
6	Ch 54, 56 REC 109 PLG-2/ 16.9.03	I	Telmos Hisar	24.7.2003	2.33	23.4.2003	Kusumbi	3.1.2005	255	59.94	41.88
7		II					Sarsod	28.4.2004	-	-	-
8		III					Karandi	12.4.2004	-	-	-
9	Ch 58, 59 REC 109 PLG-2/ 16.9.03	I	Power com New Delhi	24.7.2003	1.53	23.4.2004	Chang	Not yet commissioned (March 2005)	342	20.39	19.10
10		II					City Railway Station Bhiwani	4.8.2004	103	NA	-
11	Ch 99, 101 REC 150 PLG-6	I	JK & Co.	1.1.2004	1.25	31.8.2004	Dhani Raipur	11.11.2004	72	NA	NA
12		II					Sector 13 Hisar	13.1.2005	135	NA	NA
13	Ch 63, 65 REC 101 PLG-1/ 21.4.03	A	Telmos Hisar	27.2.2003	2.59	26.11.2003	Gagan Kheri/Sesai	20.11.2003	-	-	-
14		B					Rasulpur Theri	21.11.2003	-	-	-
15		C					Zerpur	25.11.2003	-	-	-
16	Ch 95, 97 REC 150 Vol. VI 27.1.04 PLG-6	I	Jitco overseas New Delhi	1.1.04	2.13	31.8.2004	Baragudha	Not yet commissioned (March 2005)	151	NA	NA
17		II					Titu Khera	-do-	151	NA	NA
18		III					Shahidanwali	-do-	151	NA	NA
	Total				**13.70**						**111.17**

ANNEXURE - 11

Statement showing the details of feeder-wise commissioning (11KV works in turnkey contracts) and loss due to delayed commissioning alongwith reasons thereof

(Referred to in paragraph 2.2.17)

A. UHBVNL

Sl. No.	Name of operation circle	Contract number	Package number	Name of firm	Date of LOI	Schedule date of completion	Name of feeder	Date of commission-ing	Delay (Days)	Annual energy loss (LUs)	Loss due to delayed (commission-ing) (LUs)	Reasons for delay
1	Ambala	P&D/ B-2	B	BSES Noida	7.9.01	6.5.02	Basantpur	28.2.04	663	1.47	2.67	Non availability of space in 66 KV sub-station for installation of Vacuum Circuit Breakers (VCBs).
							Malikpur	28.2.04	663	1.67	3.03	
2	Karnal	P&D/B-3	A	BSES	21.12.01	20.8.02	Barthal	27.6.03	311	1.81	1.54	Non availability of space in switch house building and delay in approval of drawings, right of way problems, rerouting of feeders, delay in getting shutdowns.
							Fatupur	20.6.03	304	1.16	0.97	
							Samani	24.6.04	674	1.18	2.18	
							Amin	27.8.03	372	1.11	1.13	
							Udana	29.8.03	374	1.51	1.55	
							Nayagaon	29.8.03	374	1.33	1.36	
3	Karnal	P&D/B-3	B	BSES	21.12.01	20.8.02	Reach	12.8.03	357	1.76	1.72	-do-
							Ladwa	3.9.03	379	1.13	1.17	
							Muradgarh	20.7.03	334	1.11	1.02	
							Garh Sada	7.8.03	352	1.08	1.04	
							Kheri Man-Singh	11.7.03	325	1.21	1.08	
							Kalsora	13.6.03	297	1.29	1.05	
4	Karnal	P&D/B-3	C	YGCL	21.11.01	20.8.02	Kachpura	6.6.03	290	1.37	1.09	Non solving of right of way problem and delay in approval of final layout plan.
							Balu	10.6.03	293	1.37	1.10	
							Bhojpur	10.6.03	293	1.36	1.09	
							Badrana	25.6.03	309	1.92	1.63	
							Jalala	10.6.03	293	-	-	
							Kathleri	10.6.03	293	2.86	2.30	

Sl. No.	Name of operation circle	Contract number	Package number	Name of firm	Date of LOI	Schedule date of completion	Name of feeder	Date of commissioning	Delay (Days)	Annual energy loss (LUs)	Loss due to delayed (commissioning) (LUs)	Reasons for delay
5	Karnal	-do-	E	-do-	21.11.01	20.8.02	Babail Nimbri Kabri	11.4.03 5.2.03 5.2.03	234 169 169	1.23 4.30 2.01	0.79 1.99 0.93	-do-
6	Sonepat	P &D/B-3	F	Jitco New Delhi	21.11.01	20.8.02	G.T. Road	Yet to Commission (March 2005)	937	2.87	7.37	Non-obtaining of permission for railway crossing.
7	Ambala	P&D/B-5	C	BSES	24.7.02	23.3.03	Bartohan Neneola	27.7.04 17.5.04	492 421	3.65 9.00	4.92 10.38	Non-availability of space for installation of VCBs, frequent right of way problem, delay in getting shutdowns, approval of drawings and inspection of material.
8	Ambala	P&D/B-5	D	-do-	24.7.02	23.3.03	Jansui Ajrawar Naggal Adomajra	30.5.04 5.6.04 27.7.04 2.6.04	434 440 492 437	0.89 1.23 1.42 0.53	1.06 1.48 1.91 0.63	-do-
9	Kurukshetra	P&D/ B-5	M	BSES	24.7.02	23.3.03	Jalkheri Badla Bodhi	5.6.04 12.5.04 7.4.04	440 416 381	3.00 0.63 NA	3.62 0.72 -	-do-
10	Ambala	P&D/ B-5	B	Sawhney Electricals Chandigarh	24.7.02	23.3.03	Balana Baknor	27.7.04 27.7.04	492 492	5.09 6.74	6.86 9.08	Non availability of space for installation of VCBs.

Sl. No.	Name of operation circle	Contract number	Package number	Name of firm	Date of LOI	Schedule date of completion	Name of feeder	Date of commission-ing	Delay (Days)	Annual energy loss (LUs)	Loss due to delayed (commission-ing) (LUs)	Reasons for delay
11	Jind	P&D/ B-5	N	Telmos Hisar	24.07.02	23.03.03	Durganpur Sangan Kalwan	16.06.04 11.07.03 11.07.03	451 110 110	1.68 1.70 1.86	2.07 0.51 0.56	Delay in approval of route survey, change in design, non availability of right of way and delay in getting approval for Railway crossing.
12	Jind	-do-	P	-do-	-do-	-do-	Dahola Rajpura Igrah	24.07.03 11.07.03 08.07.03	123 110 107	5.05 1.13 2.57	1.70 0.34 0.75	-do-
B. DHBVNL												
13	Narnaul	PDC-1, 2 / DD-41	I	Powercon	4.1.02	3.9.02	Jatwas Balana	15.1.03 15.1.03	134 134	11.027 8.088	4.05 2.97	Improper route survey before award of work and non completion of feeding sub-station (220 KV Mohindergarh). DHBVNL withdrew construction of two feeders (Budden and Nimbahera) to keep the package cost within the contract price.
14	Narnaul	PDC 13,14/ DD-41	J	YGCL	4.1.02	3.9.02	Nangalmala Majra Nangal	5.7.03 5.7.03 5.7.03	305 305 305	5.93 1.91 1.34	4.96 1.60 1.12	Increase in scope of work due to improper route survey before award of contract, delay in inspection from Chief Electrical Inspector.
15.	Gurgaon	PDC/15, 16/ DD-41	N	YGCL	4.1.02	3.9.02	Ransika	12.02.03	162	3.94	1.75	-do-
16.	Faridabad	PDC-17, 18 DD-41	P	-do-	-do-	-do-	Dhatir	18.02.03	168	8.74	4.02	-do-

Sl. No.	Name of operation circle	Contract number	Package number	Name of firm	Date of LOI	Schedule date of completion	Name of feeder	Date of commissioning	Delay (Days)	Annual energy loss (LUs)	Loss due to delayed (commissioning) (LUs)	Reasons for delay
17.	Gurgaon	PDC 7, 8 DD-41	M	BSES	-do-	-do-	Rajpura	February 2005	896	6.18	15.17	Non obtaining of consent for railway crossing from railway authority.
18.	-do-	PDC 9, 10 DD-41	O	-do-	-do-	-do-	Dhanwas	February 2005	896	20.08	49.29	-do-
19.	Narnaul	PDC 25,26 DD-44	D	Telmos	6.6.02	5.2.03	Balwari	March 2005	769	N.A.	N.A.	-do-
20.	-do-	PDC-27, 28/ DD-44	E	-do-	-do-	-do-	Kapriwas Aulant	23.10.03 23.10.03	260 260	N.A. N.A.	- -	Delay in approval of route survey and non-availability of right of way.
	Total										**171.32**	

ANNEXURE-12

Statement showing working Government companies having turnover/ paid-up capital exceeding rupees five crore

(Referred to in paragraph 3.18.1)

1. Haryana Agro Industries Corporation Limited (HAIC).
2. Haryana Land Reclamation and Development Corporation Limited (HLRDC).
3. Haryana Seeds Development Corporation Limited (HSDC).
4. Haryana State Industrial Development Corporation Limited (HSIDC).
5. Haryana Roadways Engineering Corporation Limited (HREC).
6. Haryana State Electronics Development Corporation Limited (HARTRON).
7. Haryana Forest Development Corporation Limited (HFDC).
8. Haryana Police Housing Corporation Limited (HPHC).
9. Haryana State Roads and Bridges Development Corporation Limited (HSRDC).
10. Haryana Scheduled Castes Finance & Development Corporation Limited (HSFDC).
11. Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited (HBKN).
12. Haryana Women Development Corporation Limited (HWDC).
13. Haryana Tourism Corporation Limited (HTC).
14. Haryana Power Generation Corporation Limited (HPGC).
15. Haryana Vidyut Prasaran Nigam Limited (HVPN).
16. Uttar Haryana Bijli Vitran Nigam Limited (UHBVN).
17. Dakshin Haryana Bijli Vitran Nigam Limited (DHBVN).

ANNEXURE-13

Statement showing the details of attendance of directors in Board meetings

(Referred to in paragraph 3.18.4)

Sl. No.	Name of Company	Position of attendance of directors in Board meetings
1.	Haryana Agro Industries Corporation Ltd.	• During 2001-05, on an average seven out of 12 (58.33 *per cent*) directors attended the Board meetings. • Three directors did not attend any meeting held during their tenure during 2001-04. • One director attended only one meeting out of seven held during his tenure in 2001-03. • One director attended only one meeting out of five held during 2002-03. • One director did not attend even a single meeting out of seven held during 2004-05.
2.	Haryana Land Reclamation and Development Corporation Ltd.	• During 2001-05, on an average five out of 11 (45.45 *per cent*) directors attended the Board meetings. • One director (nominee of Government of India) attended only one meeting out of nine held during 2001-04. • One director did not attend even a single meeting out of 12 held during his tenure. • Attendance of three directors was not regular during 2001-05. • One director did not attend even a single meeting held during 2004-05.
3.	Haryana Seeds Development Corporation Ltd.	• During 2001-05, on an average seven out of 11 (63.64 *per cent*) directors attended the Board meetings. • One director (nominee of National Seed Corporation Limited) did not attend any meeting out of 12 held during his tenure. • Two directors did not attend any meeting out of four and six held during their tenure in 2001-03. • Two directors attended only one and four meetings out of 15 and 16 held during their tenure during 2001-05.
4.	Haryana State Industrial Development Corporation Ltd.	• During 2001-05, on an average seven out of 11 (63.64 *per cent*) directors attended the Board meetings. • One director did not attend any meeting out of six held during his tenure in 2001-02 • Two directors (nominees of Financial Institution) attended one and four out of eight and 15 meetings held during their tenure in 2002-05. • One director attended only one meeting out of seven held during 2004-05.
5.	Haryana Police Housing Corporation Ltd.	• During 2001-05, on an average four out of seven (57.14 *per cent*) directors attended the Board meetings. • Attendance of two directors was not regular as they did not attend seven and five meetings out of nine and six respectively held during their tenure. • Two directors did not attend any meeting out of six and seven held during their tenure in 2003-05.

Sl. No.	Name of Company	Position of attendance of directors in Board meetings
6.	Haryana Scheduled Castes Finance and Development Corporation Ltd.	• During 2001-05, on an average 10 out of 20 (50.00 *per cent*) directors attended the Board meetings. • Two directors did not attend any meeting out of 16 and 11 held during their tenure in 2001-05; • Three directors attended only one meeting out of 16 held during 2001-05; • One director (nominee of Financial Institution) attended only three meetings out of 16 held during his tenure during 2001-05; • Leave of absence was not obtained by these directors.
7.	Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Ltd.	• During 2001-05, on an average eight out of 14 (57.14 *per cent*) directors attended the Board meetings. • Two directors did not attend any meeting out of 13 held during 2001-05 and attendance of two directors was not regular. • One director (nominee of Financial Institution) attended only two out of 13 meetings held during his tenure (2001-05). • Leave of absence was not obtained by these directors.
8.	Haryana Women Development Corporation Ltd.	• During 2001-05, on an average five out of nine (55.56 *per cent*) directors attended the Board meetings. • Two directors did not attend any meeting held during their tenure and attendance of four directors was not regular. • Leave of absence was not obtained by these directors.
9.	Haryana Tourism Corporation Ltd.	• During 2001-05, on an average six out of 11 (54.55 *per cent*) directors attended the Board meetings. • One director attended only three meetings and another attended four meetings out of 16 meetings held during their tenure from 2001-02 to 2004-05.
10.	Haryana Power Generation Corporation Ltd.	• During 2001-05, on an average seven out of 10 (70 *per cent*) directors attended the Board meetings. • Attendance of four directors was not regular in 2001-05.
11.	Haryana Vidyut Prasaran Nigam Ltd.	• During 2001-05, on an average six out of nine (66.67 *per cent*) directors attended the Board meetings. • Two directors attended only one and five meetings out of 23 and 24 respectively held during their tenure in 2001-05 and attendance of four directors was not regular during this period.

ANNEXURE-14

Statement showing reviews/ paragraphs for which replies were not received

(Referred to in Paragraph 3.20.1)

Sl. No.	Name of the Department	2001-02		2002-03		2003-04		Total	
		Reviews	Paragraphs	Reviews	Paragraphs	Reviews	Paragraphs	Reviews	Paragraphs
1.	Power	-	-	-	8	-	7	-	**15**
2.	Industries	-	2	-	2	-	3	-	**7**
3.	Agriculture	-	-	-	-	-	2	-	**2**
4.	Electronics	-	1	-	1	-	-	-	**2**
5.	Tourism	-	-	1	-	-	-	**1**	-
6.	Transport	-	-	-	-	-	1	-	**1**
7.	Finance	-	-	-	-	-	3	-	**3**
	Total	-	**3**	**1**	**11**	-	**16**	**1**	**30**

ANNEXURE–15

Statement showing persistent irregularities pertaining to Government companies appeared in the Reports of Comptroller and Auditor General of India for the year 1997-98 to 2003-04 (Commercial)-Government of Haryana

(Referred to in paragraph 3.20.3)

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

Sl. No.	Nature of persistent irregularities	Year of Audit Report and Para No.	Money value (Rupees in crore)	Gist of audit observations	Recommendations of COPU/ Action to be taken	Details of action taken
		2002-03 2.2.10	0.45*	Acceptance of collateral security (1998-99) at inflated value resulted into doubtful recovery of Rs. 44.66 lakh.	Responsibility needs to be fixed for disbursement of loan by accepting collateral security at inflated value.	As the para is yet to be discussed by COPU action taken has not been intimated to audit.
		2002-03 2.2.12	1.73*	Acceptance of collateral security at inflated value resulted in non-recovery of Rs. 1.73 crore.	Responsibility needs to be fixed for disbursement of loan by accepting collateral security at inflated value.	As the para is yet to be discussed by COPU action taken has not been intimated to audit.
		2002-03 2.2.13	1.99*	Acceptance of collateral security of agricultural land at highly inflated value had rendered recovery of Rs. 1.99 crore as doubtful.	Responsibility needs to be fixed for disbursement of loan by accepting collateral security at inflated value.	As the para is yet to be discussed by COPU action taken has not been intimated to audit.
		2003-04 3.1	0.50	The company's decision to permit the unit to replace the original collateral security with highly inflated collateral security resulted in doubtful recovery of Rs. 49.82 lakh.	Responsibility needs to be fixed for disbursement of loan by accepting collateral security at inflated value.	As the para is yet to be discussed by COPU action taken has not been intimated to audit.
	Total		**11.28**			
2.	**Haryana Vidyut Prasaran Nigam Limited**					
	Non recovery of cost of sub-stations	2002-03 3.9	1.41	The Company failed to enforce recovery of Rs. 1.41 crore on account of cost of substation from HUDA in the absence of an agreement.	Responsibility needs to be fixed on officials for commissioning the work without formal agreement which led to non-recovery of cost of substation from HUDA.	As the para is yet to be discussed by COPU action taken has not been intimated to audit.
		2003-04 2.2.13	5.77	The Company failed to recover Rs. 5.77 crore from HUDA on account of cost of substations.	Responsibility needs to be fixed on officials for non-recovery of cost of substation from HUDA.	As the para is yet to be discussed by COPU action taken has not been intimated to audit.
	Total		**7.18**			

* Amount already mentioned in Para 3.19.3 of Audit Report (Commercial) 2003-04.

Sl. No.	Nature of persistent irregularities	Year of Audit Report and Para No.	Money value (Rupees in crore)	Gist of audit observations	Recommendations of COPU/ Action to be taken	Details of action taken
3	**Haryana Agro Industries Corporation Limited**					
	Excess consumption of gunny bags	1997-98 2A.11.2	0.42	Consumption of gunny bags in excess of norms led to loss of Rs. 41.74 lakh.	COPU recommended that norms for consumption of gunny bags be adhered to.	The Company has not yet adhered to the norms for the consumption of gunny bags.
		2003-04 2.1.18	0.67	Consumption of gunny bags in excess of norms led to loss of Rs. 66.65 lakh.	Responsibility needs to be fixed on officials for excess consumption of gunny bags.	As the para is yet to be discussed by COPU action taken has not been intimated to audit.
	Total		**1.09**			
	Grand Total (1+2+3)		**19.55**			

ANNEXURE-16

Statement showing persistent irregularities pertaining to Statutory Corporation appeared in the Reports of Comptroller and Auditor General of India for the year 1998-99 to 2003-04 (Commercial)-Government of Haryana

(Referred to in paragraph 3.20.3)

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

Sl. No.	Nature of persistent irregularities	Year of Audit Report and Para No.	Money value (Rupees in crore)	Gist of audit observations	Recommendations of COPU/ Action to be taken	Details of action taken
		2002-03 3.17	0.47*	Disbursement of loan by acceptance of grossly unrealistic value of collateral security (114 times of its purchase price) resulted in non-recovery of Rs. 47.29 lakh.	Action needs to be taken against officials who accepted fraudulent and inflated collateral security.	As the para is yet to be discussed action taken has not been intimated to audit.
		2003-04 3.16	1.89	The Corporation disbursed loan to a unit against inflated security, which resulted in non-recovery of Rs. 1.89 crore.	Action needs to be taken against officials who accepted inflated collateral security.	As the para is yet to be discussed action taken has not been intimated to audit.
		2003-04 3.17	0.80	Irregular disbursement of loan due to relaxation of condition of obtaining 200 *per cent* collateral security of the term loan put the Corporation to a loss of Rs. 80 lakh.	Action needs to be taken against officials who relaxed the condition of obtaining 200 *per cent* collateral security.	As the para is yet to be discussed action taken has not been intimated to audit.
		2003-04 3.18	1.25	The Corporation accepted collateral security against fake documents resulting into non-recovery of Rs. 1.25 crore.	Action needs to be taken against officials who accepted fake documents as collateral security.	As the para is yet to be discussed action taken has not been intimated to audit.
	Total		**7.86**			

* Amount already mentioned in Para 3.19.3 of Audit Report (Commercial) 2003-04.

ANNEXURE -17

Statement showing the department-wise break up of Inspection Reports outstanding as on 30 September 2005

(Referred to in Paragraph 3.20.4)

Sl. No	Name of Department	No. of PSUs	No. of outstanding IRs	No. of outstanding paragraphs	Year from which observations outstanding
A.	Working PSUs				
1.	Agriculture	4	14	56	1994-95
2.	Industry	2	7	37	2000-01
3.	Transport	1	8	27	1995-96
4.	Electronics	2	6	15	1998-99
5.	Forest	1	5	14	1999-2000
6.	Mining and Geology	1	7	12	1996-97
7.	Home	1	3	13	2003-04
8.	Scheduled Castes and Backward Classes Welfare	2	7	22	1999-2000
9.	Women and Child Development	1	4	11	2000-01
10.	Tourism and Public Relations	1	3	19	2003-04
11.	Public Works Department (B&R)	1	3	8	2003-04
12.	Power	5*	187	508	1995-96
	Total	**22**	**254**	**742**	-

* Including Haryana Electricity Regulatory Commission.

ANNEXURE - 18

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

(Referred to in paragraph 3.20.4)

Sl. No.	Name of Department	No. of draft paragraphs	No. of reviews	Period of issue of draft paragraphs/ reviews
1.	Power	7	1	January - May 2005
2.	Industry	4	-	January - March 2005
3.	Agriculture	2*	-	March 2005
4.	Finance	3#	-	May - June 2005
5.	Public works Department (B&R)	1	-	May 2005
6.	Scheduled Castes and Backward Classes Welfare	-	1	May 2005
	Total	**17**	**2**	

* This includes one paragraph (3.12), which was common for three companies. The reply of the Government in respect of one company was received.

\# This includes one paragraphs (3.18), which was common for 17 companies. The reply of the Government in respect of one company was received.