REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2006

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 the 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 the State Financial Corporations (Amendment) Act, 2000, CAG has the right to conduct the audit of accounts of the 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 2005-06 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 2005-06 have also been included, wherever necessary.

OVERVIEW

1. Overview of Government companies and Statutory corporations

As on 31 March 2006, the State had 28 Public Sector Undertakings (PSUs) comprising 26 Government companies and two Statutory corporations as against 29 PSUs comprising 27 Government companies and two statutory corporations as on 31 March 2005.

(Paragraph 1.1)

The total investment in working PSUs increased from Rs. 9,706.70 crore as on 31 March 2005 to Rs. 10,700.55 crore as on 31 March 2006. The total investment in non-working PSUs decreased from Rs. 140.68 crore to Rs. 139.32 crore during the same period.

(Paragraphs 1.2 and 1.15)

The budgetary support from the State Government in the form of capital, loans and grants/subsidies disbursed to the working PSUs increased from Rs. 1,375.78 crore in 2004-05 to Rs. 1,669.66 crore in 2005-06. The State Government guaranteed loans aggregating Rs. 893.02 crore to five PSUs (all working) during 2005-06. The total amount of outstanding loans guaranteed by the State Government to various PSUs was Rs. 3,744.42 crore as on 31 March 2006.

(Paragraph 1.5)

Only nine working PSUs (seven Government companies and two Statutory corporations) finalised their accounts for the year 2005-06 by 30 September 2006. The accounts of 13 working Government companies were in arrears for periods ranging from one to seven years as on 30 September 2006. Similarly, accounts of four non-working companies were in arrears for one to four years as on 30 September 2006. Two non-working companies were under liquidation/winding up.

(Paragraphs 1.6 and 1.18)

According to the latest finalised accounts, 12 working PSUs (10 Government companies and two Statutory corporations) earned aggregate profit of Rs. 69.06 crore. Against this, seven working PSUs (all Government companies) incurred aggregate loss of Rs. 454.31 crore. Of the loss incurring working Government companies, two companies had accumulated losses aggregating Rs. 5,588.64 crore, which was more than 10 times of their aggregate paid-up capital of Rs. 526.80 crore.

(Paragraphs 1.7 and 1.9)

Even after 11 to 41 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. The Government may either improve the performance of these eight Government companies or consider their closure.

(Paragraph 1.36)

2. Performance review relating to Government Company

Performance review relating to 'Construction and performance of Stage V (Units VII & VIII) of Panipat Thermal Power Station' of **Haryana Power Generation Corporation Limited** was conducted and some of the main findings are as follows:

Panipat Thermal Power Station of Haryana Power Generation Corporation Limited (Company) had an installed capacity of 860 MW from six generating Units. The Company installed two more units of 250 MW, each which were commissioned in December 2004 and April 2005. Performance of the Company with regard to construction of the two units was found to be deficient due to lack of competitive bidding, incorrect evaluation of alternative offer of BHEL, excess time allowed for construction and irregular payment of service tax resulting in cost over run.

Due to design deficiency in coal handling plant there was under utilisation of its capacity.

There was excess consumption of coal and oil, which had a bearing on generation cost. Forced shut down of the Units resulted in substantial loss of generation.

(Chapter 2)

3 Performance review relating to Statutory Corporation

Performance review relating to Procurement of foodgrains for the Central Pool and warehousing activities of **Haryana Warehousing Corporation** was conducted and some of the main findings are as follows:

The performance of the Corporation with regard to warehousing activities was deficient due to low capacity utilisation, non-construction of additional storage capacity at suitable sites under the seven year guarantee scheme of Food Corporation of India and non-revision of storage rates of State procuring agencies at par with those of Food Corporation of India.

Procurement activity for the Central Pool also suffered from substandard procurement, lack of proper care of warehoused foodgrains during storage and inadequate drainage/protection from the vagaries of climate.

The internal audit and internal control system devised and put in place were inadequate with regard to the size and nature of the business of the Corporation.

(Chapter 3)

4. Transaction audit observations

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

Non recovery of dues amounting to Rs. 12.09 crore in six cases due to violation of laid down terms and conditions/laid down procedures.

(Paragraphs 4.1, 4.2, 4.16 to 4.19)

Loss of revenue of Rs. 6.39 crore in five cases due to non deletion of tamper data coupled with improper overhauling of consumers' account, non enforcement of provisions of the Electricity Act 2003, non-imposition of penalty for theft of electricity and incorrect charging of tariff rate.

(Paragraphs 4.5, 4.7, 4.8, 4.11 and 4.13)

Avoidable extra expenditure of Rs. 18.14 crore in five cases due to non placing of order for the required quantity on the next lowest firm, non enforcement of quantity increase clause and non insertion of put/call option clause in the bonds issued.

(Paragraphs 4.6, 4.9, 4.10, 4.12 and 4.15)

Nugatory expenditure of Rs 53.31 lakh due to non-compliance with statutory requirements.

(Paragraph 4.14)

Loss of rupees two crore in two cases due to delayed delivery of wheat coupled with improper storage of wheat stock and irregular/hasty termination of agreement.

(Paragraphs 4.3 and 4.4)

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

Relaxation of conditions of personal guarantee/collateral security against first and additional loan and not taking over timely possession of a unit by **Haryana State Industrial and Infrastructure Development Corporation Limited** had put the recovery of Rs. 2.41 crore at risk.

(Paragraph 4.1)

Haryana Roads and Bridges Development Corporation Limited suffered a loss of Rs. 1.17 crore due to defective agreement and hasty decision to forfeit security without terminating the agreement

(Paragraph 4.3)

Non-enforcement of provisions of the Electricity Act, 2003 in levy of penalty by **Dakshin Haryana Bijli Vitran Nigam Limited** for theft of electricity resulted in revenue loss of Rs. 84.87 lakh.

(Paragraph 4.8)

Haryana Vidyut Prasaran Nigam Limited did not insert put/call option clause in bonds issued which would result in avoidable loss of Rs 16.41 crore by way of excess payment of interest on redemption of the bonds on their maturity.

(Paragraph 4.15)

Not ensuring availability of working capital with the loanee while sanctioning loan, acceptance of corporate guarantee in lieu of collateral security and release of loan despite doubtful antecedents of the corporate guarantor being known to **Haryana Financial Corporation** had rendered the recovery of Rs. 3.44 crore as improbable.

(Paragraph 4.17)

Chapter-I

1. Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2006, there were 26 Government companies (19 working companies and seven non-working* companies) and two Statutory corporations (both working) as against 27 Government companies (19 working and eight non-working companies) and two Statutory corporations as on 31 March 2005 under the control of the State Government. The name of one non working Company (Haryana Dairy Development Corporation Limited) was struck off (15 July 2005) from the register of companies under section 560 (5) of the Companies Act, 1956. In addition, the State had formed the Haryana Electricity Regulatory Commission whose audit is also being conducted by the 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 CAG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956. 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 2006, the total investment in the 21 working PSUs (19 Government companies and two statutory corporations) was Rs. 10,700.55 crore (equity: Rs. 2,205.41 crore; long-term# loans:

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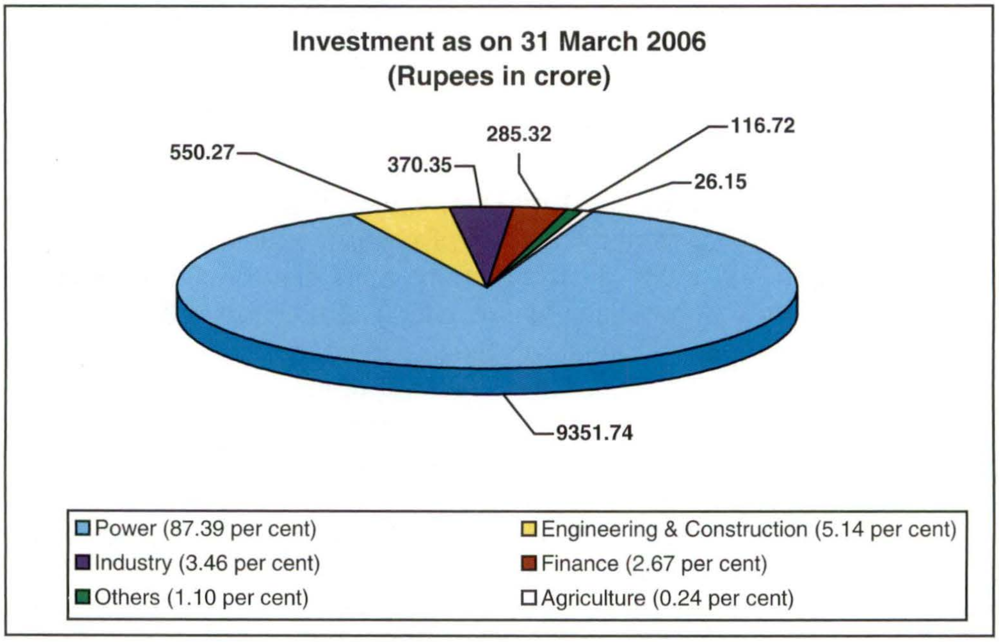
* Non-working companies are those, which are under process of liquidation/closure/ merger etc.

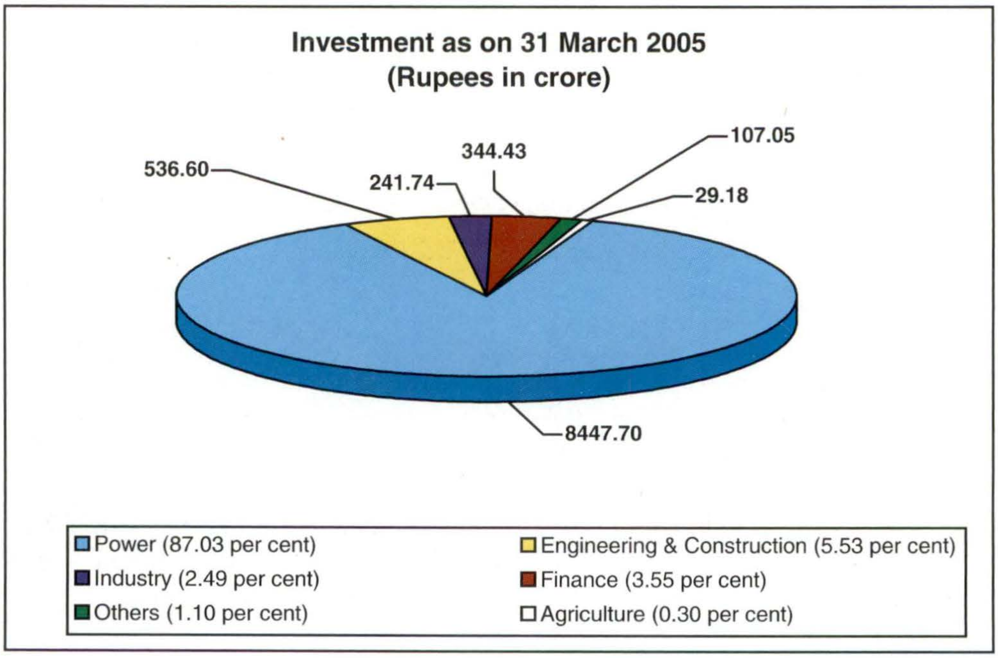
Long-term loans mentioned in para 1.2, 1.3 and 1.4 are excluding interest accrued and due on such loans.

Rs. 7,655.51 crore and share application money: Rs.839.63 crore) as against total investment of 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 on 31 March 2005. Analysis of investment in working PSUs is given in the following paragraphs.

Sector wise investment in working Government companies and Statutory corporations

The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2006 and 31 March 2005 are indicated below in the pie charts:





Working Government companies

1.3 The total investment in working Government companies at the end of March 2005 and March 2006 was as follows:

(Amount: Rupees in crore)

Year	Number of working Government companies	Equity	Share application money	Long-term loans	Total
2004-05	19	2,237.53	353.40	6,756.56	9,347.49
2005-06	19	2,165.64	839.63	7,396.36	10,401.63

As on 31 March 2006, the total investment in working Government companies comprised 28.89 *per cent* equity capital and 71.11 *per cent* loans compared to 27.72 and 72.28 *per cent* of equity capital and loans, respectively as on 31 March 2005.

A 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 companies the debt equity ratio of working Government companies as a whole decreased from 2.61:1 in 2004-05 to 2.46:1 in 2005-06.

Working Statutory corporations

1.4 The total investment in two working Statutory corporations at the end of March 2005 and March 2006 was as follows:

(Amount: Rupees in crore)

Name of the corporation	2004-05		2005-06	
	Capital	Long-term loans	Capital	Long-term loans
Haryana Financial Corporation	30.93	313.51	33.93	251.39
Haryana Warehousing Corporation	5.84	8.93	5.84	7.76
Total	**36.77**	**322.44**	**39.77**	**259.15**

A summarised position of Government investment in the 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 8.77:1 in 2004-05 to 6.52:1 in 2005-06.

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 the State Government to working Government companies and working Statutory corporations are given in **Annexures 1** and **3.**

The State Government did not provide any financial support in the form of equity capital, loans or grants/subsidies to Statutory corporations during 2003-06 except rupees three crore provided as equity capital to Haryana Financial Corporation during 2005-06. The budgetary outgo* in the form of equity capital, loans and grants/subsidies from the State Government to working Government companies during 2003-04 to 2005-06 is given below:

(Amount: Rupees in crore)

Particulars	2003-04		2004-05		2005-06	
	No. of companies	Amount	No. of companies	Amount	No. of companies	Amount
Equity capital	10	130.19	7	166.98	12	348.47
Loans	3	87.79	3	21.96	2	5.09
Grants/Subsidy towards						
1.Projects/ Programmes/ Schemes	7	77.74	5	16.10	8	1,306.73
2.Others	6	926.57	5	1,170.74	3	9.37
Total grants/ subsidy		1,004.31		1,186.84		1,316.10
Total outgo		**1,222.29**		**1,375.78**		**1,669.66**

During the year 2005-06, the Government had guaranteed loans aggregating Rs. 893.02 crore obtained by three working Government companies (Rs. 368.02 crore) and two working Statutory corporations (Rs. 525 crore). At the end of the year, guarantees amounting to Rs. 3,744.42 crore against 11 working Government companies (Rs 3,699 crore) and one working Statutory Corporation (Rs. 45.42 crore) were outstanding. The guarantee commission paid/payable to the Government by four Government companies and one Statutory corporation during the year was Rs. 7.90 crore and Rs 48.75 lakh, respectively.

Finalisation of accounts by working PSUs

1.6 Out of the 21 working PSUs (19 Government companies and two Statutory corporations), both the Statutory corporations and six Government companies had finalised their accounts for the year 2005-06 by 30 September 2006. During the period from October 2005 to September 2006, 16 working Government companies finalised 17 accounts for previous years. Similarly, two corporations finalised two accounts for the previous year during this period.

The accounts of 13 working Government companies involving 31 accounts were in arrears for periods ranging from one to seven years as on 30 September 2006 as detailed below:

Sl. No.	No. of working Government companies	Period for which accounts were in arrears	Number of years for which accounts were in arrears	Reference to Serial No. of Annexure 2
1.	1	1999-2000 to 2005-06	7	A8
2.	3	2002-03 to 2005-06	4	A12, A13,A15
3.	3	2004-05 to 2005-06	2	A5, A6, A16
4.	6	2005-06	1	A9, A10, A11, A14, A18, A19

* Reconciliation of figures with Finance Accounts is pending.

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 the 19 working Government companies and two working Statutory corporations, seven companies had incurred an aggregate loss of Rs. 454.31 crore. Ten companies and two corporations earned an aggregate profit of Rs.17.35 crore and Rs. 51.71 crore, respectively. One company (Sl. No. A10 of **Annexure 2**) did not prepare a 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 Out of the six Government companies which finalised their accounts for the year 2005-06 up to 30 September 2006, five[^] companies earned aggregate profit of Rs.14.44 crore. Out of the 16 Government companies, which finalised their accounts for previous years by 30 September 2006, seven[$] companies earned an aggregate profit of Rs. 3.64 crore. Five 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. Two companies (Sl. No. A2 and A4 of **Annexure 2**) declared dividend of Rs. 1.22 crore during the year 2005-06 which works out to 0.06 *per cent* of total equity investment of Rs. 2001.12 crore by the state Government in working Government companies.

Loss incurring working Government companies

1.9 Of the seven loss incurring working Government companies, two[#] companies had accumulated losses aggregating Rs. 5,588.64 crore, which was more than ten times of their aggregate paid up capital of Rs. 526.80 crore.

Working Statutory corporations

Profit earning Statutory corporations

1.10 Both the Statutory corporations (Sl. No. B-1 & B-2 of Annexure 2) finalised their accounts for the year 2005-06 up to 30 September 2006 and booked profit of Rs. 51.71 crore. One corporation (Sl.No. B-1 of **Annexure 2**), however, had accumulated loss of Rs. 154.17 crore, which was more than four times of its paid-up capital of Rs. 33.93 crore. The other

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[^] Sl. No. A-1, 2, 3, 4 and 7 of **Annexure-2.**

[$] Sl. No. A-2,3, 5,6 ,8,12 and 15 of **Annexure 2**.

[#] Sl. No. A-9 and 19 of **Annexure 2**.

corporation (Sl.No. B-2 of **Annexure 2**) declared dividend of Rs. 1.33 crore. The dividend as a percentage of total share capital in above profit earning corporations worked out to 3.34 *per cent.*

Operational performance of working Statutory corporations

1.11 The operational performance of the working Statutory corporations is given in **Annexure 6**. In Haryana Financial Corporation, the overdue amount of loans had increased from Rs. 1,249.50 crore in 2003-04 to Rs. 1,582.34 crore in 2005-06. The percentage of overdue loans to total outstanding loans also increased from 58.08 to 67.72 during this period.

Return on capital employed

1.12 As per the latest finalised accounts (up to 30 September 2006), the capital employed* worked out to Rs. 7910.70 crore in 19 working Government companies and total return[@] thereon amounted to Rs. 53.53 crore (0.68 *per cent*) as compared to total return of Rs 726.94 crore (9.76 *per cent*) on capital employed of Rs. 7,446.50 crore in previous year (accounts finalised by September 2005). Similarly, the capital employed and the total return thereon in case of two working Statutory corporations as per their latest finalised accounts (up to 30 September 2006) worked out to Rs. 629.83 crore and Rs 83.13 crore (13.20 *per cent*) respectively as against capital employed of Rs. 820.40 crore and total return of Rs 57.77 crore (7.04 *per cent*) thereon for the previous year (accounts finalised up to September 2005). 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 the power sector

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

1.13 A 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 a reforms programme in the power sector with identified milestones. Status of implementation of the reforms

* 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.

programme against each commitment made in the MOU is detailed below:

Sl No.	Commitment as per the MOU	Targeted completion schedule	Status (As on 31 March 2006)
	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 (15.76 *per cent* by 2005-06)	34.36 *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 agricultural consumer (2.70 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)		
(a)	Establishment of HERC	-	Already established in August 1998
(b)	Implementation of tariff orders issued by HERC during 2005-06	-	Implemented
	Commitments made by the GOI		
6.	Supply of additional power	Not fixed	During 2005-06 additional power ranging between 14 and 24 *per cent* out of unallocated quota was given.
	General		
7.	Monitoring of MOU	Quarterly	Being monitored regularly.

State Electricity Regulatory Commission

1.14 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 has been entrusted to CAG under Section 104(2) of the 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, fees etc. to meet out expenses of the commission. The fund is yet to be constituted (May 2006). The Commission had finalised its accounts up to 2005-06. During 2005-06, the Commission issued 22 orders (eight on aggregate revenue requirements and 14 on others) against nine orders issued (one on aggregate revenue requirements and eight on others) during 2004-05.

Non-working Public Sector Undertakings

Investment in non-working PSUs

1.15 As on 31 March 2006, the total investment in seven non-working PSUs (all Government companies) was Rs. 139.32 crore (equity: Rs. 23.96 crore; long-term loans: Rs. 115.36 crore) as against total investment of Rs. 140.68 crore (equity: Rs. 23.97 crore; long-term loans: Rs. 116.64 crore and share application money: Rs. 7.05 lakh) in eight non-working PSUs as on 31 March 2005. 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/ Winding up#	2	6.86	3.69
2.	Others (non-working)$	5	17.10	111.67
	Total	**7**	**23.96**	**115.36**

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

1.16 The State Government did not release any funds to non-working companies during the year 2005-06. At the end of the year, no guarantee was outstanding as against Rs. 30 lakh outstanding as on 31 March 2005.

Total establishment expenditure of non-working PSUs

1.17 The year-wise details of total expenditure of non-working Government companies and the sources of financing them during the last three years up to 2005-06 are given below:

(Amount: Rupees in lakh)

Year	Number of Government companies	Total establishment expenditure	Financed by		
			Disposal of investment/ assets	Government Loans	Others
2003-04	4*	31.73	29.36	0.12	2.25
2004-05	4*	65.00	41.72	-	23.28
2005-06	3@	28.55	8.32	-	20.23

Finalisation of accounts by non-working PSUs

1.18 Out of the seven non working Government companies one company (Sl. No. C-2) finalised its accounts for the year 2005-06 during October 2005 to September 2006. The accounts of four non working companies were in arrears for one to four years as on 30 September 2006 and two^ companies were under liquidation/winding up as can be seen from **Annexure 2**.

Sl. No. C-4 and 6 of **Annexure 2**.
$ Sl. No.C-1, 2, 3, 5 and 7 of **Annexure 2**.
* Sl.No. C-1, 2, 5 and 7of **Annexure 2**.
@ Sl. No. C-2, 5 and 7 of **Annexure 2**.
^ Sl.No. C-4 and 6 of **Annexure 2**.

Financial position and working results of non-working PSUs

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

As per their latest finalised accounts the net worth of seven non-working companies against their paid-up capital of Rs. 24.04 crore was (-) Rs. 164.04 crore. These companies suffered cash loss of Rs. 18.24 crore and their aggregate accumulated loss worked out to Rs. 188.08 crore.

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

1.20 The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations and Haryana Electricity Regulatory Commission (HERC), 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	2003-04	2004-05	15 June 2006	Under Print
2	Haryana Warehousing Corporation	2003-04	2004-05	13 March 2006	Under print
3	Haryana Electricity Regulatory Commission	2003-04	2004-05 2005-06	12 December 2005 27 September 2006	Under print -

Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

1.21 The State Government did not undertake any disinvestment, privatisation and restructuring of any of its PSUs during 2005-06.

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

1.22 During the period from October 2005 to 30 September 2006 the accounts of 23 Government companies (19 working and four non-working) and two Statutory corporations were selected for review.

The net impact of important audit observations as a result of review of the accounts of these 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	10.24	1.23
2.	Increase in loss	2	2	4.59	7.42
3.	Understatement of accumulated loss	1	-	0.74	-
4.	Non disclosure of material facts	4	1	97.56	1.15
5.	Errors of classification	2	-	11.29	-

Some of the major errors and omissions noticed 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 (2000-01)

1.23 The accumulated loss was understated by Rs. 66.12 lakh due to non provision of doubtful loans and advances.

Haryana Power Generation Corporation Limited (2002-03)

1.24 The accumulated loss was understated by Rs. 1.25 crore due to excess capitalisation of interest.

Haryana Power Generation Corporation Limited (2003-04)

1.25 The profit for the year was overstated by Rs. 8.70 crore due to capitalisation of revenue, non provision for bad and doubtful advances and liability for expenses.

Haryana Police Housing Corporation Limited (2003-04)

1.26 Non-inclusion of work-in-progress measured and certified for Rs. 77.31 lakh resulted in understatement of work-in-progress and current liabilities to that extent.

Haryana State Industrial and Infrastructure Development Corporation Limited (2004-05)

1.27 Under-provision of doubtful recovery of loans and advances in default resulted in overstatement of profit by Rs. 1.06 crore.

Dakshin Haryana Bijli Vitran Nigam Limited (2004-05)

1.28 The loss was understated by Rs. 3.34 crore and other current assets were overstated by the same amount due to non provision of thefts/misappropriation/embezzlements.

Errors and omissions in case of Statutory corporations

Haryana Financial Corporation (2003-04)

1.29 Non provision of leave encashment liability resulted in understatement of other liabilities and loss by Rs. 2.66 crore.

1.30 Inclusion of rejected claims in the claims recoverable resulted in overstatement of assets and understatement of loss by Rs. 56.24 lakh.

Haryana Financial Corporation (2004-05)

1.31 Non provision of leave encashment resulted in understatement of loss by Rs. 3.18 crore.

1.32 Short provision of Rs. 51.28 lakh against doubtful assets resulted in overstatement of loans and advances and understatement of accumulated loss to that extent.

Haryana Warehousing Corporation (2004-05)

1.33 In violation of Accounting Standard-2 of the Institute of Chartered Accountants of India inclusion of storage charges and interest of Rs. 5.58 lakh and Rs. 75.88 lakh, respectively as income on undelivered stock had resulted in overstatement of profit by Rs. 81.46 lakh.

Recoveries at the instance of audit

1.34 On the basis of deficiencies pointed out in audit, the Power Utilities had recovered Rs. 82.92 lakh in seven cases during this year. The deficiencies relate to non-recovery of liquidated damages (Rs. 66.11 lakh) stage wise penalty from a supplier (Rs. 9.33 lakh), short supply of transformer oil (Rs. 3.27 lakh), early payment rebate (Rs. 0.90 lakh), non-recovery of reconnection charges (Rs. 1.14 lakh), rent of poles from cable operators (Rs. 1.95 lakh) and penalty for slow energy meter (Rs. 0.22 lakh).

Internal audit/internal control

1.35 The Statutory Auditors (Chartered Accountants) are required 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 need improvement. An illustrative resume of major recommendations/ comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system in respect of two companies for the year 2004-05 and one (Sl. No A-1 of **Annexure 2)** company for the year 2005-06 is given 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-fixation of minimum/maximum limits of store and spares	2	A-1 &A-19
2.	Absence of internal audit system commensurate with the nature and size of business of the company	1	A-19
3	Non computerisation of operations	1	A-19
4.	Non computerisation of inventory management	2	A-1 &A-17
5.	Non adoption of ABC analysis for inventory	1	A-19

Recommendations for closure of PSUs

1.36 Even after completion of 11 to 41 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 these eight Government companies or consider their closure.

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

1.37 The status (as on 30 September 2006) of reviews and paragraphs that appeared in Audit Reports (Commercial) and were discussed by COPU is as under:

Period of Audit Report	Number of reviews/paragraphs			
	Appeared in Audit Report		Paras discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
2000-01	4	16	4	-
2001-02	2	14	2	11
2002-03	3	19	2	18
2003-04	2	22	1	-
2004-05	2	20	-	-
Total	**13**	**91**	**9**	**29**

Audit Report (Commercial) for the year 2004-05 was placed before the State Legislature on 19 December 2005.

619-B Companies

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

* Sl. No. A-7, 12, 13 and 14 of **Annexure 2**.
# Sl. No. C-2 and 3 of **Annexure 2**.
$ Sl. No. C-1 and 7 of **Annexure 2**.

Chapter-II

2. Performance review relating to Government Company

Haryana Power Generation Corporation Limited

2.1 Construction and performance of Stage V (Units VII & VIII) of Panipat Thermal Power Station

Highlights

The Company, in award of contract, incurred avoidable expenditure of Rs. 52.47 crore due to incorrect evaluation of alternative offer of BHEL.

(Paragraph 2.1.14)

Excess time allowed for construction of units VII and VIII resulted in extra burden of price escalation and interest of Rs. 12.27 crore during construction.

(Paragraph 2.1.15)

Premature synchronisation of the Units without ensuring completion of pending works resulted in prolonged period of commercial commissioning entailing excess consumption of fuel oil valuing Rs. 4.93 crore.

(Paragraph 2.1.9)

Liquidated damages of Rs. 29.30 crore as per the terms of the contract for delay in commissioning of the Units had not been recovered.

(Paragraph 2.1.8)

The Company incurred extra expenditure of Rs. 17.98 crore due to incorrect computation of price variation by inclusion of components of steel and cement on which price escalation had already been paid.

(Paragraph 2.1.18)

The Company incurred extra expenditure of Rs. 7.91 crore due to irregular payment of service tax, which was not payable on turnkey contracts.

(Paragraph 2.1.19)

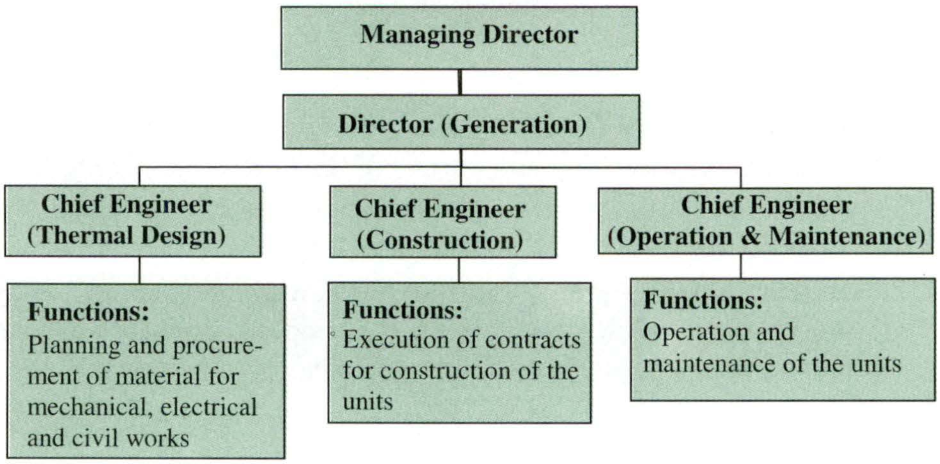
Cost of generation of power was as high as Rs. 3.69 per unit (Unit VII) and Rs. 2.62 per unit (Unit VIII) against projected cost of Rs. 2.54 per unit. The high cost of generation was due to forced shut downs of the Units and excessive consumption of coal and oil. The value of excessive consumption of coal and oil worked out by Audit amounted to Rs. 64.27 crore.

(Paragraphs 2.1.20, 2.1.21 and 2.1.22)

Introduction

2.1.1 Panipat Thermal Power Station (PTPS) of Haryana Power Generation Corporation Limited (Company) had an installed capacity of 860 MW from six generating Units. In order to meet the increased demand of power in the State, the Company installed two more Units of 250 MW each under stage V (Units VII and VIII), which were commissioned on 29 December 2004 and 8 April 2005, respectively.

Organisational set-up relating to construction and operation of these generating Units is given below:



Performance of Units I to V and construction of Unit VI was last reviewed in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2001 (Commercial) – Government of Haryana.

Scope of Audit

2.1.2 The present review, conducted during December 2005 to March 2006, covers project planning, award of contracts, execution of works, commissioning and performance of the Units.

Records of the office of the Chief Engineer (Thermal Design) at the headquarters of the Company and Chief Engineers (Construction and Operation & Maintenance) at project site for the years 2001-06 were test checked in audit.

Audit objectives

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

- the management was efficient to safeguard against risks to the economy and efficiency of the project in planning and award of contracts;
- the work for construction of the Units was awarded at the most competitive rates;
- the project was completed and commissioned within the time schedule as stipulated in the project reports/contracts and there was no cost/time overrun, sequencing of stages was well planned and executed to eliminate avoidable stoppages/excessive consumption of inputs;
- construction work meets the desired quality standards;
- performance of the generating Units was consistent with the standards envisaged in the project reports; and
- actual cost of generation was as per the norms envisaged in the project report.

Audit criteria

2.1.4 The following audit criteria were adopted:

- standard procedures followed for award of contract with reference to principles of economy, efficiency, effectiveness and transparency;
- norms/guidelines of the Central Electricity Authority (CEA) regarding planning and implementation of the project;
- terms and conditions of the contract and the extent to which contract provisions safeguarded Company's financial interest; and
- norms for performance of the Units envisaged in the project report/contract.

Audit methodology

2.1.5 Audit followed the following mix of methodologies:

- analysis of project report, loan documents etc. relating to the project;
- scrutiny of tenders/bid documents, award of work and payments made to the contractors; and
- analysis of data relating to the consumption of inputs for generation of power.

Audit findings

2.1.6 The audit findings were reported to the Government/management in May 2006 and discussed in the meeting of the Audit Review Committee for State Public Sector Enterprises (ARCPSE) held on 19 July 2006 which was attended by Financial Commissioner and Principal Secretary, Power Department and Managing Director of the Company. Views of the Government/management have been incorporated in the review. The audit findings are discussed in the succeeding paragraphs.

Planning and implementation

2.1.7 Expansion of PTPS was envisaged in April 2001 for implementation during Tenth plan (2002-07). Accordingly, the State Government accorded (June 2001) administrative approval to augment generation capacity by setting up two Units (VII and VIII) of 250 MW each at PTPS.

Initially (April 2001) the Company had proposed to set up these Units departmentally on split package basis with main steam generator and turbo generator equipment from Bharat Heavy Electricals Limited (BHEL), being proprietary items, and balance of plant and civil works from other contractors through competitive bidding. Accordingly, the Company invited (April 2001) offer from BHEL for supply of main equipment of steam generator and turbine generator which was received in June 2001. While this offer was being considered, BHEL, at its own initiative, submitted an offer in October 2001 for execution of the project on turnkey basis. Thereupon, the Special High Power Purchase Committee (SHPPC), headed by the Chief Minister of the State, awarded the construction of the Units on turnkey basis and placed (26 March 2002) letter of intent (LOI) with BHEL. CEA approved (August 2002) the project cost at Rs. 1785.36 crore on the basis of award of contract.

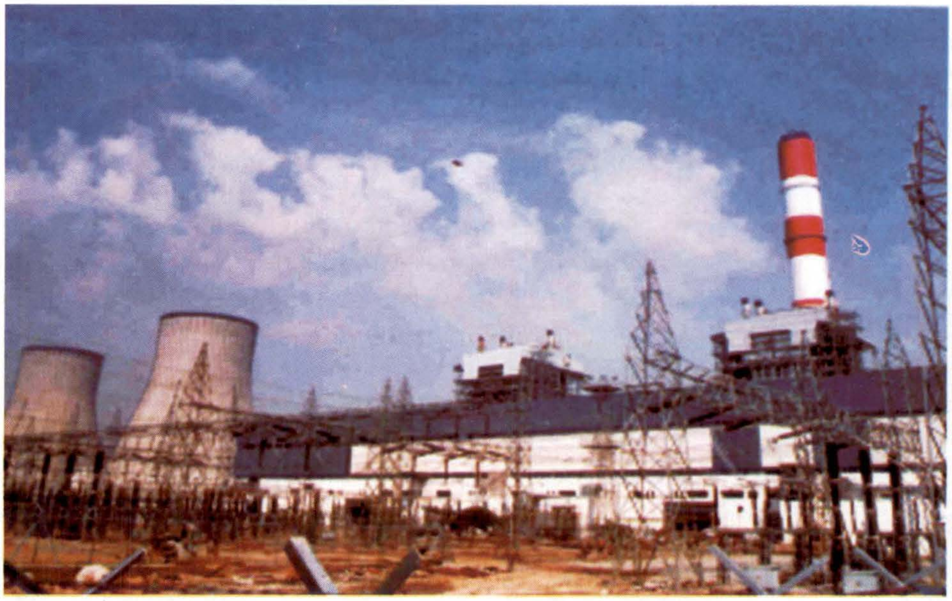
Time and cost over run

Time over run

Delay in erection and commissioning

2.1.8 Construction of the Units was taken up by BHEL on 26 March 2002 (zero date) with commissioning date of 25 October 2004 for Unit VII and 25 February 2005 for Unit VIII. As per the terms and conditions of the contract, the contractor was liable to pay liquidated damages at 0.25 *per cent* of the contract price for each week of delay in commissioning subject to a maximum of five *per cent*. Audit noticed that the Units were commissioned on

29 December 2004 and 8 April 2005 after delays of 65 and 42 days respectively.



View of units VII and VIII of Panipat Thermal Power Station

The Company did not recover liquidated damages of Rs. 29.30 crore from BHEL for delay in commissioning of the Units.

Erection and commissioning of the Units was delayed mainly due to delay in readiness of coal mills and tripping of the Units due to boiler tube leakages. The Company, however, did not recover (June 2006) the liquidated damages of Rs. 29.30 crore for delay.

The management stated (June 2006) that an amount equivalent to liquidated damages had been withheld from BHEL payments pending contract closing. During the ARCPSE meeting the management stated that actual completion period was shorter than the other contemporaneous projects in West Bengal and Rajasthan. The reply is not relevant as it was an independent agreement and LD was required to be recovered as per the agreed terms and conditions. Further, withholding of the amount was not sufficient as BHEL should have been intimated about the recovery.

Pre-mature synchronisation

2.1.9 As per network schedule, Units VII and VIII were to be synchronised on 20 September 2004 and 25 January 2005 and commercially commissioned within 35 days (25 October 2004) and 31 days (25 February 2005) respectively. Though coal mills were not available and works of important equipments of boiler like feed pumps, induced draft/forced draft/primary air fans etc. were not complete, the Units were synchronised prematurely on 28 September 2004 and 28 January 2005 respectively. These were commercially commissioned on 29 December 2004 and 8 April 2005 after 92 and 70 days against stipulated period of 35 and 31 days from the date of actual synchronisation respectively.

Premature synchronisation entailed excess consumption of fuel oil valued at Rs. 4.93 crore.

The premature synchronisation of the Units without completion of pending works had resulted in prolonged period of commercial commissioning which in turn entailed excess consumption of fuel oil during that period. Audit noticed that consumption of fuel oil by the Units during this period was 34.25 ml/kwh* (Unit VII) and 28.86 ml/kwh (Unit VIII) as against the norm of 3.5 ml/kwh. The excess consumption of oil resulted in extra expenditure of Rs. 4.93 crore (Unit VII: Rs. 3.53 crore and Unit VIII: Rs. 1.40 crore).

The management stated (June 2006) that oil consumption is usually on the higher side during testing and commissioning period for which no norms have been prescribed. The reply is not acceptable as excessive consumption of oil worked out in audit relates to the period beyond scheduled date of commissioning.

During the ARCPSE meeting, the management, while admitting the fact of excess consumption of oil during prolonged synchronization, assured that the penal provision for recovery on account of excess consumption of oil during excess time taken by the contractor in commercial commissioning after synchronisation of the Units would be taken care of in future contracts.

Trial operation

2.1.10 The contract with BHEL provided that the Units would be accepted for commercial operation on completion of continuous satisfactory trial operation for 14 days. Readiness of each item of equipment was a pre-requisite for trial operation.

Commissioning of the unit without completion of pending works resulted in non-recovery of liquidated damages of Rs. 1.95 crore.

Audit noticed that though all pending works had not been completed, the Company allowed trial operation of Unit VII from 15 December 2004 and, after trial operation for 14 days, declared the date of commercial commissioning of the Unit as 29 December 2004. For completion of the pending works, the Company had to shut down the Unit for 189 hours during 13-21 February 2005 just within two months of its commissioning. The shut down after start of the commercial operation (29 December 2004) resulted in non-recovery of liquidated damages of Rs. 1.95# crore.

The management stated (June 2006) that shut down was allowed to enable BHEL to undertake preparatory works necessary for conducting performance guarantee (PG) test and that BHEL also utilised this period for completing pending works. The reply is not tenable because the terms and conditions of the contract did not provide for any shut down for conducting PG test and completion of pending works.

During the ARCPSE meeting, the management stated that in the subsequent contract for Yamuna Nagar thermal power station, completion of PG test is stipulated prior to provisional taking over of the units so that the guaranteed performance parameters of the Units are verified before the provisional taking over.

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* Millilitre/Killowatt hour.

\# Total project cost Rs. 1562.47 crore ÷ 2 Units x 0.25 *per cent* LD per week x 1 week.

Cost over run

Cost over run of Rs. 57.28 crore was mainly on account of avoidable price escalation.

2.1.11 The project cost of Rs. 1785.36 crore as approved by CEA included interest component of Rs. 209.60 crore during construction. Actual expenditure on interest during construction was Rs. 150.59 crore which was lower due to availability of funds at lower cost from the Power Finance Corporation (PFC). Against the remaining project cost of Rs. 1575.76 crore, the actual expenditure incurred was Rs. 1633.04 crore indicating cost over run of Rs. 57.28 crore. The excess expenditure was mainly on account of avoidable payment of price escalation as brought out in paragraphs (2.1.14 and 2.1.18).

Award of contract for turnkey construction

Lack of competitive bidding

2.1.12 Government had accorded administrative approval in June 2001 for construction of Units VII and VIII and the contract was awarded in March 2002. Thus, there was sufficient time for preparing bid documents and inviting tenders. The Company, however, did not invite tenders for construction to ensure competitive prices. There were irregularities in award of contract to BHEL for turnkey construction resulting in extra and avoidable expenditure as discussed in the succeeding paragraphs.

Award of contract at more than the justifiable price

2.1.13 On the basis of a single offer obtained from BHEL, the Special High Power Purchase Committee decided (26 March 2002) to award the contract on turnkey basis at a variable[$] price of Rs.1438.70 crore (supply of plant and equipment: Rs. 1080 crore, service contract including freight & insurance, erection, testing, commissioning and civil works: Rs. 358.70 crore). After taking into account the impact of escalation estimated at Rs. 43.16 crore, the contract price worked out to Rs. 1481.86 crore. TCE Consulting Engineers Limited in their detailed project report, which was submitted (June 2001) by the Company to CEA, had worked out justifiable price for this work at Rs. 1444.68 crore (including escalation of Rs. 40.49 crore). Thus the contract price exceeded the justified price by Rs. 37.18 crore.

Despite wide variation between the justifiable price and the offer of BHEL, reasonableness of the price was not ensured by the Company through competitive bidding. Revised cost estimates were submitted (28 March 2002) to CEA only after issue of LOI to BHEL. There was, therefore, lack of transparency in the award of work.

The management stated (June 2006) that negotiation route instead of tendering process for award of contract was adopted keeping in view expeditious implementation of the project to meet shortage of power in the State. The reply is not acceptable as tendering process, for which the management had sufficient time (nine months), would not have delayed the speedy implementation of the project in any way.

[$] Variable price means rate variation in respect of components required for execution of the contract.

During the ARCPSE meeting, the management informed that the tendering process had been adopted in subsequent projects.

Incorrect evaluation of alternate offer

2.1.14 BHEL had quoted two rates: one with fixed price (Rs. 1510 crore) and the other with variable price (Rs. 1438.70 crore) without any ceiling on price variation. Purchase Regulations of the Company provide that offers which do not quote ceiling on price variation should be loaded at the standard rate of 10 *per cent*. After loading the offer of BHEL with 10 *per cent* price escalation, the quoted variable price worked out to Rs. 1582.57 crore. Though the quoted fixed price of Rs. 1510 crore was lower than the equivalent of variable price of Rs. 1582.57 crore, the Company did not consider placement of order on fixed price. Without safeguarding against risk of escalation by putting a ceiling on the variable price against fixed price offer of BHEL, SHPPC decided (March 2002) to award the contract at variable price of Rs. 1438.70 crore with base indices of December 2000.

The Company incurred avoidable expenditure of Rs. 52.47 crore due to contravention of codal provisions for evaluation of offers.

It was noticed during audit that the Company paid price escalation of Rs. 123.77 crore (8.60 *per cent*) over and above the base contract price of Rs. 1438.70 crore. Thus, evaluation of the offers in contravention of the codal provisions had resulted in avoidable expenditure of Rs. 52.47[$] crore.

The management stated (June 2006) that decision to award the work on variable price was taken in view of lower escalation trend (0.84 *per cent* during December 2000 to October 2001). The reply is not tenable because BHEL in its offer had indicated that it normally provides 10 *per cent* towards price escalation. Moreover codal provisions of the Company also provide for loading the variable price offers with 10 *per cent* price escalation.

During the ARCPSE meeting, the Financial Commissioner (Power) and Principal Secretary to the State Government informed that the subsequent contracts had been given on fixed price to avoid complexities of the contracts on variable price.

Excess time allowed to the contractor

2.1.15 In the absence of competitive bidding, the Company lost the opportunity to negotiate the time schedule for commissioning the Units. CEA had recommended (January 2002) commissioning of Units VII & VIII in 30 and 33 months respectively from the date of LOI. While awarding (26 March 2002) the contract, SHPPC negotiated for commissioning schedule of 31 and 35 months for these Units. Even this schedule was not adhered to and the Units were actually commissioned after delays of 65 and 42 days respectively. It was noticed that while floating (May 2004) tender enquiry for turnkey construction of two similar Units of 250 MW each at TPS Yamuna Nagar, the Company had prescribed commissioning schedule of 30 and 33 months and BHEL as well as Reliance Energy Limited (to whom the contract was awarded in September 2004) had accepted this commissioning schedule.

[$] Variable contract price Rs. 1438.70 crore + escalation actually paid Rs. 123.77 crore – fixed price = Rs. 1510 crore.

The Company allowed excess time in construction of Units, resulting in avoidable expenditure of Rs. 12.27 crore.

Taking into account the commissioning schedule of 30 and 33 months, excessive time allowed resulted in extra expenditure of Rs. 12.27 crore on account of price escalation (Rs. 5.54 crore) and additional interest liability/burden (Rs. 6.73 crore) during the construction period.

The management stated (June 2006) that CEA had given an aggressive commissioning schedule which was pursued by the Company but BHEL did not agree to it. The reply is not tenable as this situation could have been avoided through competitive bidding. During the ARCPSE meeting, the management stated that CEA's recommendations were being observed in subsequent contracts.

Execution of the contract

Deficiency in coal handling plant

2.1.16 The coal handling plant (CHP-III) for the Units comprised two wagon tipplers, apron feeders, roller screens, crushers and stacker cum re-claimer with a design capacity of 770 tonnes coal per hour and provision of coal stockyard for stacking of crushed coal required for 30 days (1.80 lakh tonnes) operation. As per the specifications of CHP-III, BHEL was fully responsible for providing a trouble free system. The plant was commissioned on 16 October 2004.

The Company observed (March 2005/July 2005) that operational performance of CHP-III was poor in feeding coal to both the Units because the system at wagon tippler was capable of handling sized (300 mm) coal only and it could not handle slightly oversized coal due to size and design of wagon tippler grizzly, and that there was no mechanised system available at wagon tippler grizzly to take out stone boulders. Further, roller screens were very sensitive and broke down frequently even with small quantity of coal. The Chief Engineer (O&M) recommended (July 2005) design modification of wagon tippler grizzly and apron feeders for making them similar to the existing plants for Units I to VI. The Company, however, had not rectified the deficiencies so far (March 2006) for which reasons were not available on record.

The Company suffered generation loss of Rs. 2.11 crore due to deficiency in coal handling plant.

Audit scrutiny revealed that while approving the design of the coal handling plant, the Company overlooked the ground realities regarding poor quality of coal available which adversely affected its functioning. Due to these deficiencies, the plant could handle a maximum of 269 tonnes of coal per hour during October 2004 to March 2006 as against the designed capacity of 770 tonnes coal per hour. Resultantly, the plant failed to build up the requisite stock of crushed coal. During April-June 2005, the plant could build up stock of crushed coal ranging between 0.64 lakh and 0.50 lakh tonnes which dwindled to 0.02 lakh tonnes in July 2005 as against the designed capacity of 1.80 lakh tonnes. Due to non-availability of coal in bunkers, the Units had to be shut down for 92 hours (Unit VII: 25 hours and Unit VIII: 67 hours) during July 2005 resulting in generation loss of 23.07 MUs valued at Rs. 2.11 crore in terms of contribution towards fixed cost[#]. In addition, the Company incurred expenditure of Rs. 19.19 lakh on shifting of 85,723 tonnes crushed coal from CHP-I to CHP-III during May 2005 to March 2006 through private contractors. Deficiencies in CHP-III also resulted in detention of rakes beyond the period permitted by Railways. The Company paid total demurrage charges of Rs. 3.06 crore during November 2004 to March 2006. The specific amount of demurrage charges out of this payment, due to deficiency in this coal plant, could not be identified as no separate accounts had been maintained for different plants.

In its reply (June 2006) and during the ARCPSE meeting, the management/ Government stated that the CHP is of latest technology and designed for a higher capacity than the requirement as coal rakes are generally despatched by Railways in bunches but also admitted that some design problems had been faced by the project in the coal handling system for which the matter had been taken up with BHEL for remedial action. The reply is not tenable as the CHP failed to handle the designed quantity of coal.

Delay in commissioning and poor operation of dry fly ash system

2.1.17 Ash handling plant, common to both the Units, consisted of two systems- one for dry fly ash (80 *per cent*) with two silos[*] outside the plant area so as to collect the dry fly ash and issue the same to cement manufactures who had signed memorandum of understandings (MOUs) in this regard and the other for bottom ash (20 *per cent*) collection and its disposal in slurry form to the ash pond.

It was seen in audit that though Unit VII and VIII were commissioned on 29 December 2004 and 8 April 2005 respectively, dry fly ash collection system was commissioned only on 3 May 2005 after a delay of 124 days and 25 days respectively. Due to delay in commissioning of fly ash system, 1.30 lakh tonnes fly ash generated in Unit VII and Unit VIII was dumped in ash pond during 29 December 2004 to 30 April 2005.

It was also noticed that performance of the fly ash disposal system was not as per the designed parameters. Due to this deficiency actual fly ash collected and delivered to cement manufacturers was 0.76 lakh tonnes as against fly ash generation of 4.33[$] lakh tonnes by these Units during May 2005 to March 2006. This also resulted in excess dumping of 3.57 lakh tonnes fly ash in the pond. Thus, delay in commissioning and poor operation of dry fly ash system resulted in loss of Rs. 1.33[@] crore due to decrease in the life of the pond.

The management stated (June 2006) that change in location and design of the system delayed its commissioning and that initially authorised agencies did

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[#] Fixed cost represents total cost minus variable cost on account of consumption of coal and oil.

[*] Silos are chambers for storage of fly ash.

[$] 15.92 lakh tonnes coal consumed x 0.34 ash content in coal x 0.80 day fly ash component in the total ash generate.

[@] (Cost of construction of ash pond Rs. 7.03 crore x 4.87 [1.30 + 3.57] lakh tonnes fly ash excess dumped) ÷ (Projected annual coal consumption 21.59 lakh tonnes x 0.34 ash content in coal x 3.5 years life of pond) = Rs. 1.33 crore.

not lift adequate fly ash. The fact, however, remains that the delay in commissioning could have been avoided by proper planning, design and implementation of the system and there was no demand constraint. The authorised agencies could not lift adequate dry fly ash as the Company could not make available the same as per design parameters.

Incorrect computation of price variation for civil works

2.1.18 The contract for supply of plant and equipments (Rs.1080 crore) included supply of cement and steel (Rs.74.20 crore) and price variation on the value of steel and cement was payable according to specified formulae applicable for supply of equipment. Accordingly, the Company allowed price escalation of Rs.4.05 crore on supply of cement and steel.

The service contract (Rs 358.70 crore) included civil work (Rs.215.18 crore), which did not involve supply of cement and steel, as these were covered under supply of equipment. As per price variation formula for civil works, however, cement component was to be reckoned as 10 *per cent*, steel as 25 *per cent*, labour as 25 *per cent*, diesel as 5 *per cent*, other material as 15 *per cent* while remaining 20 *per cent* was to be treated as fixed element (profit) with no price variation. Since price variation on steel and cement utilised in the civil work had already been paid under a separate contract for supply of plant and equipment, the components of steel and cement in the service contract were to be treated as fixed and the price variation was payable for labour, diesel and other material only. Audit scrutiny, however, revealed that the price variation formulae for civil works was incorrectly applied to include indices of steel and cement resulting in excess payment of Rs. 17.98 crore.

Due to incorrect computation, the Company paid extra price variation of Rs. 17.98 crore on civil works.

The Company stated (June 2006) that steel and cement were included by BHEL in the supply portion though these were vital parts of civil works but, with this arrangement, the Company gained financial advantage as escalation paid was less on steel and cement based on price variation formula of supply. The reply is not acceptable, as the price escalation on steel and cement, forming part of the supply contract, had already been paid under the supply contract. Therefore, price escalation under the works contract was payable on labour, diesel and other material only.

Irregular payment of service tax

2.1.19 The contract with BHEL provided for advance payment of 12.5 *per cent* of the contract price, which was paid in April-May 2002 (6 *per cent*) and September 2002 (6.5 *per cent*). Balance 87.5 *per cent* was payable progressively on monthly pro-rata basis for the actual work done during the month (85.5 *per cent*) and on commissioning of each unit (2 *per cent*). The two Units were scheduled to be commissioned on 25 October 2004 (Unit VII) and 25 February 2005 (Unit VIII).

Government of India levied (1 July 2003) service tax on installation and commissioning charges. In September 2004 Government levied service tax on erection charges also and clarified that advance payment received by service provider prior to 10 September 2004 was exempt from service tax. Audit scrutiny revealed that the Company, without examining the relevant statutory provisions, made avoidable payment of service tax to BHEL as discussed below:

- The Company paid (September 2004 to March 2006) service tax of Rs. 6.64 crore to BHEL on the gross amount of erection charges of Rs. 65.05 crore without excluding the advance payment of Rs. 8.13 crore resulting in excess service tax payment of Rs. 0.83 crore.

The Company made avoidable payment of service tax of Rs. 7.91 crore.

- Central Excise and Service Tax Appellate Tribunal Delhi in its decision (2003) had observed that a work contract cannot be vivisected and part of it subjected to tax. This decision was upheld (2004) by the Supreme Court also. Thus, the turnkey contract for supply of plant and machinery, erection, installation and commissioning at Rs. 1438.70 crore, could not be vivisected into supply and service parts for payment of service tax. Contrary to this, BHEL raised bills for payment of service tax amounting to Rs. 7.91 crore on Rs.77.53 crore (including price variation: Rs. 12.47 crore) for work of erection, installation and commissioning done and paid for during 10 September 2004 to March 2006. In view of the decision ibid, payment of service tax on turnkey project lacked justification. It was further noticed that in cases of turnkey construction of sub-stations and transmission lines by HVPNL, the contractors had neither demanded nor been paid service tax.

During the ARCPSE meeting, the management/Government stated that statutory provisions for applicability of service tax would be examined and recoveries, if any, made from BHEL.

Performance of Units VII and VIII

Excessive cost of generation

Consumption of coal and fuel oil in excess of norms/design had resulted in extra expenditure/excess cost of generation.

2.1.20 As per the project report, the cost of generation was estimated at Rs. 2.54 per unit for the first year. The actual cost, however, was as high as Rs. 3.69 (Unit VII) and Rs. 2.62 (Unit VIII) during the year 2005-06.

Reasons for excess cost of generation and steps taken to bring the generation cost within project estimates, though called for (March 2006), were not intimated. Causes, which contributed to high cost of generation as analysed in audit, have been discussed in the succeeding paragraphs.

Excess consumption of coal

2.1.21 Consumption of coal required as per the norms for generation, actual consumption and excess consumption for the period from starting commercial operation on 29 December 2004 (Unit VII) and 8 April 2005 (Unit VIII) to March 2006 was as follows:

Sl. No.	Particulars	2004-05 Unit VII	2005-06	
			Unit VII	Unit VIII
1.	Average calorific value of coal consumed (Kcal \ Kg)	4091	4109	4109
2.	Stipulated heat rate as per standard design (Kcal \ kwh)	1983.5	1983.5	1983.5
3.	Stipulated heat rate at 87.27 *per cent* boiler efficiency (Kcal \ kwh) item 2 X 100 / 87.27)	2273	2273	2273
4.	Standard consumption of coal as per design (Kg \ kwh) (item 3 / item 1)	0.556	0.553	0.553
5.	Actual generation (MUs)	430.595	921.448	1832.581
6.	Standard consumption of coal for actual generation (Tonnes) (item 4 X item 5)	239411	509560	1013417
7.	(a) Actual consumption of coal (Tonnes) (b) Kg \ kwh	273526 0.635	583316 0.633	1158863 0.632
8.	Heat rate of coal consumed (Kcal\kwh) (item 1 X Item 7(b)	2598	2601	2597
9.	Excess consumption of coal (Tonnes) (Item 7(a) – item 6)	34115	73756	145446
10.	Average procurement cost of coal (Rs. per tonnes)	2176.73	2356.39	2356.39
11.	Cost of excess coal consumed (Rs. in crore)	7.43	17.38	34.27

It would be seen from the above table that operation of the Units at higher heat rate (ranging between 2597 and 2601 Kcal/kwh) as compared to design value of 2273 Kcal/kwh resulted in excess consumption of 2.53 lakh tonnes coal valued at Rs. 59.08 crore and consequent higher environmental degradation.

The management stated (June 2006) that coal consumption is largely dependent upon the quality of coal. As specific operating conditions are not always available and actual heat rate is more than the design heat rate, normative heat rate up to 2500 Kcal/kwh is recognized by the CEA. The reply is not tenable as the heat rate of 2500 Kcal/kwh is the upper limit and the actual heat rate was even more than this limit. Further, the loss has been worked out taking into consideration the quality of coal actually consumed.

Excess consumption of oil

2.1.22 Fuel oil is used for start-up and flame stabilisation at low loads. The Project Report envisaged a norm of 3.5 ml/kwh for consumption of fuel oil. Compared with this norm, actual consumption of fuel oil during the period from 29 December 2004 (Unit VII) and 8 April 2005 (Unit VIII) to

March 2006 ranged between 3.87 to 6.19 ml/kwh as detailed below:

Sl. No.	Particulars	2004-05	2005-06	
		Unit-VII	Unit-VII	Unit-VIII
1.	Total consumption of oil (KL)	2663.78	5076.30	7093.09
2.	Generation (MUs)	430.595	921.448	1832.581
3.	Consumption of oil per kwh (ml/kwh)	6.19	5.51	3.87
4.	Consumption of oil as per norms (ml/kwh)	3.5	3.5	3.5
5.	Excess consumption (ml/kwh)	2.69	2.01	0.37
6.	Excess consumption of oil (KL) (Sr. No. 2 x Sr. No. 5)	1158.30	1852.11	678.05
7.	Average procurement cost per KL (Rs. Per KL)	11223.60	15382.60	15382.60
8.	Cost of excess oil consumed (Rs. in crore) (Sr. No.6 x Sr. No.7)	1.30	2.85	1.04

The table above would reveal that during the period from 29 December 2004 to March 2006, the Units consumed 3688.46 KL excess oil valued at Rs. 5.19 crore.

The Company stated (June 2006) that the Units were under stabilisation and excess consumption of oil was due to teething problems during stabilisation period and due to excessive oil support required to avoid flame failure in boiler on account of poor quality of coal. The reply is not tenable as excess consumption of fuel has been worked out after commercial production of the Units was started and taking into consideration the quality of coal received at the power station.

Forced outages

2.1.23 During the period from 29 December 2004 (Unit VII) and 8 April 2005 (Unit VII) to 2005-06, there were forced outages of 6046 hours mainly due to frequent trouble in boiler and related equipment (970 hours), fault in turbo generator (126 hours), fault in electrical equipments (4422 hours), shortage of coal (92 hours) and miscellaneous reasons (436 hours) resulting in generation loss of 1511.5 MUs valuing Rs. 129.56 crore in terms of contribution of fixed cost.

A few cases of forced outages analysed in audit are discussed below:

Failure of generator stator

2.1.24 As per the terms of the contract, BHEL was liable to repair/replace all defective parts damaged during warranty period of 12 months from the date of commissioning. The contract, however, did not provide for repair/replacement of damaged equipment within reasonable time and compensation for loss of generation due to delay in repairs. Unit VII, commissioned on 29 December 2004, was shut down on 29 July 2005 on account of damage of generator stator due to earth fault. The Company immediately requested (31 July 2005) BHEL to repair/replace the damaged generator stator. BHEL dismantled the generator and despatched the stator (24 August 2005) and rotor (27 August 2005) to their works at Haridwar. After repair of the equipment, the Unit was synchronised on 19 January 2006 and thus remained shut down for 4175 hours (174 days). Total loss of generation due to the closure of the

Failure of generator during warranty period resulted in generation loss of Rs. 88.72 crore.

unit worked out to 1043.79 MUs valued at Rs.88.72 crore in terms of contribution towards fixed cost. In the absence of any provision for seeking compensation for the loss of generation, the Company could not lodge any claim for the loss.

The Company stated (June 2006) that time taken for repair of any equipment depends upon the type and extent of damage and that time limit cannot be prescribed in the contract for such repairs and that there was no practice of consequential compensation/damages. The fact, however, remains that due to abnormal delay in replacement/repair of equipment damaged during warranty period, the Company had to suffer loss of generation.

Non-provision of adequate spares in control and instrumentation system

2.1.25 The Detailed Project Report envisaged provision of adequate spares for complete instrumentation and control system. In Units VII and VIII, microprocessor based distribution control system with state-of-art Man-Machine interface was installed to provide a comprehensive integrated instrumentation and control system including the functions of data acquisition system to operate, control and monitor the boiler, turbo generator and other plant systems.

Due to non-availability of spares for control and instrumentation system, Unit-VII was shut down resulting in generation loss of Rs. 3.55 crore.

Distributed processing unit (DPU) with its input/output card of Unit-VII failed because of damage of one of its racks. As control of water drum level and boiler feed pump was through DPU and no spare rack was provided by BHEL, the unit was shut down on 22 June 2005. After replacement of the damaged rack by BHEL, the unit was synchronised on 29 June 2005. Thus, due to non-provision of adequate spares by BHEL, the Unit remained shut down for 167 hours (7 days) resulting in generation loss of 41.80 MUs valued at Rs. 3.55 crore in terms of contribution towards fixed cost.

The management /Government stated (June 2006) that standby DPU had been provided with each primary unit but in this case on failure of rack, standby DPU failed to come into service. During the ARCPSE meeting, the Financial Commissioner also acknowledged that the inventory of spares required 'relooking' as the availability of spares would have reduced shut down time.

Acknowledgement

2.1.26 In addition to examination of records and documents, a number of issues were deliberated for conducting this performance audit by the audit team. Audit acknowledges the co-operation and assistance extended by different levels of management at various stages of conducting the performance audit.

Conclusion

The performance of the Company with regard to construction of the two additional units was found to be deficient due to lack of competitive bidding, incorrect evaluation of alternative offer of BHEL, excess time

allowed for construction, incorrect computation of price variation on civil works and irregular payment of service tax resulting in cost over run. Design deficiency in coal handling plant resulted in under utilisation of capacity.

There was excess consumption of coal and oil, which had a bearing on generation cost. Forced shut down of the Units resulted in substantial loss of generation.

Recommendations

The Company may:

- **ensure that contracts are awarded only after inviting competitive bids so that benefit of competitive rates is derived.**
- **ensure strict compliance with the provisions of Purchase Regulations for evaluation of offers.**
- **ensure that the time schedule for construction of Units is reasonable so as to avoid extra expenditure on account of price escalation and interest during construction.**
- **release the claims for price escalations and statutory levies only after proper examination of relevant provisions.**
- **take steps to bring the consumption of fuel within the prescribed norms.**
- **ensure preventive maintenance and upkeep of the plant equipments to avoid forced shut down of generating Units.**

During the ARCPSE meeting the management/Government noted the recommendations and assured to implement the same in future.

Chapter-III

3. Performance review relating to Statutory corporation

Haryana Warehousing Corporation

3.1 Procurement of foodgrains for the Central Pool and warehousing activities

Highlights

Delayed/non handing over of warehouses to Food Corporation of India constructed under the seven year guarantee scheme resulted in loss of revenue of Rs. 3.39 crore.

(Paragraphs 3.1.13 and 3.1.14)

The Corporation suffered a loss of Rs. 9.52 crore due to stocking of wheat in a low lying area having no drainage system, delayed segregation and improper maintenance of stock.

(Paragraphs 3.1.20 and 3.1.25)

Non- recovery of transportation charges of paddy within eight Km from the millers and beyond eight Km from Food Corporation of India resulted in loss of Rs. 1.91 crore.

(Paragraph 3.1.30)

Non-revision of storage rates of State procuring agencies at par with FCI resulted in short realisation of Rs. 17.42 crore.

(Paragraph 3.1.10)

Failure of the Corporation to take timely action for segregating/salvaging rain affected wheat of Rabi 2004 resulted in loss of Rs. 25.62 lakh

(Paragraph 3.1.24)

Introduction

3.1.1 Haryana Warehousing Corporation (Corporation) was established on 1 November 1967 under Section 18(1) of the Warehousing Corporations Act, 1962, with the main objective of construction and maintenance of warehouses in the State for storage of foodgrains, fertilizers, agricultural produce, seeds and other notified commodities. The Corporation also undertakes the activities of procurement of wheat, paddy and bajra for the Central Pool.

The management of the Corporation is vested in a Board of Directors (BOD) consisting of 10 members including a Chairman and a Managing Director (MD), five of whom are nominated by the Central Warehousing Corporation (CWC) and five by the State Government. The Board is assisted in its functions by an Executive Committee (EC) consisting of Chairman, MD and three directors. The Corporation has nine[#] circles in the State each headed by a Manager to carry out the functions of procurement and storage of foodgrains.

The working of the Corporation was last reviewed in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2000 (Commercial) - Government of Haryana. The Committee on Public Undertakings (COPU) discussed the review in January 2003 and its recommendations are contained in its fiftieth Report presented to the State Legislature on 14 March 2003. Out of the four recommendations of COPU, two were complied with by Corporation and remaining two are discussed in paragraphs 3.1.9 and 3.1.11.

Scope of Audit

3.1.2 The present review conducted during December 2005 to March 2006 covers warehousing activities and procurement of foodgrains for the Central Pool during 2001-06. Besides examining the records maintained at the Head Office of the Corporation, Audit also test checked the records of five[*] out of nine circle offices and 14 out of 54 warehouses in these five circles. The selection was made by adopting simple random sampling without replacement method.

Audit objectives

3.1.3 The audit objectives were to ascertain whether:

- proper and adequate storage facilities were constructed /created and made available to the consumers in an economic and efficient manner at the right time and at the right location;

[#] Ambala, Faridabad, Hisar, Kaithal, Kurukshetra, Panipat, Rewari, Rohtak and Sirsa.
[*] Ambala, Hisar, Kurukshetra, Panipat and Sirsa.

- storage capacities were utilised up to the optimum levels;
- procurement of foodgrains was made as per the specifications and in an economic and efficient manner;
- adequate measures were taken to minimise loss on foodgrains during procurement, storage and transportation; and
- the Corporation constructed the godowns under seven year guarantee scheme strictly as per the specifications of Food Corporation of India (FCI) within the time schedule and handed them over to FCI without delay.

Audit criteria

3.1.4 The following audit criteria were adopted:

- instructions/guidelines of Government of India (GOI)/FCI/State Government/ Corporation pertaining to procurement, storage, delivery of foodgrains, raising of bills, construction and maintenance of warehouses, revision of tariff and realisation of storage charges ; and
- terms and conditions of agreements entered into with the contractors for construction of warehouses, transportation of foodgrains and with rice millers for milling of paddy as also the standard terms and conditions, if any.

Audit methodology

3.1.5 Audit followed the following methodologies:

- analysis of records including minutes/agenda notes of the meetings of BODs and EC relating to construction, utilisation and maintenance of warehouses;
- review of records relating to realisation of dues and revision of storage charges; and
- analysis of records pertaining to procurement of foodgrains, their storage, milling of paddy and delivery to FCI for the Central Pool.

Audit findings

3.1.6 The audit findings were reported to the Government/management in May 2006 and discussed in the meeting of the Audit Review Committee for

State Public Sector Enterprises (ARCPSE) held on 7 August 2006, where representatives of the State Government and the Corporation were present. Views of the Government /management were considered while finalising the review. The audit findings are discussed in the succeeding paragraphs.

Warehousing operations

3.1.7 The main activity of the Corporation is to acquire, build and operate warehouses for storage. The Corporation created storage capacity of 2.16 lakh MT by constructing 28 warehouses during the six years up to 2005-06. As on 31 March 2006, the Corporation had 105 warehouses (92 owned and 13 hired) in the State with total storage capacity of 14.21 lakh MT. The capacity of covered godowns was 11.80 lakh MT (owned 8.90 lakh MT, hired 2.90 lakh MT) and of open plinth godowns was 2.41 lakh MT (owned 2.35 lakh, hired 0.06 lakh MT).

Capacity utilisation

3.1.8 The Corporation did not fix any norms for minimum capacity utilisation of the warehouses to assess their economic viability. The utilisation of warehousing capacity and working results of this activity during 2001-06 are given in **Annexure-7.**

Average capacity utilisation declined from 103.85 *per cent* in 2001-02 to 57.33 *per cent* in 2005-06.

An analysis of **Annexure-7** reveals that the average capacity utilisation declined from 103.85* *per cent* in 2001-02 and ranged between 51.09 and 80.19 *per cent* during 2002-03 to 2005-06. Audit noticed that during these four years, the capacity utilisation in Punjab State Warehousing Corporation ranged between 63.29 and 89.82 *per cent.* The income from storage also decreased from Rs. 35.96 crore during 2001-02 to Rs. 29.94 crore during 2005-06.

The management attributed (July 2006) the low capacity utilisation during 2002-2005 to fast off take of wheat stock of the Central Pool. The Corporation at the time of planning/creating storage capacity did not devise alternatives like storage of commodities other than foodgrains to maximise the use of storage capacity in such eventualities.

During the ARCPSE meeting the management accepted the suggestion of Audit for storage of other commodities besides foodgrains.

Customer-wise utilisation

3.1.9 The table overleaf indicates the customer-wise utilisation of

* Due to raising the height of standard stacks, the capacity utilisation was more than the available capacity.

storage capacity during 2001-06.

Year	Government departments/ undertakings	Co-operative societies	Merchants/ traders	Primary producers	Total
	(MT)				
2001-02	16,72,954 (93.47)	68,125 (3.81)	43,556 (2.43)	5,247 (0.29)	17,89,882
2002-03	15,01,810 (92.48)	92,513 (5.70)	26,395 (1.63)	3,165 (0.19)	16,23,883
2003-04	10,08,354 (85.46)	1,37,497 (11.65)	28,576 (2.42)	5,545 (0.47)	11,79,972
2004-05	6,79,110 (80.11)	74,547 (8.79)	75,911 (8.95)	18,195 (2.15)	8,47,763
2005-06	5,88,486 (69.11)	1,25,591 (14.75)	1,14,883 (13.49)	22,534 (2.65)	8,51,494

(Figures in brackets indicate the *percentage* of utilisation.)

The facility of warehousing was mainly utilised for storage of wheat by the Government departments/undertakings whose utilisation ranged between 69.11 and 93.47 *per cent*. The capacity utilised by primary producers together with traders constituted two to 16 *per cent* only.

The Corporation did not broaden its customer base and failed to attract primary agricultural producers for storing their produce in its warehouses and had thus not been able to achieve one of its main objectives, despite the recommendations (March 2003) of the COPU in its fiftieth Report to attract more number of farmers to use Corporations' warehouses.

The management stated (July 2006) that farmers/traders were motivated for storage by allowing rebate over the normal tariff in storage charges. The reply is not acceptable as the Corporation did not give wide publicity through print media or local contact like holding of camps in the rural areas to make them aware of the availability of such concessions. During the ARCPSE meeting the management accepted the suggestion of Audit for wide publicity in rural areas.

Short realisation due to non-revision of storage charges

Non-revision of storage rates at par with FCI resulted in short realisation of Rs. 17.42 crore.

3.1.10 The Corporation decided (January 1983) to levy storage charges on all the State agencies at par with the rates fixed by FCI. The FCI revised the storage charges eight times from Rs. 1.42 to Rs. 3.58 per quintal per month during April 1995 to April 2002 but the Corporation revised its rates applicable to the State agencies from Rs. 1.42 in April 1994 to Rs. 3.58 in January 2005 only. Non-revision of rates at par with FCI resulted in short realisation of Rs. 17.42 crore during April 1995 to December 2004.

The management stated (July 2006) that the Corporation was pursuing the matter with the State Government agencies for releasing payments at par with FCI relating to earlier years. The reply is not tenable as the revision was made only from January 2005 and the agencies were thus, not liable for payment at revised rates for earlier years.

Outstanding dues

3.1.11 The storage tariff of the Corporation provided for recovery of storage charges in cash at the time of delivery of commodities or on monthly basis in the case of bulk depositors (viz. FCI, FSD*, HAFED†, HAIC‡ and CONFED§) to whom credit facility was allowed. Details of agency wise outstanding storage charges as on 31 March 2006 are as below:

(Rupees in lakh)

Name of agency	Outstanding dues		
	From 1986-87 to 2000-01	From 2001-02 to 2005-06	Total
FCI	115.23	704.68	819.91
FSD	25.91	24.96	50.87
HAFED	21.91	20.59	42.50
HAIC	2.75	0.14	2.89
CONFED	41.02	64.24	105.26
Others	26.37	450.32	476.69
Total	**233.19**	**1264.93**	**1498.12**

Audit analysis revealed as under:

- Though the COPU had recommended (March 2003) for putting strenuous efforts for recovery from CONFED, HAFED and FSD, yet the outstanding amount from these agencies increased from Rs. 1.53 crore (March 2003) to Rs. 1.99 crore (March 2006).
- The total amount of Rs. 8.20 crore recoverable from FCI included Rs. 2.44 crore deducted by FCI during 1994-95 to 2005-06 on account of storage losses. There were remote chances of recovery of this amount.

The management stated (July 2006) that all out efforts were being made for the recovery of the outstanding amount. During the ARCPSE meeting, the management agreed to look into old cases and get the irrecoverable dues written off.

* Food and Supplies Department.
† Haryana State Co-operative Supply and Marketing Federation Limited.
‡ Haryana Agro-Industries Corporation Limited.
§ Haryana State Federation of Consumers Co-operative Wholesale Stores Limited.

Construction of warehouses under the seven year guarantee scheme

3.1.12 The FCI assigned (March 2001) to the Corporation construction of covered godowns with storage capacity of 2.28 lakh MT by October 2001 under the Seven Year Guarantee Scheme. As per the scheme, FCI was to pay storage charges for full capacity of the godowns irrespective of actual storage. The guarantee would expire on 31 December 2008 irrespective of the date of taking over of these godowns by FCI. The capacity to be created was further increased (June 2001) to eight lakh MT and was to be accomplished by 28 February 2002. The date of completion was further extended to October 2002 failing which FCI was not bound to hire or extend guarantee. The Corporation showed its inability to construct this capacity either on its own or through private parties.

The State Government decided (July 2001) that the Corporation would create additional capacity of 1.75 lakh MT through private parties in addition to 2.28 lakh MT capacity agreed earlier. The Corporation constructed godowns with total capacity of 1.68 lakh MT only on its own at a cost of Rs. 17.51 crore (excluding the cost of land) during April 2001 to May 2002 reportedly due to non-availability of more land. Warehouses with 2.32 lakh MT capacity were constructed through private parties. Delayed construction of warehouses resulted in loss of revenue as discussed in para 3.1.13 and 3.1.14.

Loss of revenue due to delay in handing over of warehouses to FCI

Delayed handing over of warehouses to FCI resulted in loss of Rs. 2.50 crore.

3.1.13 Audit analysis (March 2006) revealed that eight* warehouses of five# circles constructed under the seven year guarantee scheme having capacity from 2,925 MT to 24,780 MT were handed over to FCI after delays ranging from one to 28 months from the date of their completion due to deficient construction as pointed out by FCI during inspection. The delay resulted in loss of revenue of Rs. 2.50 crore.

The management stated (July 2006) that delay in handing over of warehouses was mainly due to procedural delay in arranging inspection and issuance of sanction letters by FCI, delay in completion of roads due to change in specifications by the Corporation and less width of the road than the specifications. The reply is not acceptable as construction should have been done as per the specifications. Timely action could have avoided the procedural delays.

Loss of revenue due to non handing over of warehouse to FCI

Non handing over of warehouse to FCI resulted in loss of Rs. 0.89 crore.

3.1.14 Warehouse at Bhuna having capacity of 5096 MT constructed at a cost of Rs. 51.62 lakh (excluding the cost of land) though completed in March 2002, had not been taken over by FCI due to expiry of the cut off date for handing over the warehouse. Thus, non-completion of warehouse within the stipulated period had resulted in loss of revenue of Rs. 88.75 lakh up to March 2006.

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* Barwala, Ellenabad, Hansi, Jakhal, Naneola, Pipli, Salwan and Tohana.

\# Ambala, Hisar, Kurukshetra, Panipat and Sirsa.

The management stated (July 2006) that earnest efforts were being made to impress upon FCI for taking over the warehouse.

Loss of revenue due to deductions by FCI

Non removal of deficiencies in the construction of warehouses resulted in loss of Rs. 96.02 lakh.

3.1.15 For construction of warehouses, various specifications have been laid down viz. construction of an office block, lavatory block, boundary wall, proper electrification, inner roads, separate water supply etc. Audit scrutiny revealed that, after taking over warehouses, FCI deducted an amount of Rs. 96.02 lakh from the storage bills of six* warehouses as these warehouses were not constructed as per the prescribed specifications. Thus, failure of the Corporation to construct the warehouses as per specifications resulted in loss of Rs. 96.02 lakh.

The management stated (July 2006) that no condition for imposing such cuts was ever made by FCI while taking over the warehouses. However, deficiencies wherever observed had since been rectified and FCI had been informed of the latest position with a request to refund the amount deducted. The fact remains that the Corporation failed to construct the warehouses as per the requirements.

Farmers Extension Service Scheme (FESS)

3.1.16 GOI introduced in 1978-79, Farmers Extension Service Scheme (FESS) with a view to attract more primary producers. Implementation of this scheme was assigned to the Corporation. The scheme envisaged assistance to the farmers in obtaining bank loans against the security of their warehoused goods, propagation of the benefit of scientific storage of foodgrains and safeguarding foodgrains from rodents and insects.

Under the scheme, the Corporation visited villages and educated 17,144 farmers in 2,230 villages during the last five years up to 2005-06. The capacity utilisation by farmers, however, constituted only 0.19 to 2.65 *per cent* during the last five years. The management attributed (July 2006) low utilisation by the farmers to higher procurement of wheat/paddy by the Government agencies and low retention of foodgrain stock at farmers' level.

Had the scheme been implemented effectively over the years, the Corporation could have increased awareness among primary producers and motivated them to store their produce in the warehouses of the Corporation thereby expanding its customer base. During the ARCPSE meeting, the management agreed to make wide publicity to popularise the scheme amongst the farmers.

* Barwala, Ellenabad, Hansi, Jakhal, Pipli and Tohana.

Disinfestations Extension Service Scheme (DESS)

3.1.17 The Corporation introduced (June 1969) Disinfestations Extension Service Scheme (DESS), which provided pest control services at the doorsteps of the farmers, cooperatives and others at nominal rates.

Audit scrutiny revealed that against the targeted revenue of Rs.15 lakh per annum during 2000-01 to 2002-03 the shortfall was upto 78 *per cent*. Thereafter, the Corporation reduced the target of revenue to Rs. 8 lakh per annum for 2003-04 to 2005-06 which was lower than the average actual achievement in the previous three years. The Corporation failed to achieve even these modest targets.

It was also noticed that the Corporation did not fix physical targets in terms of number of beneficiaries to be covered under this scheme. In the absence of physical targets the adequacy of coverage of beneficiaries could not be evaluated.

While explaining the reasons for not achieving the targets, the management stated (July 2006) that mass awareness programme at village level was being launched to promote this scheme. Further, in the ARCPSE meeting the management accepted the suggestion for fixation of physical targets alongwith revenue targets.

Procurement, storage and handling of wheat, paddy and bajra for the Central Pool

3.1.18 The Corporation has been authorised by the State Government as one of the State procuring agencies for procurement of wheat, paddy and bajra for the Central Pool under the MSP[Ψ] scheme from Rabi 1983, Kharif 1997 and Kharif 2003, respectively. The procurement is made each year as per the share of procurement allotted by the State Government at MSP fixed by the GOI.

Audit observations with regard to procurement of wheat, paddy and bajra are discussed in the succeeding paragraphs:

Wheat procurement

3.1.19 The Corporation procures wheat from various mandis allotted by the State Government for the Central Pool and delivers it to the FCI. FCI accepts the wheat of the specified quality and makes payment at the MSP plus incidentals and carry over charges for the period during which the wheat remains in the custody of the Corporation. During the last five years ended

[Ψ] Minimum support price.

March 2006, the Corporation procured 6.73 lakh, 5.48 lakh, 5.66 lakh, 5.97 lakh and 4.36 lakh MT wheat respectively for the Central Pool.

Audit scrutiny revealed as under:

Damage of wheat during storage

3.1.20 Specifications for hiring of plinths *interalia* provide that the site of plinth should be above the top level of the road around the plinth and should have drainage system for rainwater. It was noticed during audit that wheat stock pertaining to crop years 1998-99 to 2000-01 was stored by the Corporation at six* centres on open and low lying areas on katcha plinths and at ground level not having adequate drainage system, and as a resultant the stock was damaged.

The Corporation identified (November 2002) 4824 MT damaged wheat lying at the above mentioned centres in the open, which could neither be delivered to FCI nor was fit for further storage. BOD decided (January, 2003) to dispose of this quantity through public auction after segregation, without taking concurrence of FCI/GOI. The Corporation auctioned (May 2003) 3561 MT of wheat at a loss of Rs. 1.98 crore.

Failure of the Corporation to ensure proper storage of wheat resulted in loss of Rs. 1.98 crore.

Thus, failure of the Corporation to ensure proper storage of wheat resulted in loss of Rs. 1.98 crore, for which no responsibility had been fixed.

The management stated (July 2006) that the Corporation had requested the State Government to take up the matter of payment of differential amount with GOI/FCI. The reply is not relevant as the stocks were damaged due to improper storage by the Corporation and auctioned without prior permission of FCI/GOI. During the ARCPSE meeting management assured to investigate the matter and take appropriate action.

Loss due to improper procurement and storage of wheat

3.1.21 The Corporation procured 8425 MT wheat at Barara centre of Ambala circle during Rabi season of 2001-02 and stored 869 MT wheat in covered godowns and 7556 MT in open godowns (3042 MT on pucca plinths, 4013 MT on katcha plinth having no water drainage system and 501 MT on the road). Assistant Manager (Quality Control) FCI, Barara, on peripherical inspection, reported (August 2001) that the entire stock was lying in mixed condition i.e. 0 to 100 *per cent* lustre lost grains, and it would not be accepted/despatched unless segregated within the relaxed limit of 50 *per cent*. On the specific undertaking given (January 2002) by the Manager, State Warehouse, Barara for taking the responsibility for quality complaints, if any, from the destination, FCI accepted 8378 MT and despatched it to Kalyani in January/February 2002. On receipt (February 2002) of loss assessment statement from the destination station, FCI deducted (June 2002) Rs. 25.76 lakh on account of quality cuts. Thus, improper storage resulted in loss of Rs. 25.76 lakh.

The Corporation suffered loss of Rs. 25.76 lakh due to improper storage of wheat stock.

* Barsat, Ferozepur Zhirka, Nuh, Pundri, Ratia and Siwan.

The management stated (July 2006) that instructions for procuring upto 50 *per cent* lustre lost wheat were received from GOI only in the first week of July 2001 and wheat already procured with higher percentage could not be segregated. The reply is not tenable as defective wheat in deviation of the specifications should not have been purchased. Besides, the condition of this wheat further deteriorated due to storage on katcha plinth without drainage system. During the ARCPSE meeting the management stated that the matter for reimbursement of deducted amount would be taken up with FCI at higher level.

Procurement of sub standard wheat

Procurement of wheat beyond the permissible limit of lustre lost resulted in loss of Rs. 92 lakh.

3.1.22 Due to unexpected rain during the marketing season of 2001-02, GOI on the request of the State Government allowed the procuring agencies to procure wheat with permissible lustre lost grains to the maximum extent of 50 *per cent*. FCI rejected 1860 MT (value: Rs. 2.03 crore) wheat procured by the Corporation at 13 centres when offered by the Corporation for delivery as the lustre lost grains were more than 50 *per cent*. Consequently, the Corporation auctioned (July 2004) this quantity at a loss of Rs. 92 lakh for which no responsibility had been fixed.

The management stated (July 2006) that the State Government had taken up (September 2005) the matter with GOI for reimbursement of differential cost. The reply is not tenable as the Corporation made the purchase of lost lustre wheat beyond the permissible limit for which GOI is under no obligation to bear the loss.

Non reimbursement of differential amount by FCI

3.1.23 The Corporation procures wheat for the Central Pool and delivers the same to FCI as per its instructions. It is the sole responsibility of the Corporation to maintain the health of foodgrain till its delivery to FCI. In case of deterioration in the quality of stock, FCI does not accept the stock and onus of disposal lies on the State procuring agencies.

A meeting under the chairmanship of MD, CONFED for sale/disposal of left over categorised damaged wheat stock relating to the crop years 1998-2000 was held on 7 May 2004. Senior Regional Manager, FCI and representatives of all the procuring agencies participated in the meeting. This left over stock had deteriorated due to improper maintenance and storage in low-lying areas having no drainage system. The offer of National Co-operative Consumers Federation of India Ltd. (NCCF) to accept the entire left over non-issuable wheat stock at cut off prices ranging between Rs. 120 and Rs. 350 per quintal fixed by the GOI for various categories was accepted in the meeting. NCCF deposited (May 2004) Rs. 1.72 crore being the cost of 6118 MT foodgrain. Accordingly, the Corporation issued (May 2004) release orders in favour of NCCF for lifting of 6118 MT, which was lying at various centres. NCCF lifted 5704 MT (shortage of 414 MT) at the above rates.

It was observed during audit that FCI did not reimburse the differential amount between rates (Rs. 680 to Rs. 720 per quintal) under Open Market

Failure to maintain the health of wheat stock and shortage resulted in non-recovery of Rs. 2.71 crore.

Sale Scheme (OMSS) and actual amount realised from NCCF as the joint inspection by the representative of the Corporation and FCI had found that the stock was damaged due to lapse on the part of the Corporation. There was also shortage of 414 MT valuing Rs. 29 lakh. Thus, the Corporation could not recover loss of Rs. 2.71 crore including the cost of shortage.

The management stated (July 2006) that the State Government had taken up (September 2005) the matter with GOI for payment of the differential amount. The reply is not acceptable as it is the sole responsibility of the Corporation to maintain the health of the stock till its delivery to FCI. As such GOI/FCI is not under any obligation to bear this loss.

Loss due to delay in segregation of wheat stock

3.1.24 The Corporation procured 11,742 MT wheat at Bani centre of Sirsa circle during Rabi season of 2004. Of this 396 MT wheat was delivered direct from mandi to FCI and 132 MT was stored in covered godown and 11,214 MT in the open plinths. During heavy storm/rain on 25 June 2004, 32 poly covers were blown away and 10 covers rendered un-serviceable. No remedial action was taken to safeguard the stock. The Corporation delivered 10741 MT wheat (book balance) which was accepted by FCI during August 2004 to September 2005. FCI rejected the balance 605 MT stating that rain affected stock was segregated/salvaged after a delay of two months which further deteriorated the stock in storage. The Corporation sold this quantity at a loss of Rs. 25.62 lakh. Thus, failure of the Corporation to take timely action for segregation/salvage of rain affected wheat contributed towards damage of 605 MT of wheat valuing Rs 56.80 lakh on which the Corporation suffered loss of Rs. 25.62 lakh.

Delay in segregation/salvaging of rain affected wheat resulted in loss of Rs. 25.62 lakh.

Loss due to damage of wheat

3.1.25 The Corporation procured 2.05 lakh MT wheat at 15 centres during 1998-2001. Due to paucity of space, the Corporation stored 1.58 lakh MT on open plinths hired from private agencies. Some of the hired plinths were not located as per specifications. Audit scrutiny revealed that 10123 MT wheat was damaged due to stocking at low lying area having no drainage system, on kutcha plinths, delayed segregation and improper maintenance of stock. The Corporation sold (March 2004/February 2005) this quantity at a loss of Rs. 7.54 crore including shortage of 524 MT valuing Rs. 60.75 lakh.

Stocking of wheat at low lying area delayed segregation and improper maintenance of stock resulted in loss of Rs. 7.54 crore.

Thus, the Corporation suffered a loss of Rs. 7.54 crore in disposal of damaged wheat for which no responsibility had been fixed.

The management stated (July 2006) that due to lack of scientific storage, stock had to be stored in the open on the best available plinths and the State Government had taken up the matter with GOI for reimbursement of the differential cost/shortages. The reply is not tenable as the management should have arranged proper storage in advance to maintain the health of the stock till its delivery to FCI.

Avoidable loss of carry over charges

3.1.26 FCI intimated (August 2004) the Corporation that stock for the year 2002-03 may be delivered to FCI by 30 September, 2004 after proper segregation failing which it would not reimburse the carry over charges for the quantities accepted thereafter. The Corporation failed to adhere to this schedule and despatched 2110 MT wheat during October 2004 to March 2006 for which FCI did not make payment of carry over charges of Rs. 13.21 lakh. Better coordination and timely delivery of stock could have avoided the loss.

The management stated (July 2006) that action for delay or negligence on the part of staff in giving timely delivery to FCI shall be taken after examination.

Avoidable expenditure

3.1.27 The Corporation procures wheat for the Central Pool from various mandis allotted to it by the State Government. FCI reimburses the cost at the MSP alongwith incidental charges, at the time of taking delivery of wheat.

It was noticed during audit that the Corporation procured 16.62 lakh MT wheat through Billing-Cum-Payment-Agents (BCPAs) in joint mandis and paid commission of Rs. 40.66 lakh during the five years ended 2005-06. As per the reimbursement schedule of FCI, this component is not included for reimbursement. Thus, appointment of BCPAs for procurement under the Central Pool, without ensuring reimbursement of the extra expenditure from FCI, resulted in avoidable expenditure of Rs. 40.66 lakh.

The management stated (July 2006) that BCPA charges are included in the establishment charges. The State Government had however, been requested to approach GOI to separately pay BCPA charges. The fact remains that in the absence of this component in the reimbursement schedule, GOI is not liable for this payment.

Loss due to delay in reconciliation of gunny bales account

3.1.28 The Corporation procures gunny bales from Director General Supplies and Disposal, Kolkata for each crop year through the Food and Supplies Department, Haryana by sending indents along with payment in advance for the quantity to be supplied in the following month based on the provisional rates, subject to their subsequent adjustment. Since the advance payment is released for each crop year on provisional basis, reconciliation of accounts at the end of each crop year would help the Corporation to adjust the excess payments made towards the advance payments for the next crop.

Delay in reconciliation of advance payment with DGS&D resulted in loss of interest of Rs. 27.83 lakh.

Audit scrutiny (March 2006) revealed that the Corporation did not reconcile its accounts before releasing advance payments for crop years 1997-98 to 2002-03. On reconciliation in May 2003, an amount of Rs 1.88 crore was found to be recoverable from DGS&D. Out of this excess payment, an amount of Rs. 1.15 crore was remitted to the Corporation by FSD, Haryana in November 2003 leaving a balance of Rs. 73.47 lakh unadjusted.

Thus, delay in reconciliation of advance payments had resulted in loss of interest of Rs. 27.83 lakh as of March 2006.

The management admitted the lapse and stated (July 2006) that on the advice of Audit, claim of interest had been lodged (May 2006) with FSD. Timely reconciliation could have prevented this situation.

Procurement of paddy

3.1.29 The State Government had allocated nine *per cent* share of paddy in the total paddy procurement in the State to the Corporation. Paddy procured by the Corporation is got milled from the authorised rice millers at specified rates under the milling policy framed by the State Government every year. Resultant rice is delivered to FCI in the Central Pool at the rates fixed by the GOI for each crop year. During the last five years ended March 2006, the Corporation procured 1.70 lakh, 1.48 lakh, 1.26 lakh, 1.72 lakh and 2.02 lakh MT paddy respectively.

Audit scrutiny revealed as under:

Non-recovery of transportation charges

3.1.30 As per the extant directions of GOI, transportation charges on lifting of paddy and rice for distances beyond eight Km from procurement centre/mandi to the rice mills and from rice mills to the delivery point are reimbursed to the procuring agencies in addition to procurement incidentals. GOI vide its notifications (December 2003 and December 2004) fixed rates for Custom Milled Rice (CMR) for Kharif 2003-04 and 2004-05 which, *inter-alia,* provided that the milling charges include transportation charges upto eight Km on each side from the purchase centre to the mill and from the mill to the FCI godown on paddy as well as on rice. Accordingly, clause 16 of the agreement executed with the millers stipulated that all the expenditure including labour, transportation and any other incidental expenditure incurred in connection with the lifting of paddy from storage points or any other place and delivery of rice shall be borne by the miller. The transportation charges only for paddy/rice if lifted/delivered beyond eight Km shall be passed on to the millers on receipt from FCI against proper documents submitted to the Corporation by the millers.

The Corporation suffered a loss of Rs. 1.91 crore due to non recovery of transportation charges from millers/FCI.

Audit scrutiny revealed that the Corporation incurred expenditure of Rs. 1.91 crore during 2001-2005 on transporting paddy to the millers from the mandis within eight Km (2003-05) and beyond (2001-05). As per the agreement with the millers and GOI's instructions, the Corporation did not recover Rs. 85.41 lakh on account of transportation of paddy within eight Km from the millers for the year 2003-05 and Rs. 1.06 crore for transportation of paddy beyond eight Km from FCI.

Thus, due to non-recovery of transportation charges from millers and FCI, the Corporation suffered loss of Rs. 1.91 crore on transportation of paddy.

The management stated (July 2006) that as per the instructions issued (September 2003) by the State Government the transportation charges of paddy within eight Km are to be borne by the corporation and transportation charges beyond eight Km are being realised now from FCI. The reply is not tenable because as per the instructions issued (December 2003 and December 2004) by GOI transportation charges upto eight Km were to be borne by the millers. In the ARCPSE meeting, the management admitted the facts and intimated that matter had been taken up with the State Government.

Excess payment of milling charges

3.1.31 GOI issued (November 2001) provisional rates of CMR alongwith milling charges of paddy at the rate of Rs. 20.35 per quintal for Kharif marketing season of 2001-02 for parboiled# rice. The Corporation got 3.84 lakh quintal paddy milled from different millers in five* circle offices during Kharif 2001 and paid Rs. 78.14 lakh to them. Thereafter, GOI fixed (December 2004) final rates for milling of parboiled rice at Rs. 13.20 per quintal, which resulted in excess payment of Rs. 27.46 lakh to the millers. Audit scrutiny revealed that no efforts were made by the Corporation to recover this amount either from the millers or from FCI, which resulted in loss of Rs. 27.46 lakh to the Corporation.

The management admitted (July 2006) the facts and stated that efforts were being made to recover the amount from the millers.

Non reimbursement of establishment cost

3.1.32 GOI was taking into account establishment cost at 2.5 *per cent* on MSP of wheat. But while fixing the rates of rice, the element of establishment cost incurred by the procuring agencies was not taken into account. Thus, the Corporation was deprived of reimbursement of establishment cost of Rs. 11.82 crore, worked out at 2.5 *per cent* of MSP of paddy (8.18 lakh MT) valuing Rs. 472.75 crore procured during 2001-06.

The management stated (July 2006) that the State Government had been requested (April 2006) to take up the matter with the GOI for reimbursement of establishment cost.

Loss due to non milling of paddy

The Corporation suffered loss of Rs. 16.54 lakh due to shortage and damage of paddy.

3.1.33 As per the directions of the Central/State Government, the Corporation had been procuring paddy form mandis since Kharif season of 1997. The paddy purchased was required to be milled within the stipulated period for timely delivery of rice to FCI to avoid any damage to paddy. District Manager, Sirsa purchased 16,700 MT paddy during Kharif marketing season of 2001. Out of this, 9001 MT was stored with the millers and balance 7,699 MT in its warehouses. Out of the 7,699 MT paddy retained by the Corporation, 7,177 MT paddy could be milled during Kharif 2001-02 to 2003-04 and out of 522 MT left over paddy valuing Rs. 35.13 lakh, 359 MT was auctioned (January-2003/2004) for Rs. 18.59 lakh at a loss of Rs. 5.57 lakh and 163 MT valuing Rs. 10.97 lakh was found short. Thus the Corporation suffered a loss of Rs. 16.54 lakh on the paddy stored in its warehouses.

Partly cooked by boiling.
* Ambala, Hisar, Kurukshetra, Panipat and Sirsa.

The management stated (July 2006) that disciplinary action had been initiated against delinquent officials for the loss.

Procurement and sale of bajra

3.1.34 The Corporation has been procuring bajra since kharif marketing season 2003 at the MSP of GOI from mandis allotted by the State Government. It procured 0.88 lakh MT bajra for the Central Pool at a cost of Rs. 44.80 crore during 2003-06.

Audit scrutiny of records revealed as under:

Non reimbursement of establishment cost

3.1.35 Establishment cost incurred at the rate of 2.5 *per cent* of MSP for procurement of wheat is reimbursed by FCI at the time of accepting/taking delivery of wheat stock. GOI was taking into account establishment cost at 2.5 *per cent* for fixation of MSP of wheat. But while fixing the rates of bajra, the element of establishment expenditure incurred by the procuring agencies was not taken into account. Thus, the Corporation was deprived of reimbursement of establishment cost of Rs. 1.12 crore, on procurement of 0.88 lakh MT bajra valued at Rs. 44.80 crore during 2003-06.

On this being pointed out in audit, the management requested (April 2006) the State Government to take up the matter with GOI for reimbursement of establishment cost.

Cash credit

3.1.36 The Corporation was availing cash credit (CC) facility from the State Bank of India (SBI) for procurement of wheat, paddy and bajra against hypothecation of stock and guarantee given by the State Government.

Audit scrutiny of records revealed as under:

Payment of penal interest

Failure of the Corporation to match the value of hypothecated stock with CC limit resulted in payment of penal interest of Rs. 43.13 lakh.

3.1.37 According to the agreement entered into with SBI the amount outstanding in the CC account should be fully matched with the value of hypothecated stock failing which the Corporation was liable to pay additional (penal) interest at the rate of one *per cent* per annum on the excess drawal over the hypothecated value of the stock. It was noticed (March 2006) that the value of the stock was less than the CC availed during August 1999 to March 2002. Resultantly, the bank charged penal interest of Rs. 43.13 lakh. The Corporation took up (December 2002) the matter with FCI for reimbursement of the penal interest charged but FCI rejected (August 2004) the claim stating that SBI charged penal interest due to wrong valuation of stock by the Corporation. Thus, failure of the Corporation to correlate the CC limit with the available stock had put the Corporation to a loss of Rs. 43.13 lakh.

The management stated (July 2006) that mismatch between outstanding CC limit and value of stock was due to delay in receipt of payments from FCI. In the ARCPSE meeting, the management stated that matter was being taken up again with FCI for reimbursement.

Guarantee fee

Corporation suffered a loss of Rs. 23.19 lakh due to non reimbursement of guarantee fee by FCI.

3.1.38 The Corporation pays guarantee fee to the State Government on the CC limit availed for procurement of foodgrains (wheat, paddy and bajra) at the MSP plus incidental charges. FCI, however, reimburses it on taking delivery of the foodgrains at the MSP only. As a result the Corporation could not get reimbursement of guarantee fee of Rs. 23.19 lakh from FCI on incidental charges during 2000-05, which had been paid to the State Government.

The management stated (July 2006) that this amount had been charged to the trading account. As the Corporation is undertaking procurement on behalf of FCI for the Central Pool on the directions of the State Government, the matter should have been taken up with FCI/State Government for avoiding this loss.

Avoidable payment of interest

3.1.39 The State Government repealed its General Sales Tax Act and introduced Value Added Tax (VAT) Act, 2003 with effect from 1 April 2003. Under this Act, the Government allowed full rebate on tax paid (input tax) in respect of stock as on 31 March 2003 by allowing adjustment of this amount from the tax payable to the Government subsequently.

The District office, Rohtak while filing the VAT return showed the value of closing stock as on 31 March 2003 at Rs. 84.57 crore and obtained input tax benefit of Rs. 3.38 crore. The trading account of the office for the year 2002-03, however, showed the value of closing stock as Rs. 49.72 crore.

Loss of Rs. 24.91 lakh due to penalty for submission of incorrect closing stock/statements.

On this being pointed out by the Excise and Taxation Officer-cum-Taxing Authority, (ETO) Rohtak, the District Manager admitted (21 April 2005) wrong calculation and totaling mistakes. The ETO, resultantly, imposed penal interest of Rs. 33.58 lakh at the rate of three *per cent* per month on the excess claim of Rs. 1.39 crore taken by the Corporation. The Corporation, thus, suffered a loss of Rs. 24.91 lakh after allowing credit of Rs. 8.67[#] lakh for the interest earned by the Corporation on the excess claim taken.

The management stated (July 2006) that an appeal had been filed before Sales Tax Tribunal Chandigarh and disciplinary action had been initiated against the defaulting officials.

[#] Worked out at the rate of 9.10 *per cent* prevailing CC rate.

Internal Control

3.1.40 Internal control is a management tool used to provide reasonable assurance that the management's objectives are being achieved in an efficient, effective and orderly manner. A good system of internal control should comprise, *inter alia*, proper allocation of functional responsibilities within the organisation, proper operating and accounting procedures to ensure accuracy and the reliability of accounting data, efficiency in operations and safeguarding of assets, competence of personnel commensurate with their responsibilities and duties and review of the work of one individual by another whereby possibility of fraud or error in the absence of collusion is minimised.

Audit scrutiny revealed the following deficiencies in the internal control system of the Corporation:

- the Corporation was not having any manual specifying duties/ responsibilities at each level;
- internal control procedures were not commensurate with the size and activities of the Corporation. This was also pointed out by the Statutory Auditors repeatedly in their reports on annual accounts;
- data base to prepare management information system had not been developed by the Corporation so far;
- though there were statutory provisions for holding at least four meetings in a year, the BODs and EC, however, held 17 and 18 meetings respectively against the requirement of 20 meetings during the last five years upto 2005-06; and
- the Corporation did not constitute any Audit Committee violating the provision of Section 292A of the Companies Act, 1956.

Internal Audit

3.1.41 Though the internal audit cell has been functioning from 1983-84 yet the Corporation has neither prepared any Internal Audit Manual nor has prescribed the scope and extent of checks to be exercised by internal audit. Internal audit of head office where major expenditure/decisions are taken had never been conducted. During the five years up to 2005-06 internal audit of only 65 field units out of 105 units was conducted.

An analysis of internal audit reports revealed that these reports did not cover physical verification of stock, assessment of viability of centres, performance of godowns and requirement of augmentation of storage capacity. The reports were mainly restricted to areas like cash, storage bills and maintenance of books of accounts. Internal audit reports were not placed before the BOD for consideration. As internal audit is constructive and protective arm of the management, internal audit reports should have been submitted to the Board for corrective action. It was noticed that the staff deployed in the internal audit cell remained inadequate during the five years up to 2005-06 and needs to be strengthened in commensurate with the size and nature of the business of the Corporation. The Statutory Auditors have also been commenting since 2001-02 that the Internal Audit System is not commensurate with the size and nature of the business of the Corporation but no efforts have been made to strengthen it by the Corporation so far.

In the ARCPSE meeting, the management admitted the need for strengthening the internal audit system and assured that internal audit reports would be placed before the BOD.

Acknowledgement

3.1.42 In addition to examination of records and documents, a number of issues were deliberated for conducting this performance audit. Audit acknowledges the co-operation and assistance extended by different levels of management at various stages of conducting the performance audit.

Conclusion

The performance of the Corporation with regard to warehousing activities was deficient due to low capacity utilisation, non-construction of additional storage capacity at suitable sites under the seven year guarantee scheme of Food Corporation of India, non-revision of storage rates of State procuring agencies at par with those of the Food Corporation of India and failure to successfully implement the Farmer Extension Service Scheme of Government of India to attract more primary producers to store their agricultural produce. Procurement activity relating to the Central Pool also suffered from substandard procurement, lack of proper care of warehoused commodities and inadequate drainage/protection from the vagaries of climate. The internal audit and internal control systems of the Corporation are inadequate with regard to the size and nature of its business.

Recommendations

The Corporation may:

- **improve capacity utilisation of its warehouses by motivating the primary producers/traders to store their produce with the Corporation and diversify storage from agriculture base to other commodities;**
- **ensure proper storage of wheat and other commodities to avoid loss through damage;**

- **revise storage charges from State agencies simultaneously with revision by Food Corporation of India; and**
- **strengthen the internal audit and internal control system according to the size and nature of business of the corporation.**

The management noted the recommendations and assured to implement them in future.

The matter was referred to the Government in May 2006; the reply had not been received (September 2006).

Chapter-IV

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

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

Government companies

Haryana State Industrial and Infrastructure Development Corporation Limited

4.1 Irregular disbursement of loan

Relaxation of conditions of personal guarantee/collateral security against the first and additional loan and not taking over timely possession of the unit put the recovery of Rs. 2.41 crore at risk.

The Company sanctioned (March 1997) a term loan of Rs. 75 lakh to OPC Aquatech Pvt. limited (unit) for manufacturing PSC* pipes and RCC# pipes at village Gubhana district Rohtak. The Company asked the unit to furnish collateral security of Rs. 47.50 lakh against rupees one crore required as per the sanction letter and relaxed the condition of personal guarantee and undertaking by the promoter. The unit gave, as collateral security, agricultural land at Bahadurgarh, district Rohtak and a flat at Mumbai valued at Rs. 18.66 lakh and Rs. 28 lakh respectively. The Company disbursed Rs. 73.48 lakh between July 1997 and May 1998.

In view of the persistent default in repayment of loan, the Company took possession (24 June 1999) of the unit but restored it in the same month after obtaining an undertaking from the unit to repay the default amount by March 2000. Though the unit was in default of Rs. 38.91 lakh, the Company sanctioned (March 2000) another loan of Rs. 63 lakh without obtaining any collateral security and disbursed Rs. 61.39 lakh between March 2000 and March 2001.

The unit continued to default and though four notices were issued by the Company during August 2001 to August 2003 for taking over possession, possession was not taken over on receipt of meagre amounts in cash and cheques (which were subsequently dishonored by the banks). The valuer assessed (March 2006) the value of securities at Rs. 1.53 crore (primary

* Pre-Stressed Concrete.

\# Reinforced Concrete.

security i.e. assets of the unit: Rs. 1.25 crore and collateral security: Rs. 28.27 lakh) against the total outstanding dues of Rs. 2.41 crore (principal: Rs. 1.29 crore, interest: Rs. 1.12 crore) as on March 2006.

Thus, violation of its own policy of obtaining personal guarantee/collateral security against first and additional loan coupled with not taking timely possession of the unit had put the recovery of Rs. 2.41 crore at risk (March 2006).

The management stated (April 2006) that acceptance of collateral security to the extent of Rs. 47.50 lakh was in line with the recommendation of Business Promotion Committee for first loan and the additional loan was sanctioned by taking personal guarantee of additional directors inducted. The reply is not tenable as acceptance of collateral security of lesser value had already proved to be imprudent decision. The real value of collateral security was assessed to be only Rs. 28.27 lakh against the accepted value of Rs. 47.50 lakh. Further, the Company had jeopardised its financial interest by accepting personal guarantee of directors for the second loan against the requirement of tangible collateral security required as per the manualised provisions. Besides, personal guarantee of the directors were also not invoked.

The matter was referred to the Government in April 2006; the reply had not been received (September 2006).

4.2 Disbursement of loan to an ineligible unit

Sanction of term loan under Equipment Finance Scheme to an ineligible unit, disbursement of working capital loan without ensuring mortgage of lessee rights of the land owned by the promoter and failure to have direct interaction with other concerned lending institutions before disbursement led to non-recovery of Rs. 2.61 crore.

Under the Equipment Finance Scheme (EFS) of the Company, financial assistance is available to the existing profit making concerns for acquiring machinery/equipment for expansion/modernisation schemes. The Scheme, *inter alia* provides that:

- the current ratio should preferably be 1.33:1 or above; and
- the concern should not be in default in repayment to other financial institutions/banks.

The Company sanctioned (November 2001) a term loan of rupees two crore to Auto Pins (India) Limited, Faridabad (unit) for expansion of leaf spring plant under EFS with the stipulation that the unit would hypothecate the machinery financed under the scheme and extend charge on the existing assets as well as collateral security already mortgaged to the Company for loan taken earlier. The Company released rupees two crore during December 2001 to January 2002.

The Company further sanctioned (March 2002) a Working Capital Term Loan (WCTL) of Rs. 90 lakh subject to the condition that before disbursement the unit would furnish no objection certificate (NOC) from other lending financial institutions *viz.* Industrial Investment Bank of India (IIBI) and Canara Bank. The unit would, *inter alia*, mortgage lessee rights of the land owned by the promoter. The Company released Rs. 90 lakh in March 2002.

Inspite of persistent default by the unit, the Company, instead of initiating action for taking possession of the unit under Section 29 of the State Financial Corporations Act, (SFCs) 1951, restructured the account and allowed (March 2004) the unit to sell certain securities (primary and collateral) subject to deposit of Rs. 2.43 crore against total outstanding dues of Rs. 3.26 crore. The unit was required to make balance payment of Rs. 82.65 lakh in monthly instalments of rupees five lakh commencing from June 2004. The unit deposited (March 2004) Rs. 1.06 crore only and did not deposit any amount thereafter. The Company issued (July 2005) a notice under Section 29 of SFCs Act, 1951 for taking possession of the unit. The unit informed (November 2005) that it had already been registered (May 2004) with BIFR*, thereby, stalling the possession proceedings.

Audit scrutiny revealed (March 2006) that the Company had sanctioned the loan under EFS to an ineligible unit as its current ratio was only 1.22:1 against the norm of 1.33:1 and it was in default with Haryana Financial Corporation (HFC), IIBI and the Company itself. Further, before disbursement of WCTL, the Company did not verify (March 2002) the genuineness of NOCs issued by IIBI and Canara Bank, which were later found to be forged. Further, lessee rights of the land owned by the promoter were not mortgaged as required.

Thus, sanction of term loan under EFS to an ineligible unit, disbursement of working capital loan without ensuring mortgage of lessee rights of the land owned by the promoter and failure to have direct interaction with other lending institutions before disbursement had led to non-recovery of Rs. 2.61 crore as of July 2006 (principal: Rs. 2.02 crore and interest: Rs. 0.59 crore).

The management stated (May 2006) that the unit was not in default with HFC and IIBI and there were no prima-facie reasons to doubt the genuineness of the NOC received from IIBI and Canara Bank. The reply is not tenable as the default with HFC and IIBI was cleared by rescheduling the loans. The Company being in the business of lending money should have devised and put in place a robust/dependable system to verify the veracity of documents submitted by interested parties.

The matter was referred to the Government in May 2006; the reply had not been received (September 2006).

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* Board of Industrial and Financial Reconstruction.

Haryana Roads and Bridges Development Corporation Limited

4.3 Loss due to irregular/hasty forfeiture of security deposit

Defective agreement and hasty decision to forfeit security before terminating the agreement put the Company to a loss of Rs. 1.17 crore.

The Company issued (7 February 2003) letter of acceptance for collection of toll tax at Uttar Pradesh border (Sonepat-Gohana Road) to Wazir Singh and Company, Hisar for a contract price of Rs. 14.58 crore for two years. The terms and conditions of the letter of acceptance provided that:

- the contractor would deposit security of Rs. 2.19 crore and first instalment of Rs. 60.75 lakh within 15 days from the date of issue of the letter of acceptance and the remaining 23 instalments of Rs. 60.75 lakh each by 15 of every calendar month;
- in case of default to pay any instalment by the due date, the same could be paid within the next 30 days alongwith interest at the rate of 0.05 *per cent* of the due amount for each day of delay. If any instalment was not paid within 30 days of the due date alongwith interest, the contract would be terminated and security deposit and instalments paid would stand forfeited; and
- the decision of the Managing Director (MD) of the Company as regards interpretation of any of the conditions of the contract would be final and, in case of disagreement, the Contractor may request for appointment of an arbitrator for adjudication of dispute.

The contractor deposited the requisite bank guarantee (Rs. 2.19 crore) and first instalment of Rs. 60.75 lakh on 19 February 2003. The contract came into force from 20 February 2003 for two years.

The Company asked (10 April 2003) the contractor to deposit the second instalment due on 15 March 2003 alongwith interest on delayed payment of instalment. The Contractor contested (15 April 2003) the due date and stated that the due date worked out to 15 April 2003 as the first instalment was paid on 19 February 2003 for the period from 20 February to 19 March 2003 and that he would make the payment of the second instalment by 15 May 2003 with interest in accordance with the provisions of the agreement. The Company did not accept the version of the contractor and forfeited (9 May 2003) the security and cancelled the authorisation of toll collection. The Company started toll collection departmentally from 10 May 2003. The contractor termed the forfeiture without termination of contract as illegal and requested (5 June 2003) for appointment of an arbitrator for adjudication of the dispute. The Arbitrator was appointed on 14 September 2004.

The arbitrator while upholding (11 October 2004) the interpretation of the contractor also held the forfeiture of security before termination of the contract as arbitrary, illegal and against the provisions of the agreement. A refund of Rs. 1.17 crore with simple interest at the rate of 10 *per cent* per annum was made out of the forfeited security after adjusting Rs. 1.02 crore being the toll fee payable by the contractor from 20 February to 9 May 2003 in terms of the agreement. The Legal Rememberancer and Advocate General of the State held (December 2004) that the case was not fit for appeal against the award of the arbitrator. The Company released (March 2005) payment of Rs. 1.38 crore to the contractor (inclusive of interest of Rs. 21 lakh). Mandatory tax deduction at source of Rs. 2.10 lakh on the interest component was, however, not made.

The Company worked out the loss of toll tax at Rs. 6.02 crore due to short collection for the remaining period of the rate contract (10 May 2003 to 19 February 2005). Professional handling of the situation could have reduced the loss by Rs. 1.17 crore.

Thus, not recording the specific dates for payment of instalments in the agreement and hasty forfeiture of security without terminating the contract first had put the Company to a loss of Rs. 1.17 crore.

The management stated (March 2006) that the Company had acted prudently and with a sense of financial discipline in the best interest of the Company. As regards non-deduction of TDS, the lapse occurred inadvertently and the Company was making efforts to recover this amount. The reply is not tenable, as the Company should have acted in line with legal procedures to avoid the loss sustained.

The matter was referred to the Government in March 2006; the reply had not been received (September 2006).

Haryana Agro Industries Corporation Limited

4.4 Loss due to improper storage of wheat stock

Storage on open plinth and failure to maintain the health of the stock resulted in an avoidable loss of Rs. 83.37 lakh.

The Company procures wheat from various mandis and delivers it to Food Corporation of India (FCI). FCI accepts the wheat of specified quality and makes payment of cost alongwith carry over charges for the period the wheat remains in the custody of the Company. The Company is required to maintain the health of the stock till its delivery to FCI and any expenditure incurred on account of segregation, restacking, replacement of bardana is to be borne by the Company.

It was noticed during audit (February 2006) that wheat stock of 17,669 MT at Sirsa pertaining to crop year 2003-04 could not be delivered as delivery schedule was not received from FCI, and was stored in the open. It was not properly covered with poly covers and adequate preservation measures were not taken. As a result the stock got damaged and 974 MT of wheat had to be sold as cattle feed and for industrial use at a loss of Rs. 56.58 lakh. Apart from this, the Company had to incur an expenditure of Rs 26.79 lakh towards labour (Rs 13.04 lakh) and replacement of bardana (Rs 13.75 lakh) during 2004-06 to make the stock despatch-worthy.

Thus, damage due to prolonged storage on open plinth, and failure to maintain the health of the stock caused an avoidable loss of Rs. 83.37 lakh.

The Management stated (August 2006) that the defaulting official had already been charge-sheeted and also attributed the cap*/long storage and non movement by FCI as cause for damage of stocks. The fact, however, remains that the Company failed to maintain the health of the stock and final action against the defaulting official was awaited.

The matter was referred to the Government in July 2006; reply had not been received (September 2006).

Dakshin Haryana Bijli Vitran Nigam Limited

4.5 Loss of revenue

Non-deletion of tamper data coupled with improper overhauling of the consumer account resulted in loss of revenue of Rs. 25.61 lakh.

The Sales Manual of the Company provides that in the case of an inaccurate meter found at the premises of a consumer, his account shall be overhauled for actual period of default or for a period not exceeding six months immediately preceding the date of checking. For determining the exact date of default, a tamper indicator with a memory of 50 events is inbuilt in the meter. Sales instructions (August 2002) required that the tamper data should be washed out (deleted) after it has exhausted its capacity of 50 recording events to have further recording on it.

Metering and Protection (M&P) staff of the Company checked (January 2004) the premises of Realest Super Services Private Limited, Gurgaon (sanctioned load: 1717 KW) under OCC sub division, Gurgaon (previous checking: 25 April 2003) and noticed that the meter was slow by 33.33 *per cent*. The meter was replaced in March 2004. The sub-division charged additional amount of Rs. 10.59 lakh to the account of the consumer for the period from December 2003 to February 2004 on the basis of the consumption pattern during November 2002 to January 2003.

Audit scrutiny (January 2005) revealed that though the tamper data memory of the meter had exhausted in April 1998, the data was not washed out and as such the meter could not record the dates of tampering thereafter. In the absence of such recording, exact date of 'slowness' of the meter could not be determined. Consumption data of the consumer, however, revealed that there was a substantial downfall (25.13 *per cent*) in power consumption in October 2003 (3,76,920 units) as against the consumption of September 2003 (5,03,450 units), which indicates that the fault crept in during October 2003. On the basis of significant decrease in the power consumption, slowness of the meter should have been taken from October 2003 and the customer's account

* Cap storage is storage in open plinths with poly covers.

overhauled accordingly by charging Rs. 36.20 lakh as per the extant rules instead of Rs. 10.59 lakh based on previous year's consumption. Thus non-washing of the tamper data in time and resultant improper overhauling of the account resulted in loss of revenue of Rs. 25.61 lakh to the Company.

The matter was referred to the Government and the Company in February 2006; their replies had not been received (September 2006).

4.6 Extra expenditure

The Company incurred avoidable extra expenditure of Rs. 20.30 lakh due to non-placing of order of the required quantity of GI wire on the second lowest firm.

Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) invited (30 October 2003) tenders for procurement of 333 MT GI wire. The offers of two eligible bidders *i.e.*, Ram Swarup Industrial Corporation, Kolkata (firm R) and Himachal Wire Industries Private Limited, Kangra (firm H) were lowest at Rs. 31,000 and Rs. 31,896 per MT respectively. While the case for procurement was being processed, Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) intimated (28 November 2003) its requirement of 300 MT GI wire to UHBVNL (both companies have reciprocal purchase arrangement). Accordingly, in the purchase proposal submitted (March 2004) to the Special High Power Purchase Committee (SHPPC) the consolidated requirement of 633 MT was indicated. The SHPPC approved (26 March 2004) order for purchase of only 366 MT (333+10 *per cent* enhancement allowed) on firm R at Rs. 31,000 per MT being the quantity offered by the lowest eligible tenderer.

Audit scrutiny (October 2005) revealed that despite knowledge of rising trend in the prices at the time of finalisation of the order, the representatives of the Company did not impress upon SHPPC to approve the purchase order of the balance quantity of 267 MT on the second lowest firm H at Rs. 31,896 per MT. It was further noticed that during March 2004 there was stock of 54 MT only which was consumed by May 2004 and thereafter no stock was available with the Company which affected the completion of ongoing works. Subsequently, the Company purchased this quantity at Rs. 39,500 per MT from firm H against tender finalised by SHPPC in October 2004 resulting in extra expenditure of Rs. 20.30 lakh (inclusive of CST and ED).

Thus, non-placing of purchase order of the required quantity on firm H during March 2004 resulted in extra expenditure of Rs. 20.30 lakh.

The matter was referred to the Government and the Company in March 2006; their replies had not been received (September 2006).

4.7 Short levy of penalty

Non-enforcement of provisions of the Electricity Act 2003 in levy of penalty for theft of electricity resulted in revenue loss of Rs. 50.23 lakh.

The Electricity Act, 2003 (the Act) was made applicable in the State of Haryana from December 2003. According to Section 152 of the Act, the rates of penalty for theft of electricity by the consumers range between Rs. 2,000 and Rs. 20,000 per KW/KVA for Industrial, Commercial, Agricultural and other services.

Audit scrutiny (October 2005, December 2005 and March 2006) revealed that during March - November 2004 in 34 cases in seven* sub-divisions of operation circles Sirsa, Faridabad and Gurgaon, penalty for theft of electricity levied was not as per the provisions of the Act. The Company levied penalty of Rs. 58.95 lakh at the rates prescribed for cases of unauthorised use of electricity instead of Rs. 109.18 lakh required to be levied for theft cases. This resulted in short imposition of penalty by Rs. 50.23 lakh.

Thus, non-enforcement of the statutory provisions resulted in loss of Rs. 50.23 lakh.

The matter was referred to the Government and the Company in March 2006; their replies had not been received (September 2006).

4.8 Non levy of penalty

The Company was put to loss of revenue of Rs. 84.87 lakh due to its not imposing penalty for theft of electricity.

The premises of Sunvisors (India) Private Limited (sanctioned load: 114.40 KW) was checked by the Company in July 2003. During checking it was found that all the seals (except one seal) of the meter were missing. The consumer's account was debited by Rs. 7.04 lakh for penalty for theft of energy for the last six months as per the rules of the Company and notice for recovery was issued in August 2003. On the plea of the consumer that his premises stood disconnected permanently from the year 2000 for unknown reasons and that he had been using the power generated by Maruti Udyog Limited, the notice was withdrawn (December 2003). It was noticed in audit that withdrawal of the notice was not justified and rather, the consumer should have been charged Rs. 84.87 #lakh for theft of energy from June 2000 to March 2006 since the supply was never disconnected as is evident from the following:

- The unit continued to pay minimum charges as demanded by the Company from time to time.
- The Company issued monthly energy bills for Rs. 14.88 lakh of minimum charges during June 2000 to March 2006, which were deposited by the consumer.
- During this period, the Company issued notices (May, June, July, December 2001 and June, October 2002) to the consumer for temporary/permanent disconnection when he defaulted in timely payment of minimum charges. This is indicative of the fact that the disconnection orders were never implemented at site.

* 1. City sub-division, Sirsa 2. Operation sub-division, Dabwali 3. Operation sub-division, Jeevan Nagar 4. Industrial Area sub-division, Sirsa 5. Sub-division No-2, Faridabad 6. Sub-division, Mathura Road, Faridabad 7. Operation cum construction sub-division, Gurgaon.

\# Amount chargeable (contract demand x power factor x load factor x no. of working hours x no. of days in a month x no. of months x rate per unit) Rs. 99.75 lakh less minimum charges Rs. 14.88 lakh.

- Neither was the meter removed nor was the service line dismantled which is a prerequisite for disconnection.

Thus, the consumers should have been charged Rs. 84.87 lakh for theft of energy from June 2000 to March 2006. By not imposing penalty for theft of electricity, the Company had been put to a loss of Rs. 84.87 lakh.

The matter was referred to the Government and the Company in March 2006; their replies had not been received (September 2006).

4.9 Extra expenditure

The Company incurred avoidable extra expenditure of Rs. 20.87 lakh due to non-placing of order on the next lowest firms.

Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) invited (30 October 2003) tenders for procurement of 280 MT Black Hexagonal M S nuts and bolts. The offers of Pearl fasteners, Chandigarh (Firm 'P'), Techman (India), Chandigarh (Firm 'T') and A V Forgings, Mohali (Firm 'A') were found to be lowest at their quoted rates ranging between Rs 34,500 and Rs 35,050 per MT. While the case for procurement was being processed, Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) intimated (28 November 2003) its requirement of 250 MT of these items to UHBVNL (both companies have reciprocal purchase arrangement). Accordingly, in the purchase proposal submitted (January 2004) to the Special High Power Purchase Committee, (SHPPC) the additional requirement of DHBVNL of 250 MT was also indicated. The SHPPC approved (January 2004) orders for purchase of 330 MT (280 MT for UHBVNL and 50 MT for DHBVNL) on firms 'P', 'T' and 'A' at the negotiated rate of Rs. 34,000 per MT for various sizes of material.

Audit scrutiny (October 2005) revealed that though there were valid offers for supply of balance quantity of 200 MT at slightly higher rates ranging from Rs. 34,300 to Rs. 34,950 per MT, these offers were not considered. The representatives of DHBVNL did not impress upon SHPPC to approve purchase of balance quantity at the next available lowest rates despite meagre stock available which exhausted in May 2004. Subsequently, the Company purchased this quantity at Rs. 45,000 per MT (100.5 MT) and Rs. 45,300 per MT (97 MT) against purchases approved by SHPPC in October 2004 resulting in extra expenditure of Rs. 20.87 lakh.

Thus, non-placing of purchase order for the balance requirement on the next lowest firms resulted in extra expenditure of Rs. 20.87 lakh.

The matter was referred to the Government and the Company in April 2006; their replies had not been received (September 2006).

4.10 Avoidable extra expenditure

The Company incurred avoidable extra expenditure of Rs 29.50 lakh due to non-enforcement of quantity increase clause in purchase of transformers.

Standard terms and conditions for purchases (Schedule D) of the Company provide that quantities specified in purchase orders can be increased/decreased by upto 10 *per cent* at the discretion of the Company. Audit scrutiny (October 2005) revealed that in the purchase of transformers, this clause was not enforced to increase the ordered quantity before placement of fresh orders on the existing suppliers at higher rates resulting in extra expenditure of Rs. 29.50 lakh as detailed below:

Sl. No.	Name of the firm	Type of trans-formers	Date of PO (Period of supply)	Quantity (Number)	Rate (Rs.)	Additional quantity purchased at higher rate	Rate (Rs.)	Extra expenditure (Rs. in lakh)
1.	Accurate Transformers limited, Delhi	25 KVA	16.7.2003 (September 2003 to August 2004)	6,000	52,500	600	56,000	21.00
		100 KVA	28.1.2004 (June 2004 to November 2004)	1,000	1,18,000	100	1,23,500	5.50
2.	Modern Transformers limited, Noida	63 KVA	9.1.2004 (March 2004 to December 2004)	500	92,000	150	94,000	3.00
							Total	29.50

Thus, by not enforcing the terms of the supply orders, the Company incurred extra expenditure of Rs. 29.50 lakh in the purchase of transformers.

The matter was referred to the Government and the Company in April 2006; their replies had not been received (September 2006).

4.11 Incorrect application of tariff rate

The Company incurred loss of Rs. 11.94 lakh due to incorrect charging of tariff rate.

As per the instructions of the Company non-domestic supply (NDS) tariff is applicable to non-domestic premises such as business houses, hotels, resorts, clubs, shopping malls, petrol pumps, cinemas etc.

Maruti sub-division Gurgaon of the Company released (August 2002) a connection for a load of 2000 KW under NDS category on 11 KV supply to Dynamic Universal, Gurgaon for commercial complex. It was noticed during audit that instead of charging NDS tariff at the rate of Rs. 4.19 per unit, the sub-division billed the consumer under bulk supply (11 KV) tariff at Rs. 4.09 per unit. This resulted in short recovery of revenue by Rs. 11.94 lakh during August 2002 to March 2006.

After this was pointed out (March 2006) in audit, the Company debited the consumer's account with Rs. 11.94 lakh. Recovery is awaited.

The matter was referred to the Government and the Company in July 2006; their replies had not been received (September 2006).

Uttar Haryana Bijli Vitran Nigam Limited

4.12 Avoidable payment of interest

The Company did not insert put/call option clause in the bonds issued. This will result in avoidable loss of Rs. 1.02 crore by way of excess payment of interest on redemption of the bonds on their maturity.

The Company raised funds (September 2000) of Rs. 19.51 crore carrying interest rate of 12.21 *per cent* per annum through issue of bonds for its ongoing works. The bonds were secured by Government guarantee. The tenure of the bonds was seven years and the bonds were redeemable in five equal half yearly installments commencing at the end of the fifth year *i.e.,* 9 September 2005.

Audit analysis revealed that though the interest rates of banks had been steadily falling since May 1998, the Company did not safeguard its financial interest against the decline in interest rates by inserting the usual put/call option[*] clause whereas other PSUs like Madhya Pradesh State Electricity Board and Punjab State Electricity Board had issued (November 1999) bonds with put/call option. It was noticed that the interest rate on borrowings fell from 12.21 *per cent* per annum in September 2000 to seven *per cent* per annum in September 2005. Had the Company inserted the usual put/call option clause, it could have repaid the entire amount of Rs. 19.51 crore at the end of the fifth year *i.e.*, September 9, 2005 and saved interest of Rs. 1.02[$] crore payable during 2006 and 2007.

The matter was referred to the Government and the Company in April 2006; their replies had not been received (September 2006).

4.13 Loss of revenue

Non-enforcement of provisions of the Electricity Act 2003 in levy of penalty for theft of electricity resulted in revenue loss of Rs. 4.66 crore.

The Electricity Act, 2003 (the Act) was made applicable in the State of Haryana with effect from December 2003. According to Section 152 of the Act, the rates of penalty for theft of electricity by the consumers range between Rs. 2000 and Rs. 20,000 per KW/KVA for Industrial, Commercial, Agricultural and other services.

Audit scrutiny (March 2006) revealed that during January 2004 to January 2005 in 84 cases in 11[#] sub-divisions of operation circle Karnal,

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* An option available to the bond holders to exit and the Company to redeem the bonds after a specified lock-in period.

$ Represents the difference of interest between the rates at 12.21 *per cent* and 7 *per cent*.

Operation sub-division Smalkha, Israna, Sub-urban Panipat, Model Town Panipat, Samali Road Panipat, Assandh, Munak, City Gharaunda, Sub-urban Gharaunda, Jundla and Chhajpur.

penalty for theft of electricity levied was not as per the provisions of the Act. The Company levied penalty of Rs. 2.73 crore for unauthorised use of electricity instead of Rs. 7.39 crore required to be levied for theft cases. This resulted in short imposition of penalty by Rs. 4.66 crore.

Thus, non-enforcement of the statutory provisions had resulted in loss of Rs. 4.66 crore.

The Company stated (May 2006) that:

- there was no provision for assessment of theft under Section 135 of the Act; and
- special courts had not been established to determine civil liability and taking cognisance of the offence.

The reply is to be viewed in the light of the fact that provisions for assessment of theft already existed in Section 152 of the Act. Further, sufficient time of six months (June 2003 to December 2003) was available for working out modalities for implementing various provisions including establishment of special courts.

The matter was referred to the Government in April 2006; reply had not been received (September 2006).

4.14 Nugatory expenditure

Non-compliance with statutory requirements resulted in nugatory expenditure of Rs. 53.31 lakh.

According to Section 25 H of the Industrial Disputes Act, 1947, where any workmen are retrenched, and the employer proposes subsequently to employ any persons, he shall give an opportunity to the retrenched workmen for re-employment, and such retrenched workmen offering themselves for re-employment shall have preference over other persons. Further, as per the ruling of the High Court of Madras (1985), High Court of Karnataka (1986) and the Supreme Court (1999), if the workmen are engaged through an unregistered contractor, they would be the workmen of the principal employer.

Audit noticed (December 2005) that the erstwhile Haryana State Electricity Board (now Company) engaged (January 1987) 250 workmen through village panchayats, which were not registered contractors. The management terminated the services of these 250 workmen in August 1987. Without providing opportunity to the terminated workmen, the management recruited (1988) 200 afresh persons for discharging the same duties. Fifty retrenched workmen submitted (1993) a demand notice to the Labour-cum Reconciliation Officer, Sonepat for reinstatement of their services, which was rejected. On a writ petition filed by the workmen, Punjab and Haryana High Court directed (January 1995) the State Labour Department to refer the dispute to an appropriate labour court for adjudication. Special Leave Petition filed by the Board against the orders of the High Court was rejected by the Supreme Court in November 1996. Consequently, the Labour Court ordered (December 2002) reinstatement of 47 workmen with continuity of service and 40 *per cent* back wages on the grounds that no notice had been given to the terminated persons before appointment of the fresh persons.

Appeals filed by the management against the decision of the Labour Court were dismissed by the Punjab and Haryana High Court in October 2004 and the Supreme Court in January 2005.

In compliance with the Court's orders 47 workmen were taken into service (February - May 2005) and were paid (April 2005) back-wages of Rs. 53.31 lakh for March 1993 to May 2005.

Thus, due to failure to follow the statutory requirements of the Industrial Dispute Act, the Company had to incur nugatory expenditure of Rs. 53.31 lakh.

The matter was referred to the Government and the Company in May 2006; their replies had not been received (September 2006).

Haryana Vidyut Prasaran Nigam Limited

4.15 Avoidable payment of interest

The Company did not insert put/call option clause in the bonds issued. This will result in avoidable loss of Rs 16.41 crore by way of excess payment of interest on redemption of the bonds on their maturity.

The Company, with a view to repay loans and raise funds decided (January 1999- June 2000) to mobilise resources by issue of redeemable bonds of rupees one lakh each on private placement basis. The bonds were secured by Government guarantee. The Company raised funds of Rs. 258.43 crore as per details given below:

Date of issue	Amount of bonds (Rs in crore)	Redemption period	Rate of interest *(Per cent)*	Available Rate of interest *(Per cent)*	Excess interest paid/payable (Rs in crore)
16.4.99	117.74 crore	30 *per cent* after 5 years, 30 *per cent* after 6 years and 40 *per cent* after 7 years	14	7	9.07
16.4.2000	130.32 crore	In five half yearly equal instalments after five years	12.24	7	6.83
16.6.2000	10.37 crore	-do-	11.89	7	0.51
Total	**258.43**				**16.41**

Audit analysis revealed (February 2006) that though interest rates from banks had been steadily falling since January 1998, the Company did not safeguard its financial interest against decline in interest rates by inserting the usual put/call option clause while issuing the bonds. It was noticed that the interest rates on borrowing gradually fell from 17.05 *per cent* in January 1998 to seven *per cent* in April 2004. Had the Company inserted the usual put/call option clause, it could have repaid the entire amount of Rs 258.43 crore at the end of the fifth year and saved an interest of Rs. 16.41 crore.

In its reply (May 2006), endorsed by the Government in June 2006, the Company stated that the matter should be viewed in the economic scenario prevalent at the time of taking decisions and various other entities had issued bonds at 11.75 to 15 *per cent* between March 1997 to February 2005. The reply is not relevant as the Company failed to insert put/call option in the conditions for issue of bonds. Further, the declining trend in the interest rates was also in the knowledge of the management and other PSUs like Madhya Pradesh State Electricity Board and Punjab State Electricity Board had issued (November 1999) bonds with put/call option.

Statutory corporation

Haryana Financial Corporation

4.16 Acceptance of highly inflated/defective collateral security

Disbursement of loan against inflated collateral security has put the recovery of Rs. 1.41 crore in jeopardy.

The Corporation sanctioned (June 1998) a term loan of Rs. 85 lakh to Kishkinda Foods (unit) for setting up a rice milling plant with the stipulation that the unit would provide collateral security of Rs. 42.50 lakh (50 *per cent* of the term loan). The unit offered collateral security of a plot (measuring 1150 square yards at village Alipur, Delhi) with an assessed value of Rs. 36 lakh. The value was assessed (June 1998) by an empanelled valuer of the Corporation and verified (July 1998) by the Branch Manager, Jind. Since the unit could offer collateral security of Rs. 36 lakh only, the Corporation restricted the release of the term loan to Rs. 72 lakh on *pro-rata* basis. The balance loan of Rs. 13 lakh cancelled in April 1999 was revived (May 2000), as a special case, against acceptance of collateral security of an unpartitioned plot at Kaithal valued at Rs. 6.50 lakh. Accepting security without clear title was in violation of the policy of the Corporation. The Corporation disbursed Rs. 83.31 lakh during August 1998 to May 2000.

Due to persistent default, the Corporation took over (May 2002) possession of the unit under Section 29 of the State Financial Corporations Act, 1951. The valuer assessed (8 January 2004) the value of the unit at Rs. 72.40 lakh against the accepted value of Rs. 1.21 crore. The Corporation sold (July 2004) the unit (mortgaged to the Corporation) for Rs. 45 lakh against the outstanding amount of Rs. 1.45 crore (principal: Rs. 83.31 lakh and interest: Rs. 61.26 lakh). The Corporation took possession (October 2004) of the collateral security (the plot) at Alipur for recovery of the balance amount and sold (July 2005) it for Rs. 10.25 lakh against the accepted value (March 1998) of Rs. 36 lakh.

The Corporation took deemed possession of the unpartitioned plot at Kaithal also and assessed its value at Rs. 0.64 lakh against the accepted value at Rs. 6.50 lakh. In absence of clear demarcation, the plot has not been sold so far (May 2006).

Audit scrutiny (September 2005) revealed that against the general trend of appreciation in the value of land, the Corporation could sell (July 2005) the Alipur plot for Rs. 10.25 lakh against the accepted value of Rs. 36 lakh and assessed (November 2004) the value of unpartitioned plot at Kaithal for Rs. 0.64 lakh against accepted value of Rs. 6.50 lakh, reflecting incorrect valuation of the collateral security. This had put (March 2006) the recovery of Rs. 1.41 crore (principal: Rs 83.31 lakh and interest: Rs. 57.31 lakh) at risk.

The management stated (May 2006) that the matter had been taken up with the Police Department for initiating criminal proceedings against the official who had accepted inflated collateral security and partners of the unit in respect of the plot at Alipur. As regards plot at Kaithal no official could be held responsible for overvaluation of collateral security as the same was accepted on the basis of an assessment report of a valuer. The reply is not tenable as valuation done by the valuer should have been verified by the Corporation in this case also. Further, no action has been initiated against the valuer for inflated valuation of the security.

The matter was referred to the Government in March 2006; reply had not been received (September 2006).

4.17 Irregular disbursement of loan

Not ensuring availability of working capital with the loanee while sanctioning loan, acceptance of corporate guarantee in lieu of collateral security and release of loan despite doubtful antecedents of a sister concern being known had rendered the recovery of Rs. 3.44 crore as improbable.

The Corporation sanctioned (May 1998) a term loan of Rs. 2.40 crore to Singhal Industries Limited (unit) for manufacturing precision steel tubes at Sampla, district Rohtak. As per the appraisal report, the unit was required to arrange working capital ranging between Rs. 63.40 lakh and Rs. 84.47 lakh during the first three years of its operation. As per the policy in vogue, the loanee was required to provide collateral security of a given amount against the sanctioned loan for establishing the unit outside the industrial areas developed by Government agencies.

The Corporation released Rs. 1.25 crore during March-April 1999 after obtaining corporate guarantee of the sister concern as collateral security in deviation of its laid down policy of obtaining collateral security of immovable assets. The Corporation received (16 May 1999) a letter from Bank of Baroda to ascertain the authenticity of the credit worthiness certificate issued by the Corporation (4 December 1998) relating to the accounts of the sister concern. The Corporation intimated (26 May 1999) the Bank that the credit worthiness certificate was forged as no such certificate was issued by it. Despite this, the Corporation further released Rs. 75 lakh on 12 July 1999. The unit defaulted in repayment since November 2000 due to non-availability of working capital. The Corporation recalled (August 2001) the entire loan and issued (June 2002) notice under Section 29 of State Financial Corporations Act, 1951 for taking possession of the unit. The unit submitted a proposal under 'Extension in Currency Scheme' for clearance of overdue amount and deposited the requisite amount of Rs. 49.10 lakh (June 2002 to May 2003). As per the scheme, the Corporation waived off (July 2003) the penal interest (Rs. 14.78 lakh) and treated the balance amount of Rs. 72.41 lakh as overdue amount, repayable in five years in quarterly instalments. The unit did not make any payment thereafter and approached (January 2004) the Board of Industrial and Financial Reconstruction (BIFR) for getting itself registered as a sick Company. As a result the Corporation could not take physical possession of the unit.

Thus, not ensuring availability of working capital with the loanee while sanctioning the loan, acceptance of corporate guarantee in lieu of collateral security and release of Rs. 75 lakh despite learning about the doubtful antecedents of the guarantor coupled with failure to take over possession under Section 29 of the State Financial Corporation Act, 1951 prior to the unit getting registered with BIFR in January 2004, had put the recovery of Rs. 3.44 crore (principal: Rs. 1.91 crore and interest: Rs. 1.53 crore) as on March 2006 at stake.

The management stated (May 2006) that the corporate guarantee was accepted as collateral security as the promoter showed their inability to mortgage any property as it had already mortgaged properties to institutions/banks. The fact of submission of forged documents came to notice on 12 July 1999 and no disbursement was made thereafter. The reply is not tenable as acceptance of corporate guarantee was violative of the laid down policy and the fact of forged documents was in the notice of the Corporation in May 1999.

The matter was referred to the Government in March 2006; the reply had not been received (September 2006).

4.18 Non recovery of loan due to irregular disbursement

Disbursement of loan without ensuring availability of working capital and relaxation of requirement of collateral security from 50 to 30 *per cent* led to non recovery of Rs. 1.44 crore.

The Corporation sanctioned (July 1997) loan of Rs. 44.65 lakh (term loan: Rs. 34.87 lakh and working capital loan: Rs. 9.78 lakh) to Tirupati Alloys (unit) for manufacturing brass sheets at Jagadhri with the stipulation that the unit would furnish collateral security equivalent to 50 *per cent* of the term loan and 100 *per cent* of the working capital loan. The unit requested (July-August 1997) to reduce the collateral security to 30 *per cent* of the term loan as the unit was being set up within the municipal limits. It also requested to cancel the working capital loan as it would arrange the same from its own resources or banks. The Corporation initially turned down (August-September 1997) the request as a conscious decision had been taken by the advisory committee to have more collateral security, keeping in view the type of unit and realisable value of assets of the proposed project. But on the unit's subsequent request (November 1997) the Corporation agreed (December 1997) for collateral security of 30 *per cent* of the term loan and cancelled the working capital loan without ensuring availability of working capital with the loanee to run the unit. The Corporation accepted (March 1998) a house measuring 144 sq. yards at Yamunanagar with assessed value of Rs. 8.72 lakh as collateral security which worked out to 25 *per cent* of the total loan and disbursed (March-April 1998) Rs. 33.59 lakh out of the sanctioned loan of Rs. 34.87 lakh. It cancelled (September 1998) the balance loan of Rs. 1.28 lakh.

The loanee did not pay any instalment due from June 1999. The Corporation took (May 2000) possession of the unit under Section 29 of the State Financial Corporations Act, 1951 and could sell (April 2002) it, in its 15th attempt, for Rs. 2.59 lakh. The Corporation further took possession (July 2002) of the collateral security and sold (January 2004) it, in its seventh attempt, for Rs. 4.95 lakh. After adjustment of these realisations, the outstanding amount was Rs. 1.44 crore (principal and miscellaneous expenses: Rs. 33.67 lakh and interest: Rs. 1.10 crore) as of March 2006.

It was noticed during audit (November 2004) that the unit did not start commercial production due to non-availability of working capital. Thus, disbursement of loan without ensuring availability of working capital and relaxation of collateral security from 50 to 30 *per cent* led to non recovery of Rs. 1.44 crore as of March 2006.

The management stated (June 2006) that the relaxation in quantum of security was given keeping in view the value of primary security, total means of partners/guarantors and the location of the unit in municipal limits of Jagadhri. The reply is not tenable because relaxations were given without safeguarding the financial interest of the Corporation.

The matter was referred to the Government in April 2006; the reply had not been received (September 2006).

4.19 Acceptance of forged and inflated collateral security

Acceptance of collateral security at inflated value without ensuring its clear title resulted in non-recovery of Rs. 77.54 lakh.

The Corporation sanctioned (April 1998) a term loan of Rs. 20 lakh to Rajesh & Company (unit) with the stipulation that the unit would furnish collateral security of not less than 100 *per cent* of the sanctioned amount. The unit offered collateral security of land measuring 47 Kanal 11 Marla in village Durjanpur Mazra Barsi, district Bhiwani which was accepted (July 1998) at a value of Rs. 45 lakh after verification by the Branch Manager. Title of the security was also checked by the Corporation's Law Officer. The Corporation disbursed Rs. 17.67 lakh in March 1999.

The unit did not repay any instalment of loan due from March 2000. Due to persistent default, the Corporation took over (January 2001) the possession of the unit under Section 29 of the State Financial Corporations Act, 1951 and sold (April 2004) it for Rs. 0.65 lakh. The Corporation also took (April 2003) deemed possession of the collateral security. Audit scrutiny revealed that for the sale of the collateral security, the highest bid received (27 June 2005) was Rs. 2.50 lakh against the accepted value of Rs. 45 lakh. This could not be sold even for this price as it was found that the mortgager was not the owner of the land. Besides, correctness of the valuation of collateral security was not ensured by the respective officers despite specific instructions issued (May 1996) by the Corporation. The amount outstanding against the unit as of September 2006 was

Rs. 77.54 lakh (principal: Rs. 17.67 lakh, interest: Rs. 58.29 lakh and miscellaneous[*] expenses: Rs. 1.58 lakh).

The Negotiation Committee of the Corporation, constituted to consider the sale of sick units, decided (27 June 2005) to fix responsibility for accepting land without clear title as security and for the gap between the value of security accepted and its present assessed value. No action had, however, been taken so far (September 2006).

Thus, acceptance of collateral security at inflated value without ensuring its clear title had resulted in non-recovery of Rs. 77.54 lakh.

The management stated (June/September, 2006) that it had decided to lodge FIR against promoter/guarantor of the unit alongwith all the connected persons. Final action taken in this regard shall, however, be awaited in audit.

The matter was referred to the Government in May 2006; the reply had not been received (September 2006).

General

4.20 Persistent non compliance with Accounting Standards in preparation of financial statements

Accounting Standards (AS) are the acceptable standards of accounting recommended by the Institute of Chartered Accountants of India and prescribed by the Central Government in consultation with the National Advisory Committee on Accounting Standards. The purpose of introducing AS is to facilitate the adoption of standard accounting practices by companies so that the annual accounts prepared exhibit a true and fair view of the transactions and also to facilitate comparability of the information contained in the published financial statements of companies. Under Section 211 (3A) of the Companies Act, 1956 it is obligatory for every company to prepare the financial statements (profit and loss account and balance sheet) in accordance with the AS. A review of the financial statements and the Statutory Auditors' reports thereon in respect of 24 Government companies and two Statutory corporations revealed non-compliance with upto eight Accounting Standards as detailed in **Annexure 8**.

It would be seen from the **Annexure 8** that:

- Eleven[#] companies violated AS-15 which deals with accounting for retirement benefits to employees (viz. provident fund, pension, gratuity, leave encashment etc.) and provides that the contribution payable by the employer towards retirement benefits be charged to the profit or loss for the year on accrual basis and the accruing liability calculated according to actuarial valuation. The impact on profitability due to violation as

[*] Miscellaneous expenses include legal expenses, expenses incurred on watch and ward and expenses on publication of auction notice etc.

[#] Sl. No. 2,3,5,6,7,8,9,13,14,15 and 16 of **Annexure-8**.

commented by the CAG/Statutory Auditors is given below:

Sl. No.	Name of the company/corporation	Quantum of misstatement (Rupees in crore)
1.	Haryana Financial Corporation	3.18
2.	Haryana Seeds Development Corporation Limited	3.12
3.	Haryana Land Reclamation and Development Corporation Limited	1.80
4.	Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited	0.61
5.	Haryana Scheduled Castes Finance and Development Corporation Limited, Chandigarh	1.49
6.	Haryana Roadways Engineering Corporation Limited	0.93

- Seven[@] companies did not comply with AS-2 relating to determination of the value at which inventories are carried in financial statements until the related revenues are realised and provides that inventories should be valued at the lower of the cost or net realisable value. The impact of violation as commented by the CAG on the accounts of Haryana Warehousing Corporation resulted in overstatement of profit and stock in hand by Rs. 81.46 lakh in the accounts for the year 2004-05.
- Five [#] companies did not comply with AS-9 which deals with revenue recognition and provides that revenue from sales or service transactions should be recognised properly and if at the time of raising of any claim it is unreasonable to expect ultimate collection, revenue recognition should be postponed. Due to non compliance of this Accounting Standard the loss of Dakshin Haryana Bijli Vitran Nigam Limited was understated by Rs. 336.11 crore in the accounts for the year 2004-05.
- Five[^] companies did not comply with AS-6 which deals with depreciation accounting and provides that depreciation amount of a depreciable asset should be allocated on a systematic basis to each accounting period during the useful life of the asset.
- Three[$] companies did not comply with AS-22 which deals with deferred tax liability and provides for determination of the amount of expenses or saving relating to taxes on income in respect of an accounting period and the disclosure of such an amount in the financial statements. Due to non compliance of this AS, Haryana Agro Industries Corporation Limited understated losses by Rs. 17.94 lakh for the year 2004-05 and Haryana Roadways Engineering Corporation Limited overstated profits by Rs. 40.26 lakh for the year 2003-04.

Thus, out of the 26 companies/corporations test checked in audit, 16 companies/ corporations as per **Annexure 8** were persistently violating one or more Accounting Standards and thus affecting the true and fair view of accounts of these undertakings to that extent. In reply four[**] companies and two[!] corporations stated (June-July 2006) to have complied with the AS.

[@] Sl. No. 4,5,10,12,14,15 and 16 of **Annexure-8**.
[#] Sl. No.4,9,12,14 and 16 of **Annexure-8.**
[^] Sl. No. 10,11,12,14 and 15 of **Annexure-8**.
[$] Sl. No. 1, 5 and 13 of **Annexure-8**.
[**] Sl. No. 3, 9, 15 and 16 of **Annexure-8**.
[!] Sl. No. 13 and 14 of **Annexure-8**.

The matter was referred to the Government and the companies/corporations in May 2006; replies of the Government and 10 companies had not been received (September 2006).

4.21 Vigilance mechanism in power sector companies

4.21.1 For investigating the complaints of corruption against the officers/officials working in the Power Sector Companies* and to detect cases of theft of energy by consumers, there exists a Vigilance Wing in HVPNL under the supervision of an Inspector General of Police designated as I.G. (Vigilance, Enforcement and Security). Presently, the post is held by an Additional Director General of Police drawn on deputation from the State Government. He functions under the overall control of the Commissioner and Secretary to Haryana Government, Power Department and is assisted by two Executive Engineers and one Senior Accounts Officer at Headquarters. There are six# field offices, each headed by an Executive Engineer and supported by Assistant Engineers/Junior Engineers. Besides, some police personnel are also on deputation from the Police Department.

The main duties entrusted to the Vigilance Wing are to:

- process cases of corruption against the officers/officials of the power sector companies;
- detect pilferage of energy; and
- inspect various stores of the power sector companies to check surplus/shortages of material.

It submits monthly progress report of its performance to the Government and the Board of Directors of the respective Companies. The performance of the Wing was analysed during March 2006 and results are given in the succeeding paragraphs.

4.21.2. Processing of vigilance cases

The Wing receives complaints against the employees/consumers of the power sector companies from various sources and investigates such complaints. After holding enquiry, if found fit, the Vigilance Wing gives its recommendations to the respective company for taking further action. The table below indicates the number of enquiries received, finalised and pending at the close of each year during the last three years ended 31 March 2006.

Year	Enquiries pending in the beginning of the year	Number of enquiries received	Number of enquiries finalised	Number of enquiries pending at the end of the year
2003-04@	742	838	1190	390
2004-05	390	839	1011	218
2005-06	218	781	772	227

* Haryana Power Generation Corporation Limited, Haryana Vidyut Prasaran Nigam Limited, Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited.

\# Ambala, Faridabad, Gurgaon, Hisar, Karnal and Rohtak.

@ Details prior to 2003-04 were not available.

Audit scrutiny of the records revealed that no system was evolved to monitor the follow up action subsequent to the recommendations made by the Wing as no information in this regard was supplied to Audit.

4.21.3 Delay in finalisation of cases

Government of India, Department of Personnel and Administrative Reforms had issued instructions in September 1981 that vigilance cases should be finalised within one year. Test-check of records for 2005-06, however, revealed that 37 cases were finalised taking one to five years and in one case the delay was more than 14 years without any reasons on record. Out of 227 cases pending finalisation as on 31 March 2006, 10 cases were pending (May 2006) for more than one year.

4.21.4 Detection of pilferage of power

The wing is engaged in enforcement activity *i.e.,* to detect pilferage of power by conducting raids on the premises of the consumers. Neither has the wing fixed any targets for checking/conducting raids nor had the Government prescribed any norms/targets. In absence of targets, the performance of the wing with regard to detection of pilferage cases could not be evaluated. The number of connections checked during the last five years ended 31 March 2006 are tabulated below:

Year	Total number of connections	Number of connections checked	Percentage of connections checked
2001-02	35,44,380	8,375	0.24
2002-03	36,19,868	9,980	0.28
2003-04	37,37,556	12,568	0.34
2004-05	38,74,965	8,480	0.22
2005-06	39,61,177	7,558	0.19

The table above would reveal that the percentage of checking of connections ranged between 0.19 and 0.34 only during these years.

On the basis of raids, the Vigilance Wing imposed total penalty of Rs. 92.60 crore during 2001-06. Audit scrutiny revealed that the wing had not evolved any system for watching actual recovery against the penalty imposed.

4.21.5 Court cases

During an exercise carried out by the Vigilance Wing in 2003-04, it was found that during 2001-04, out of 779 cases decided by various courts, the decisions were against the companies in 249 cases. Thus the success rate of the wing was about 68 *per cent*. It was further noticed that success rate at Gurgaon and Hisar offices was only 32 and 13 *per cent* respectively. Reasons for failure/low success rate were not analysed by the Vigilance Wing to enable it to take remedial measures. The Vigilance Wing did not review the success rate of court cases after 2003-04. Audit analysis revealed that non issue of provisional notice of assessment to the consumers, failure to produce evidence mentioned in the checking report, absence of witness's/consumer's signature on the checking reports, etc. resulted in losing the court cases.

4.21.6 Inspection of stores

The wing, in contravention of the duties entrusted by the Government, was not carrying out surprise checking of stores in order to ascertain surplus/shortage of material.

The matter was referred to the Government and the Company in May 2006; their replies had not been received (September 2006).

4.22 Follow up action on Audit Reports

Replies outstanding

4.22.1 The Comptroller and Auditor General of India's Audit Reports represent the culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in various 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 2002-03, 2003-04 and 2004-05 were presented to the State Legislature in February 2004, March 2005 and December 2005 respectively, four out of 11 departments, which were commented upon, did not submit replies to 15 out of 68 paragraphs/reviews as on 30 September 2006 as indicated below:

Year of the Audit Report (Commercial)	Number of reviews/paragraphs appeared in the Audit Report		Number of reviews/paragraphs for which replies were not received	
	Reviews	Paragraphs	Reviews	Paragraphs
2002-03	3	19	1	Nil
2003-04	2	22	-	2
2004-05	2	20	1	11
Total	**7**	**61**	**2**	**13**

Department-wise analysis is given in **Annexure 9**. The Power and Industries departments were the major defaulters with regard to submission of replies. The Government did not respond to even reviews highlighting important issues like system failures, mismanagement and deficiencies in execution of various schemes.

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

4.22.2 Replies to 22 paragraphs pertaining to 12 Reports of the COPU presented to the State Legislature between March 1995 and December 2005 had not been received (September 2006) 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	1
2002-03	2	2
2003-04	2	3
2004-05	1	12
Total	**12**	**22**

These reports of COPU contained recommendations in respect of paragraphs pertaining to five[@] departments, which appeared in the Reports of the Comptroller and Auditor General of India for the years 1990-91 to 2000-01.

[@] Power (seven), Agriculture (six), Industry (five), Mines and Geology (three) and Forest (one).

4.22.3 Response to Inspection Reports, audit paragraphs and Reviews

Audit observations noticed during audit and not settled on the spot are communicated to the respective heads of the PSUs and concerned departments of the State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Review of Inspection Reports issued upto March 2006 revealed that 691 paragraphs relating to 242 Inspection Reports pertaining to 21 PSUs and the Haryana Electricity Regulatory Commission remained outstanding at the end of 30 September 2006. Department-wise break up of Inspection Reports and audit observations outstanding as on 30 September 2006 is given in **Annexure 10.**

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. However, 20 draft paragraphs and one review forwarded to the various departments during January to July 2006 as detailed in **Annexure 11** had not been replied to so far (30 September 2006).

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

Chandigarh
Dated 29 NOV 2006

(Ashwini Attri)
Accountant General (Audit) Haryana

Countersigned

New Delhi
Dated 07 DEC 2006

(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 2006 in respect of Government companies and Statutory corporations

(Referred to in paragraphs 1.3, 1.4, 1.5 and 1.15)

(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 2005-06			Debt equity ratio for 2005-06 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Govt.	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
A. Working Government Companies													
AGRICULTURE & ALLIED													
1.	Haryana Agro Industries Corporation Limited	253.83	160.21	-	-	414.04	-	-	-	-	170.00	170.00	0.41:1 (0.75 : 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	-	102.19 (8.98)	489.56 (8.98)	-	-	-	25.00	-	25.00	0.05 : 1 (0.15 : 1)
Sector wise total		**666.34**	**271.71**	**-**	**121.85 (8.98)**	**1059.90 (8.98)**	**-**	**-**	**-**	**25.00**	**170.00**	**195.00**	**0.18 : 1 (0.36:1)**
INDUSTRY													
4.	Haryana State Industrial & Infrastructure Development Corporation Limited	7067.53 (2356.26)	-	-	-	7067.53 (2356.26)	285.80	-	16137.00	19.00	29949.00	29968.00	4.24 : 1 (2.56 : 1)
Sector wise total		**7067.53 (2356.26)**	**-**	**-**	**-**	**7067.53 (2356.26)**	**285.80**	**-**	**16137.00**	**19.00**	**29949.00**	**29968.00**	**4.24 : 1 (2.56 : 1)**
ENGINEERING													
5.	Haryana Roadways Engineering Corporation Limited	400.00	-	-	-	400.00	200.00	-	3460.00	-	9586.00	9586.00	23.97:1 (46.78 : 1)
Sector wise total		**400.00**	**-**	**-**	**-**	**400.00**	**200.00**	**-**	**3460.00**	**-**	**9586.00**	**9586.00**	**23.96:1 (46.78 : 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 2005-06			Debt equity ratio for 2005-06 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Govt.	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
ELECTRONICS													
6.	Haryana State Electronics Development Corporation Limited	781.76 (1.00)	-	-	-	781.76 (1.00)	1.00	-	-	-	-	-	-
7.	Hartron Informatics Limited[@]	-	-	50.00	-	50.00	-	-	-	-	-	-	-
Sector wise total		**781.76 (1.00)**	**-**	**50.00**	**-**	**831.76 (1.00)**	**1.00**	**-**	**-**	**-**	**-**	**-**	**-**
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	-	-	-	-	162.70	162.70	0.07:1 (0.15 : 1)
11.	Haryana State Roads and Bridges Development Corporation Limited	11370.23 (6370.23)	-	-	-	11370.23 (6370.23)	4310.00	-	2000.00	-	31008.00	31008.00	2.73 : 1 (4.84:1)
Sector wise total		**13870.23 (6370.23)**	**-**	**-**	**-**	**13870.23 (6370.23)**	**4310.00**	**-**	**2000.00**	**-**	**31170.70**	**31170.70**	**2.25:1 (3.61:1)**
DEVELOPMENT OF ECONOMICALLY WEAKER SECTION													
12.	Haryana Scheduled Castes Finance & Development Corporation Limited	1713.87 (120.00)	1411.84	-	-	3125.71 (120.00)	120.00	-	48.90	41.20	400.54	441.74	0.14 : 1 (0.19:1)

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 2005-06			Debt equity ratio for 2005-06 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Govt.	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
13.	Haryana Backward Classes & Economically Weaker Section Kalyan Nigam Limited	1115.99 (120.00)	-	-	-	1115.99 (120.00)	120.00	-	933.27	-	3083.03	3083.03	2.76:1 (2.70:1)
14.	Haryana Women Development Corporation Limited	933.72 (94.00)	109.98	-	-	1043.70 (94.00)	314.00	-	-	-	-	-	-
Sector wise total		**3763.58 (334.00)**	**1521.82**	**-**	**-**	**5285.40 (334.00)**	**554.00**	**-**	**982.17**	**41.20**	**3483.57**	**3524.77**	**0.67:1 (0.69:1)**
TOURISM													
15.	Haryana Tourism Corporation Limited	1985.61	-	-	-	1985.61	127.18	-	-	-	-	-	-
Sector wise total		**1985.61**	**-**	**-**	**-**	**1985.61**	**127.18**	**-**	**-**	**-**	**-**	**-**	**-**
POWER													
16.	Haryana Power Generation Corporation Limited	83194.67 (61849.60)	-	-	-	83194.67 (61849.60)	17869.00	-	10799.04	2100.47	241070.96	243171.43	2.92 : 1 (4.38 : 1)
17.	Haryana Vidyut Prasaran Nigam Limited	63232.57 (8296.50)	-	-	-	63232.57 (8296.50)	6796.50	304.00	41972.00	40875.00	257849.00	298724.00	4.72 : 1 (5.23:1)
18.	Uttar Haryana Bijli Vitran Nigam Limited @	11655.06	-	54698.55	-	66353.61	157.00	205.00	48515.00	6932.00	92490.00	99422.00	1.50 : 1 (0.53:1)
19.	Dakshin Haryana Bijli Vitran Nigam Limited @	13474.41 (4746.25)	-	43727.35	-	57201.76 (4746.25)	4546.25	-	3391.00	6895.00	16979.00	23874.00	0.42 : 1 (0.43:1)
Sector wise total		**171556.71 (74892.35)**	**-**	**98425.90**	**-**	**269982.61 (74892.35)**	**29368.75**	**509.00**	**104677.04**	**56802.47**	**608388.96**	**665191.43**	**2.46 :1 (2.61:1)**
Total A (All sector wise Government companies)		**200111.79 (83953.84)**	**1793.53**	**98499.94**	**121.85 (8.98)**	**300527.11 (83962.82)**	**34846.73**	**509.00**	**127256.21**	**56887.67**	**682748.23**	**739635.90**	**2.46:1 (2.61:1)**

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 2005-06			Debt equity ratio for 2005-06 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Govt.	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
B.	**Statutory corporations**												
FINANCING													
1.	Haryana Financial Corporation	2827.87		-	564.64	3392.51	300.00	-	1701.93	-	25139.49	25139.49	7.41:1 (10.14:1)
Sector wise total		**2827.87**		**-**	**564.64**	**3392.51**	**300.00**	**-**	**1701.93**		**25139.49**	**25139.49**	**7.41:1 (10.14:1)**
AGRICULTURE AND ALLIED													
2.	Haryana Warehousing Corporation	292.04	292.04	-	-	584.08	-	-	-	-	775.80	775.80	1.33: 1 (1.53:1)
Sector wise total		**292.04**	**292.04**	**-**	**-**	**584.08**	**-**	**-**	**-**	**-**	**775.80**	**775.80**	**1.33: 1 (1.53:1)**
Total B (All sector wise Statutory Corporations		**3119.91**	**292.04**	**-**	**564.64**	**3976.59**	**300.00**	**-**	**1701.93**	**-**	**25915.29**	**25915.29**	**6.52:1 (8.77:1)**
Grand total (A+B)		**203231.70 (83953.84)**	**2085.57**	**98499.94**	**686.49 (8.98)**	**304503.70 (83962.82)**	**35146.73**	**509.00**	**128958.14**	**56887.67**	**708663.52**	**765551.19**	**2.51:1 (2.71:1)**
C.	**NON-WORKING GOVERNMENT COMPANIES**												
AGRICULTURE AND ALLIED													
1.	Haryana State Minor Irrigation and Tubewells Corporation Limited	1089.10	-	-	-	1089.10	-	-	-	9766.00	-	9766.00	8.97:1 (8.97:1)
Sector wise total		**1089.10**	**-**	**-**	**-**	**1089.10**	**-**	**-**	**-**	**9766.00**	**-**	**9766.00**	**8.97:1 (8.97:1)**
INDUSTRY													
2.	Haryana Tanneries Limited	117.15	-	-	18.00	135.15	-	-	0.23	253.19	104.32	357.51	2.65:1 (2.64:1)
3.	Punjab State Irons# Limited	-	-	-	-	-	-	-	-	-	-	-	-
4.	Haryana Concast Limited@	290.00	-	340.51	54.99	685.50	-	-	-	139.00	230.00	369.00	0.54:1 (0.54:1)

Sl. No.	Sector & name of the Company	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year*	Loans** outstanding at the close of 2005-06			Debt equity ratio for 2005-06 (Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Govt.	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
5.	Haryana State Small Industries and Export Corporation Limited	181.48	10.00	-	-	191.48	-	-	-	921.12	-	921.12	4.81:1 (5.48:1)
6.	Haryana State Housing Finance Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-
Sector wise total		**588.63**	**10.00**	**340.51**	**72.99**	**1012.13**	**-**	**-**	**0.23**	**1313.31**	**334.32**	**1647.63**	**1.63:1 (1.74:1)**
HANDLOOM & HANDICRAFTS													
7.	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		**1942.90**	**40.00**	**340.51**	**72.99**	**2396.40**	**-**	**-**	**0.23**	**11201.81**	**334.32**	**11536.13**	**4.81:1 (4.85:1)**
Grand Total (A+B+C)		**205174.60$ (83953.84)**	**2125.57**	**98840.45**	**759.48 (8.98)**	**306900.10 (83962.82)**	**35146.73**	**509.00**	**128958.37**	**68089.48**	**708997.84**	**777087.32**	**2.53:1 (2.71:1)**

Note: Except in respect of companies/corporations, which finalised their accounts for 2005-06 figures are provisional and as given by the companies/corporations. Figures in brackets in column 3(a) to 3(e) indicate share application money.

* Includes bonds, debentures, inter corporate deposits etc.

** Loans outstanding at the close of 2005-06 represent long-term loans only.

@ Subsidiary companies.

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

$ The figure as per Finance Accounts is Rs. 2,05,174.60 lakh, the difference is under reconciliation.

\# Company at Sl.No. C-3 has filed application with Registrar of companies for winding up under simplified exit scheme.

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, 1.9, 1.10, 1.12, 1.17, 1.18, 1.19 and 1.35)

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

Sl. No.	Sector and name of the Company	Name of the Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss (-)	Net impact of Audit comments	Paid-up capital	Accumulated profit (+)/ loss (-)	Capital employed[#]	Total return on capital employed[$]	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover (Rupees in lakh)	Manpower (No. of employees) (as on 31.3.2006)
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	2004-05	2005-06	(-) 369.44	Nil	414.04	(+) 2107.99	(+) 18200.16	(+) 1879.66	10.33	-	61712.01	331
				2005-06	2006-07	(+)197.72	Nil	414.04	(+) 2305.71	(+) 12432.74	(+) 1600.08	12.87	-	58139.56	
2.	Haryana Land Reclamation and Development Corporation Limited	-do-	27 March 1974	2004-05	2005-06	(+) 27.13	-	156.30	(+) 794.73	(+) 1099.35	(+) 53.19	4.83	-	8210.38	217
				2005-06	2006-07	(+)37.92	Nil	156.30	(+) 833.80	(+) 928.35	(+) 49.36	5.32	-	5813.48	
3.	Haryana Seeds Development Corporation Limited	-do-	12 September 1974	2004-05	2005-06	(+) 45.50	-	488.05	(+) 356.04	(+) 1636.03	(+) 75.08	4.59	-	3302.51	404
				2005-06	2006-07	(+) 80.52	Nil	489.56	(+) 435.09	(+)1869.38	(+)114.82	6.14	-	3690.31	
Sector wise total						**(+)316.16**	--	**1059.90**	**(+)3574.60**	**(+)15230.47**	**(+)1764.26**	**11.58**		**67643.35**	**952**
INDUSTRY															
4.	Haryana State Industrial and Infrastructure Development Corporation Limited	Industry	8 March 1967	2005-06	2006-07	(+) 1123.16	Under finalization	7067.53	(+)2044.79	(+) 63437.25	(+)1919.39	3.03	-	3643.54	530
Sector wise total						**(+)1123.16**		**7067.53**	**(+) 2044.79**	**(+) 63437.25**	**(+) 1919.39**	**3.03**		**3643.54**	**530**
ENGINEERING															
5.	Haryana Roadways Engineering Corporation Limited	Transport	27 November 1987	2003-04	2006-07	(+) 10.66	Under finalization	200.00	(+) 114.65	(+) 9181.17	(+) 1110.16	12.09	2	5178.45	159
Sector wise total						**(+) 10.66**	-	**200.00**	**(+) 114.65**	**(+) 9181.17**	**(+) 1110.16**	**12.09**		**5178.45**	**159**

Sl. No.	Sector and name of the Company	Name of the Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss (-)	Net impact of Audit comments	Paid-up capital	Accumulated profit (+)/ loss (-)	Capital employed#	Total return on capital employed$	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover (Rupees in lakh)	Manpower (No. of employees) (as on 31.3.2006)
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	2003-04	2006-07	(+) 53.77	Nil	780.76	(+) 1324.93	(+) 1943.92	(+) 53.77	2.77	2	692.42	290
7.	Hartron Informatics Limited@	- do -	8 March 1995	2005-06	2006-07	(+) 4.55	Under Finalisation	50.00	(+) 56.17	(+)106.15	(+) 4.55	4.29	-	395.85	-
Sector wise total						**(+) 58.32**	**-**	**830.76**	**(+)1381.10**	**(+) 2050.07**	**(+) 58.32**	**2.84**		**1088.27**	**290**
FOREST															
8.	Haryana Forest Development Corporation Limited	Forest	7 December 1989	1998-99	2006-07	(+)170.72	Under Finalisation	60.46	(+) 376.00	(+) 436.85	(+) 170.72	39.08	7	1822.15	110
Sector wise total						**(+)170.72**		**60.46**	**(+) 376.00**	**(+) 436.85**	**(+) 170.72**	**39.08**		**1822.15**	**110**
MINING															
9.	Haryana Minerals Limited@	Mining and Geology	2 December 1972	2004-05	2005-06	(-) 19.01	Understatement of loss by Rs. 38.55 lakh	24.04	(-)966.41	(-)182.55	(-) 8.73	-	1	0.61	1
Sector wise total						(-) 19.01		**24.04**	**(-) 966.41**	**(-)182.55**	**(-) 8.73**	**-**	**-**	**0.61**	**1**
CONSTRUCTION															
10.	Haryana Police Housing Corporation Limited	Home	29 December 1989	2004-05	2005-06	¶	-	2500.00	-	(+)4867.87	-	-	1	3693.43	123
11.	Haryana State Roads and Bridges Development Corporation Limited	PWD(B &R)	13 May 1999	2004-05	2005-06	(-)606.32	-	7060.23	(-)1462.59	(+)42870.66	(+)992.07	2.31	1	3126.62	-
Sector wise total						**(-) 606.32**		**9560.23**	**(-) 1462.59**	**(+) 47738.53**	**(+)992.07**	**2.31**		**6820.05**	**123**
DEVELOPMENT OF ECONOMICALLY WEAKER SECTION															
12	Haryana Scheduled Castes Finance and Development Corporation Limited	Scheduled Castes and Backward Classes Welfare	2 January 1971	2001-02	2005-06	(+) 11.81	Profit overstated by Rs. 1.06 lakh	2817.45	(-)573.85	(+)5029.84	(+)43.17	0.86	4	269.02	228

Sl. No.	Sector and name of the Company	Name of the 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 terms of years	Turnover (Rupees in lakh)	Manpo-wer (No. of employ-ees) (as on 31.3.2006)
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	-do-	10 December 1980	2000-01	2005-06	(-)66.66	Understatement of loss by Rs. 194.18 Lakh	855.99	(-) 503.19	(+) 2330.43	(-) 5.63	-	-	91.25	67
				2001-02	2006-07	(-)131.06	Under Finalisation	875.99	(-)634.25	(+)2323.88	(-)78.74	-	4	98.26	
14.	Haryana Women Development Corporation Limited	Women and Child Development	31 March 1982	2004-05	2006-07	(-)16.43	-	729.70	(-)40.89	(+)783.50	(-)16.43	-	1	15.65	70
Sector wise total						**(-) 135.68**		**4423.14**	**(-) 1248.99**	**(+)8137.22**	**(-)52.00**	**0.64**		**382.93**	**365**
TOURISM															
15.	Haryana Tourism Corporation Limited	Tourism and Public Relations	1 May 1974	2001-02	2005-06	(+)44.03	-	1572.82	(+)379.33	(+) 2159.12	(+) 44.03	2.04	4	12921.19	2040
Sector wise total						**(+)44.03**	-	**1572.82**	**(+)379.33**	**(+) 2159.12**	**(+) 44.03**	**2.04**		**12921.19**	**2040**
POWER															
16.	Haryana Power Generation Corporation Limited	Power	17 March 1997	2003-04	2005-06	*	Overstatement of profit by Rs. 8.70 crore	49812.61	(-)5191.14	(+) 292018.85	(+) 16518.53	5.66	2	154410.13	4479
17.	Haryana Vidyut Prasaran Nigam Limited	-do-	19 August 1997	2005-06	2006-07	(-)10991.63	Nil	63232.57	(-) 20157.59	(+)172809.04	(+) 5618.31	3.25	-	44755.47	4836
18.	Uttar Haryana Bijli Vitran Nigam Limited@	-do-	15 March 1999	2004-05	2005-06	(-) 13621.68	-	66353.61	(-) 47196.87	(+) 112476.92	(-) 6154.13	-	1	233718.97	14050
19.	Dakshin Haryana Bijli Vitran Nigam Limited@	-do-	15 March 1999	2004-05	2005-06	(-) 20045.29	Understatement of loss by Rs.333.60 lakh	52655.51	(-) 55789.72	(+) 65577.25	(-) 16628.08	-	1	223499.61	11110
Sector wise total						**(-) 44658.60**		**232054.30**	**(-) 128335.32**	**(+) 642882.06**	**(-)645.37**	**-**		**656384.18**	**34475**
Total A (Working Govt. Companies)						**(-)43696.56**		**256853.18**	**(-) 124142.84**	**(+)791070.19**	**(+) 5352.85**	**0.68**		**755884.72**	**39045**
B.	**Statutory Corporations**														
FINANCING															
1.	Haryana Financial Corporation	Industry	1 April 1967	2004-05	2005-06	(-) 2286.39	Understatement of loss byRs.3.69crore	3092.51	(-)16611.03	(+)39316.71	(+)1553.20	3.95		4867.63	295
				2005-06	2006-07	(+) 1193.88	Under finalisation	3392.51	(-)15417.15	(+)33140.08	(+)4336.18	13.08		4065.02	
Sector wise total						**(+) 1193.88**		**3392.51**	**(-)15417.15**	**(+)33140.08**	**(+)4336.18**	**13.08**		**4065.02**	**295**

Sl. No.	Sector and name of the Company	Name of the 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 terms of years	Turnover (Rupees in lakh)	Manpo-wer (No. of employ-ees) (as on 31.3.2006)
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	2004-05	2005-06	(+)5177.72	Overstatement of profit by Rs. 122.73 lakh	584.08	(+)0.90	(+)26135.72	(+)5177.72	19.81		2733.70	916
				2005-06	2006-07	(+) 3977.10	Under audit	584.08	(+) 0.94	(+)29843.01	(+) 3977.10	13.33	-	2993.81	
Sector wise total						**(+)3977.10**		**584.08**	**(+)0.94**	**(+)29843.01**	**(+) 3977.10**	**13.33**		**2993.81**	**916**
Total B (Statutory corporations)						**(+) 5170.98**		**3976.59**	**(-)15416.21**	**(+) 62983.09**	**(+) 8313.28**	**13.20**		**7058.83**	**1211**
Grand Total (A+B)						**(-) 38525.58**		**260829.77**	**(-)139559.05**	**(+)854053.28**	**(+) 13666.13**	**1.60**		**762943.55**	**40256**
C. Non Working Companies															
AGRICULTURE AND ALLIED															
1..	Haryana State Minor Irrigation and Tubewells Corporation Limited	- do -	9 January 1970	2000-01	2005-06	(-)257.45	-	1089.10	(-)11536.83	(-)7535.74	(-)104.89	-		-	9
				2001-02	2006-07	(-)947.25	Under audit	1089.10	(-)12484.08	(-)8489.09	(+)309.25	-	4	-	
Sector wise total						**(-)947.25**		**1089.10**	**(-)12484.08**	**(-)8489.09**	**(+)309.25**	-		**-**	**9**
INDUSTRY															
2.	Haryana Tanneries Limited	Industry	12 September 1972	2005-06	2006-07	(-) 0.23	Not Reviewed	135.15	(-)1056.20	(-)40.01	(-) 0.23	-	-	-	-
3.	Punjab State Irons Limited	-do-	1 July 1965	2004-05	2005-06	(-) 1.83	Not Reviewed	7.45	(-) 4.36	(+) 3.09	(-) 1.83	-	1	-	-
4.	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	-	-
5.	Haryana State Small Industries and Export Corporation Limited	-do-	19 July 1967	2002-03	2005-06	(-)1005.19	Not Reviewed	191.48	(-)1737.89	(-)167.65	(-)917.04	-		423.99	12
				2003-04	2006-07	(-)290.90	Not Reviewed	191.48	(-)2028.79	(-)509.93	(-)158.69	-	2	0.28	
6.	Haryana State Housing Finance Corporation Limited@	-do-	19 June 2000	Ended 31 August 2001	2003-04	-	Not Reviewed	-	-	-	-	-	-	-	-
Sector wise total						**(-) 1090.05**		**1019.58**	**(-)5807.39**	**(+)392.83**	**(-)517.78**	**-**		**0.28**	**12**

Sl. No.	Sector and name of the Company	Name of the Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss (-)	Net impact of Audit comments	Paid-up capital	Accumulated profit (+)/ loss (-)	Capital employed#	Total return on capital employed$	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover (Rupees in lakh)	Manpower (No. of employees) (as on 31.3.2006)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
HANDLOOM AND HANDICRAFTS															
7.	Haryana State Handloom and Handicrafts Corporation Limited	Industry	20 February 1976	2001-02	2005-06	(-)73.32	Not Reviewed	295.17	(-) 516.35	(+)395.51	(-) 29.54	-	-	27.90	4
				2002-03	2006-07	(-)3.03	Nil	295.17	(-)516.70	(+)213.23	(+) 23.99	11.25	3	39.71	
Sector wise total						**(-) 3.03**		**295.17**	**(-) 516.70**	**(+)213.23**	**(+) 23.99**	**11.25**		**39.71**	**4**
Total C (Non working companies)						**(-) 2040.33**		**2403.85**	**(-)18808.17**	**(-)7883.03**	**(-)184.54**	**-**		**39.99**	**25**
Grand Total (A+B+C)						**(-) 40565.91**		**263233.62**	**(-)158367.22**	**(+) 846170.25**	**(+)13481.59**	**1.59**		**762983.54**	**40281**

\# 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.

® The Company has initiated action for its formal winding up as a defunct Company, so the accounts of the Company were not shown in arrears.

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 2006

(Referred to in paragraph 1.5)

(Figures in column 3(a) to 7 are 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 consultants 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	-	-	-	-	32146.00 (1500.00)	-	-	-	32146.00 (1500.00)	-	-	-	-	-	-
2.	Haryana Land Reclamation and Development Corporation Limited	551.99	61.33	100.00	713.32	-	-	-	-	-	-	-	-	-	-	-
3.	Haryana Seeds Development Corporation Limited	47.26	306.22	- -	353.48	-	-	-	-	-	-	-	-	-	-	-
4.	Haryana State Industrial & Infrastructure Development Corporation Limited	- 15672.00ψ	- 104.20ψ	4000.00 ψ	- 19776.20ψ	-	- (10000.00)	-	-	- (10000.00)	-	-	-	-	-	-
5.	Haryana Roadways Engineering Corporation Limited	-	-	-	-	-	4156.00 (9586.00)	-	-	4156.00 (9586.00)	-	-	-	-	-	-
6.	Haryana Police Housing Corporation Limited	-	- 570.00ψ	-	- 570.00ψ	-	- (2061.14)	-	-	- (2061.14)	-	-	-	-	-	-
7.	Haryana State Roads and Bridges Development Corporation Limited.	-	- 180.00ψ	- -	- 180.00ψ	-	- (52590.00)	-	-	- (52590.00)	-	-	-	-	-	-
8.	Haryana Scheduled Castes Finance and Development Corporation Limited	1331.72	592.38	-	1924.10	-	- (400.54)	-	-	- (400.54)	-	-	-	-	-	-
9.	Haryana Backward Classes & Economically Weaker Section Kalyan Nigam Limited	-	100.00	-	100.00	-	500.00 (4500.00)	-	-	500.00 (4500.00)	-	-	-	-	-	-
10.	Haryana Women Development Corporation Limited	34.59	245.00	-	279.59	-	-	-	-	-	-	-	-	-	-	-

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 consultants 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	- 674.35Ψ	- 1000.00Ψ	- 169.40Ψ	- 1843.75Ψ	-	-	-	-	-	-	-	-	-	-	-
12.	Haryana Power Generation Corporation Limited	-	-	-	-	- (990.00)	- (101069.00))	-	- (1193.00)	- (103252.00)	-	-	-	-	-	-
13.	Haryana Vidyut Prasaran Nigam Limited	-	-	-	-	- (990.00)	- (165221.20)	-	-	- (166211.20)	-	-	-	-	-	-
14.	Uttar Haryana Bijli Vitran Nigam Limited	-	80090.00	-	80090.00	-	- (11909.74)	-	-	- (11909.74)	-	-	-	-	-	-
15.	Dakshin Haryana Bijli Vitran Nigam Limited	-	48361.00	-	48361.00	-	- (7888.94)	-	-	- (7888.94)	-	-	-	-	-	-
Total A		**1965.56 16346.35Ψ**	**129755.93 1854.20Ψ**	**100.00 4169.40Ψ**	**131821.49 22369.95Ψ**	**32146.00 (3480.00)**	**4656.00 (365226.56)**	**-**	**- (1193.00)**	**36802.00 (369899.56)**	**-**	**-**	**-**	**-**	**-**	**-**
B. Statutory Corporations																
1.	Haryana Financial Corporation	-	-	-	-	-	13500.00 (4542.00)	-	-	13500.00 (4542.00)	-	-	-	-	-	-
2.	Haryana Warehousing Corporation	-	-	-	-	39000.00	-	-	-	39000.00	-	-	-	-	-	-
Total B		**-**	**-**	**-**	**-**	**39000.00**	**13500.00 (4542.00)**	**-**	**-**	**52500.00 (4542.00)**	**-**	**-**	**-**	**-**	**-**	**-**
Grand total (A+B)		**1965.56 16346.35Ψ**	**129755.93 1854.20Ψ**	**100.00 4169.40Ψ**	**131821.49 22369.95Ψ**	**71146.00 (3480.00)**	**18156.00 (369768.56)**	**-**	**- (1193.00)**	**89302.00 (374441.56)**	**-**	**-**	**-**	**-**	**-**	**-**

Note: Except in respect of companies/corporations, which finalised their accounts for 2005-06 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	2003-04	2004-05	2005-06
		(Rupees in crore)		
A.	**Liabilities**			
	Paid-up capital	30.92	30.92	33.93
	Share application money	-	-	--
	Reserve fund and other reserves and surplus	16.53	16.53	16.53
	Borrowings:			
(i)	Bonds and debentures	236.86	198.61	119.95
(ii)	Fixed deposits	-	-	-
(iii)	Industrial Development Bank of India and Small Industries Development Bank of India	141.07	114.90	126.12
(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)	-	-	5.32
	Other liabilities and provisions	205.14	210.02	200.27
	Total A	**630.52**	**570.98**	**502.12**
B.	**Assets**			
	Cash and Bank balances	35.84	24.33	7.03
	Investments	9.34	8.62	7.23
	Loans and Advances	399.68	335.98	298.75
	Net Fixed assets	17.43	17.27	16.72
	Other assets	17.66	11.49	11.04
	Miscellaneous expenditure and deficit	150.57	173.29	161.35
	Total B	**630.52**	**570.98**	**502.12**
C.	**Capital employed***	**462.07**	**393.17**	**331.40**

* 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	2003-04	2004-05	2005-06
			(Rupees in crore)	
A.	**Liabilities**			
	Paid-up capital	5.84	5.84	5.84
	Reserves and surplus	211.52	247.15	285.56
	Borrowings			
	Government	-	-	-
	Others	139.85	6.22	4.88
	Trade dues and current liabilities (including provisions)	54.61	83.22	67.63
	Deferred tax	1.13	2.15	2.15
	Total-A	**412.95**	**344.58**	**366.06**
B.	**Assets**			
	Gross block	108.68	108.96*	109.92**
	Less: Depreciation	21.03	23.47	25.94
	Net Fixed assets	87.65	85.49	83.98
	Capital works-in-progress	0.42	0.48	0.34
	Current assets, loans and advances	324.88	258.61	281.74
	Total B	**412.95**	**344.58**	**366.06**
C.	**Capital employed$**	**358.34**	**261.36**	**298.43**

* Including polythene covers of Rs. 0.35 crore.

** Including polythene covers of Rs. 0.55 crore.

$ 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	2003-04	2004-05	2005-06
		(Rupees in crore)		
1.	Income			
(a)	Interest on loans	56.03	48.68	40.65
(b)	Other income	1.15	2.57	3.60
	Total-1	**57.18**	**51.25**	**44.25**
2.	Expenses			
(a)	Interest on long-term and short-term loans	47.67	38.40	31.42
(b)	Other expenses	13.33	35.71	0.89
	Total-2	**61.00**	**74.11**	**432.31**
3.	Profit (+)/loss (-) before tax (1-2)	(-) 3.82	(-) 22.86	(+) 11.94
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	43.85	15.53	43.36
10.	Percentage of return on capital employed	9.49	3.95	13.08

2. Haryana Warehousing Corporation

	Particulars	2003-04	2004-05	2005-06
		(Rupees in crore)		
1.	Income			
(a)	Warehousing charges	29.88	27.34	29.94
(b)	Other income	12.13	50.73	35.72
	Total-1	**42.01**	**78.07**	**65.66**
2.	Expenses			
(a)	Establishment charges	8.92	9.65	10.03
(b)	Other expenses	19.17	16.64	15.86
	Total-2	**28.09**	**26.29**	**25.89**
3.	Profit (+)/Loss(-) before tax (1-2)	13.92	51.78	39.77
4.	Prior period adjustments	-	-	-
5.	Other appropriations	12.60	50.45	38.44
6.	Amount available for dividend	1.32	1.33	1.33
7.	Dividend for the year	1.32	1.33	1.33
8.	Total return on capital employed	13.92	51.78	39.77
9.	Percentage of return on capital employed	3.88	19.81	13.33

ANNEXURE – 6

Statement showing operational performance of Statutory corporations

(Referred to in paragraph 1.11)

1. Haryana Financial Corporation

Particulars	(Amount: Rupees in crore)					
	2003-04		2004-05		2005-06	
	Number	Amount	Number	Amount	Number	Amount
Applications pending at the beginning of the year	45	26.76	25	10.69	24	20.76
Applications received	261	35.47	281	95.75	252	110.61
Total	**306**	**62.23**	**306**	**106.44**	**276**	**131.37**
Loan applications sanctioned	244	34.88	257	51.70	225	78.18
Applications cancelled/ withdrawn/rejected/ reduced	37	16.66	25	33.98	28	33.72
Applications pending at the close of the year	25	10.69	24	20.76	23	19.47
Loans disbursed	306	30.93	244	26.95	217	40.35
Loan outstanding at the close of the year	3503	387.39	3038	324.54	2544	287.62
Amount overdue for recovery at the close of the year						
(a) Principal	-	224.98	-	223.28	-	194.78
(b) Interest	-	1024.52	-	1253.03	-	1387.56
Total	**-**	**1249.50**	**-**	**1476.31**	**-**	**1582.34**
Amount involved in recovery certificate cases	-	69.22	-	565.52	-	751.80
Percentage of overdue loans to the total outstanding loans	-	58.08	-	68.80	-	67.72

2. Haryana Warehousing Corporation

Particulars	2003-04	2004-05	2005-06
Number of stations covered	106	106	105
Storage capacity created up to the end of the year (tonnes in lakh)			
(a) Owned	11.26	12.95	11.24
(b) Hired	7.08	3.64	3.61
Total	**18.34**	**16.59**	**14.85**
Average capacity utilised during the year (tonnes in lakh)	11.80	8.47	8.51
Percentage of utilisation	64.34	51.05	57.31
Average revenue per tonne per year (Rupees)	229.08	470.52	442.10
Average expenses per tonne per year (Rupees)	153.19	158.47	174.33
Profit (+)/Loss (-) per tonne (Rupees)	(+) 75.89	(+) 312.05	(+) 267.77

ANNEXURE-7

Statement showing capacity utilisation and working results of warehouses during 2001-06

(Referred to in paragraph 3.1.8)

	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
1.	**No. of warehouses**	110	112	106	106	105
2	**Average storage capacity available (MT)**					
i)	**Owned capacity**					
	Covered	7,25,971	8,73,525	8,81,044	8,89,566	8,89,566
	Open	1,74,795	2,21,725	2,39,207	2,43,946	2,34,807
	Total	9,00,766	10,95,250	11,20,251	11,33,512	11,24,373
ii)	**Hired capacity**					
	Covered	2,98,561	4,62,696	3,65,029	4,17,530	2,96,934
	Open	5,24,147	4,67,023	3,48,673	1,08,187	64,002
	Total	8,22,708	9,29,719	7,13,702	5,25,717	3,60,936
iii)	**Total covered capacity**	10,24,532	13,36,221	12,46,073	13,07,096	11,86,500
iv)	**Total open capacity**	6,98,942	6,88,748	5,87,880	3,52,133	2,98,809
	Grand total	17,23,474	20,24,969	18,33,953	16,59,229	14,85,309
3	**Average storage capacity utilisation (MT)**					
	Covered	11,07,917	10,73,765	8,87,497	7,40,434	7,62,921
	Open	6,81,965	5,50,118	2,92,475	1,07,329	88,573
	Total	17,89,882	16,23,883	11,79,972	8,47,763	8,51,494
4	**Percentage of average capacity utilisation**					
	Covered	108.14*	80.36	71.22	56.65	64.30
	Open	97.57	79.87	49.75	30.48	29.64
	Overall	103.85*	80.19	64.34	51.09	57.33
5.	**Storage income (Rupees in crore)**	35.96	27.77	29.89	27.34	29.94
6.	**Profit earned (Rupees in crore)**	19.08	16.14	13.92	51.78	39.77
7.	**Profit from wheat activity (Rupees in crore)**	11.81	13.59	10.57	37.02	31.66
8.	**Percentage of profit from wheat activity**	61.89	84.20	75.93	71.49	79.61

* Due to raising the height of standard stacks, the capacity utilization was more than the available capacity.

ANNEXURE –8

Statement showing the details of companies/corporations which violated the Accounting Standards while finalising their accounts

(Referred to in paragraph 4.20)

Accounting Standard (AS) No. violated		AS1	AS2	AS3	AS4	AS6	AS7	AS9	AS10	AS13	AS15	AS17	AS18	AS20	AS22
Details of Accounting Standard		**Disclosure of Accounting Polices**	**Valuation of inventories**	**Cash flow statement**	**Contin-gencies**	**Depreciation Accounting**	**Construction contracts**	**Revenue recognition**	**Fixed assets**	**Investments**	**Retirement benefits**	**Segment reporting**	**Related party disclosures**	**Earning per share**	**Taxes on income**
Sr. No.	**Name of Company**	**Year/years in which violated**													
1.	Haryana Agro Industries Corporation Limited														2002-03, 2003-04 & 2004-05
2.	Haryana Land Reclamation and Development Corporation Limited			2003-04 & 2004-05							2002-03, 2003-04 & 2004-05				
3.	Haryana Seeds Development Corporation Limited										2001-02, 2002-03, 2003-04 & 2004-05				
4.	Haryana State Industrial and Infrastructure Development Corporation Limited		2002-03, 2003-04 & 2004-05					2002-03, 2003-04 & 2004-05		2002-03, 2003-04 & 2004-05					
5.	Haryana Roadways Engineering Corporation Limited		2001-02, 2002-03 & 2003-04								2001-02, 2002-03 & 2003-04				2002-03 & 2003-04
6.	Haryana State Electronics Development Corporation Limited										2000-01, 2001-02 & 2002-03				
7.	Haryana Scheduled Castes Finance and Development Corporation Limited										1998-99, 1999-2000 & 2000-01				

Accounting Standard (AS) No. violated		AS1	AS2	AS3	AS4	AS6	AS7	AS9	AS10	AS13	AS15	AS17	AS18	AS20	AS22
Details of Accounting Standard		**Disclosure of Accounting Polices**	**Valuation of inventories**	**Cash flow statement**	**Contin-gencies**	**Depreciation Accounting**	**Construction contracts**	**Revenue recognition**	**Fixed assets**	**Investments**	**Retirement benefits**	**Segment reporting**	**Related party disclosures**	**Earning per share**	**Taxes on income**
Sr. No.	**Name of Company**	**Year/years in which violated**													
8.	Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Corporation Limited										1998-99, 1999-2000 & 2000-01				
9.	Haryana Tourism Corporation Limited						1999-2000, 2000-01 & 2001-02	1999-2000, 2000-01 & 2001-02	1999-2000, 2000-01 & 2001-02	1999-2000, 2000-01 & 2001-02	1999-2000, 2000-01 & 2001-02				
10.	Haryana Power Generation Corporation Limited		2000-01, 2001-02 & 2002-03			2000-01, 2001-02 & 2002-03									
11.	Uttar Haryana Bijli Vitran Nigam Limited					2002-03, 2003-04 & 2004-05									
12.	Dakshin Haryana Bijli Vitran Nigam Limited		2002-03, 2003-04 & 2004-05			2002-03, 2003-04 & 2004-05		2002-03, 2003-04 & 2004-05							
	Corporations														
13.	Haryana Financial Corporation										2003-04 & 2004-05				2002-03, 2003-04 & 2004-05
14.	Haryana Warehousing Corporation		2002-03, 2003-04 & 2004-05	2002-03, 2003-04 & 2004-05		2002-03, 2003-04 & 2004-05		2002-03, 2003-04 & 2004-05			2002-03, 2003-04 & 2004-05	2002-03, 2003-04 & 2004-05	2002-03, 2003-04 & 2004-05	2002-03, 2003-04 & 2004-05	
	Non-working Companies														
15.	Haryana State Minor Irrigation and Tubewells Corporation Limited	1998-99, 1999-2000 & 2000-01	1998-99, 1999-2000 & 2000-01		1998-99, 1999-2000 & 2000-01	1998-99, 1999-2000 & 2000-01	1998-99, 1999-2000 & 2000-01		1998-99, 1999-2000 & 2000-01		1998-99, 1999-2000 & 2000-01				
16.	Haryana State Handloom and Handicrafts Corporation Limited		1999-2000, 2000-01 & 2001-02					1999-2000, 2000-01 & 2001-02			1999-2000, 2000-01 & 2001-02				

ANNEXURE-9

Statement showing reviews/ paragraphs for which replies were not received

(Referred to in Paragraph 4.22.1)

Sl. No.	Name of the Department	2002-03		2003-04		2004-05		Total	
		Reviews	Paragraphs	Reviews	Paragraphs	Reviews	Paragraphs	Reviews	Paragraphs
1.	Power	-	-	-	2	1	7	1	9
2.	Industries	-	-	-	-	-	3	-	3
3	Tourism	1	-	-	-	-	-	1	-
4.	Construction	-	-	-	-	-	1	-	1
	Total	**1**	**-**	**-**	**2**	**1**	**11**	**2**	**13**

ANNEXURE -10

Statement showing the department-wise break up of Inspection Reports outstanding as on 30 September 2006

(Referred to in Paragraph 4.22.3)

Sl. No	Name of the Department	No. of PSUs	No. of outstanding IRs	No. of outstanding Paragraphs	Year from which observations outstanding
1.	Agriculture	4	15	55	1994-95
2.	Industry	2	4	11	2004-05
3.	Transport	1	8	23	1995-96
4.	Electronics	2	4	5	2002-03
5.	Forest	1	5	9	1999-2000
6.	Mining and Geology	1	5	8	1996-97
7.	Home	1	3	7	2003-04
8.	Scheduled Castes and Backward Classes Welfare	2	7	23	1999-2000
9.	Women and Child Development	1	1	1	2005-06
10.	Tourism and Public Relations	1	3	26	2004-05
11.	Public Works Department (B&R)	1	3	8	2003-04
12.	Power	5*	184	515	1995-96
	Total	**22**	**242**	**691**	

* Including Haryana Electricity Regulatory Commission.

ANNEXURE - 11

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

(Referred to in paragraph 4.22.3)

Sl. No.	Name of Department	No. of draft paragraphs	No. of reviews	Period of issue of draft paragraphs/ reviews
1.	Power	11	-	February - July 2006
2.	Industry	6	-	March - May 2006
3.	Agriculture	1	1	May - July 2006
4.	Finance	1	-	May 2006
5.	Public works Department (B&R)	1	-	March 2006
	Total	**20**	**1**	