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Report of the Comptroller and Auditor General of India on Public Sector Undertakings (Economic Sector) for the year ended 31 March 2016

Government of Himachal Pradesh

Report No. 2 of the year 2017

Report of the
Comptroller and Auditor General of India

on

Public Sector Undertakings
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PREFACE

This report deals with the results of test audit of Government companies and Statutory corporations for the year ended March 2016.

The accounts of Government companies (including companies deemed to be Government companies as *per* the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, read with Section 619 of the Companies Act, 1956, and Sections 139 and 143 of the Companies Act, 2013. The audit of statutory corporations is conducted under their respective legislation.

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

The instances mentioned in this Report are those which came to notice in the course of test audit during the year 2015-16 as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports. Instances relating to the period subsequent to 2015-16 have also been included, wherever necessary.

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

Overview

OVERVIEW

This Report contains one performance audit on provision of transport services within the State of Himachal Pradesh and 11 paragraphs with financial implication of ₹ 258.14 crore relating to issues of avoidable payment due to the non-compliance of rules, directives and procedures, non / short recovery of energy charges and infructuous expenditure that resulted in losses to the companies / corporations.

1. *Functioning of State Public Sector Undertakings (PSUs)*

The State of Himachal Pradesh had 20 working PSUs (18 Government companies and two statutory corporations) and two non-working companies which employed 34,457 employees. As on 31 March 2016, the investment (capital and long-term loans) in 22 PSUs was ₹ 10,820.11 crore. Out of the total investment in State PSUs, 99.27 *per cent* was in working PSUs and the remaining 0.73 *per cent* in non-working PSUs. The total investment consisted of 33.82 *per cent* towards capital and 66.18 *per cent* in long-term loans. The thrust of PSU investment was mainly in the power sector which increased from 82.36 *per cent* to 88.06 *per cent* of the total investment during 2011-12 (₹ 5,376.56 crore) to 2015-16 (₹ 9,527.82 crore). The budgetary outgo towards equity, loans and grants / subsidies which stood at ₹ 722.69 crore in 2011-12 increased to ₹ 1,027.70 crore in 2015-16.

(Paragraphs 1.1, 1.6, 1.7 and 1.8)

2. *Performance audit on provision of transport services within the State of Himachal Pradesh*

A performance audit of transport services within the State of Himachal Pradesh brought out that poor operational efficiencies and productivity, a fare structure that did not adequately match operational expenses and lack of a mechanism for route analysis before allotment between the Himachal Road Transport Corporation (Corporation) and private operators to encourage bunching of profitable routes with uneconomical ones resulted in accumulation of losses of ₹ 1,018.64 crore during the period 2011-16 to the Corporation. The operational performance of the Corporation was below the all India average in respect of hilly States in respect of vehicle productivity, achievement of scheduled kilometers and fuel costs which resulted in depriving the Corporation of potential revenue of ₹ 579.23 crore. Some of the main points are summarised below:

No criteria had been determined to ascertain which routes were to be allotted to the Corporation and which to the private operators. Audit analysis brought out that only 10 *per cent* of route frequencies between district headquarters and tourist destinations with maximum flow of commuters were allotted to the Corporation and 90 *per cent* to private operators. There was no mechanism in place to ensure that burden of uneconomical routes were equitably shared by both the Corporation and the private operators. Further, no mechanism had been established to ensure the reasonability of the price of a route permit and they were being allotted on an *ad hoc* basis.

(Paragraph 2.7.1)

Poor enforcement of judicial decisions as well as provisions of the Motor Vehicles Act relating to installation of speed governors and vehicle tracking systems and ineffective monitoring compromised maintenance of road safety and pollution standards in the State.

(Paragraphs 2.9 and 2.10)

Vehicle productivity achieved by the Corporation was 16 to 54 kilometers less than the all India average during 2011-16 which deprived the Corporation of potential traffic revenue of ₹ 313.29 crore during 2011-16.

(Paragraph 2.14.3)

Inconsistencies in recording of 'dead kilometers' between ISBT Delhi and parking space in Jagatpur in eight test checked units brought out loss of ₹ 2.14 crore on account of extra dead mileage during the period of five years ended March 2016.

(Paragraph 2.15.2)

The Corporation consumed 498.38 lakh litres of fuel in excess of the all India average during 2011-16 resulting in extra expenditure of ₹ 240.02 crore.

(Paragraph 2.16)

The State government compensates the Corporation for concessions and free passes for various sections of society. However, the Corporation submitted its claims only on estimation basis and not on actuals. Out of total estimated claims of ₹ 1,111.66 crore during 2011-16, the State Government reimbursed ₹ 895.00 crore leaving ₹ 216.66 crore unrecovered.

(Paragraph 2.18)

3. Audit of Transactions

Non-completion of Re-Structured Accelerated Power Development and Reforms Program works by the Himachal Pradesh State Electricity Board Limited (Company) within schedule time resulted in loss of potential revenue of ₹ 73.06 crore due to non-achievement of envisaged loss reduction targets besides forfeiting grant of ₹ 17.92 crore which was admissible on successful completion of the projects within the time schedule approved by the Government of India. Further, the Company failed to deduct entry tax from the contractors and will have to deposit ₹ 8.64 crore along with interest and penalty as demanded by tax authorities. The Company did not recover penalty of ₹ 2.43 crore from the contractors on account of non-completion of required formalities such as non-submission of PERT chart and performance bank guarantee as *per* contract agreement and non-synchronisation of allied works by the contractors rendered expenditure of ₹ 8.87 crore unfruitful.

(Paragraph 3.1)

The Himachal Pradesh State Electricity Board Limited failed to recover energy charges of ₹ 18.46 crore due to acceptance of bank guarantee for amount that was less than that stipulated in Government instructions and delay in taking remedial action despite repeated defaults.

(Paragraph 3.2)

Payment of interest by the Himachal Pradesh State Electricity Board Limited on refund of ₹ 39.49 lakh due to an industrial consumer on monthly compounding basis instead of simple interest resulted in excess payment of interest of ₹ 1.24 crore.

(Paragraph 3.3)

The Himachal Pradesh State Electricity Board Limited suffered avoidable loss of ₹ 41.58 lakh by not initiating timely action for encashment of bank guarantee of defaulting contractor coupled with non-recovery of full amount of liquidated damages as *per* terms and conditions of the contract.

(Paragraph 3.4)

Incorrect evaluation of bids by the Himachal Pradesh State Electricity Board Limited on number basis instead kilogram basis for galvanized iron wire resulted in extra payment of ₹ 2.55 crore to a contractor.

(Paragraph 3.5)

The Himachal Pradesh State Electricity Board Limited failed to restrict contract demand to 50 *per cent* of the original sanctioned demand in terms of Schedule of Tariff which resulted in short-recovery of fixed demand charges of ₹ 56.70 lakh from an industrial consumer.

(Paragraph 3.6)

Delay on the part of the Himachal Pradesh State Electricity Board Limited in conveying exemption granted by State government for installation of Real Time Online Water Discharge Monitoring System on Hydro Electric Projects to its field units resulted in infructuous expenditure of ₹ 2.19 crore on installation of devices which were not required to be installed.

(Paragraph 3.7)

Failure of the Himachal Pradesh General Industries Corporation Limited to take into account risk and cost from alternate sources and production loss while arriving at a mutual settlement with a defaulting firm relating to purchase of Extra Neutral Alcohol despite clear provisions in the contract and directions of Hon. Court resulted in non-recovery of ₹ 81.95 lakh.

(Paragraph 3.8)

The Himachal Pradesh Minorities Finance and Development Corporation failed to meet the target of distribution of assistance to eligible beneficiaries from the minority community and weaker sections and persons with disabilities. The Company failed to disburse sanctioned loan of ₹ 1.94 crore due to non-arrangement of required government guarantee and could not implement *Mahila Samridhi Yojana* despite allocation of ₹ 1.20 crore by the apex institution. Further, non-provision of calculation of normal interest from defaulters in the software led to short recovery of interest of ₹ 1.44 crore.

(Paragraph 3.9)

The Himachal Pradesh Power Transmission Corporation Limited had withdrawn excess loan funds without reference to the actual expenditure incurred on the project resulting in an extra financial burden of ₹ 1.52 crore. Non-adherence to norms of debt equity ratio for sharing costs would result in loss on Return on Equity of ₹ 3.80 crore *per annum*. Further, inconsistent approach in allowing interest free mobilisation advance led to interest loss of ₹ 5.11 crore.

(Paragraph 3.10)

The Himachal Pradesh Power Corporation Limited failed to claim exemption of excise duty as allowed by the Government of India to Asian Development Bank funded projects resulting in avoidable payment of excise duty of ₹ 36.11 crore.

(Paragraph 3.11)

Chapter-I

Functioning of State Public Sector Undertakings

CHAPTER-I

FUNCTIONING OF STATE PUBLIC SECTOR UNDERTAKINGS

1.1 *Introduction*

State Public Sector Undertakings (PSUs) consist of State government companies and statutory corporations. State PSUs are established to carry out activities of a commercial nature and occupy an important place in the State's economy. As on 31 March 2016, there were 22 PSUs. Of these, one company[1] was listed (April 1995) on the Delhi Stock Exchange. During the year 2015-16, one PSU[2] was incorporated and no PSU was closed down. The details of State PSUs in Himachal Pradesh as on 31 March 2016 are given in table 1.1 below.

Table 1.1: Total number of PSUs as on 31 March 2016

Type of PSUs	Working PSUs	Non-working PSUs[3]	Total
Government Companies[4]	18	2	20
Statutory Corporations	2[5]	-	2
Total	**20**	**2**	**22**

The working PSUs registered a turnover of ₹ 7,565.74 crore ***(Appendix 1.2)*** as *per* their latest finalised accounts as of September 2016. This turnover was equal to 6.79 *per cent* of the State Gross Domestic Product (GDP) for 2015-16. The working PSUs incurred aggregate loss of (-) ₹ 334.79 crore ***(Appendix 1.2)*** as *per* their latest finalised accounts as of September 2016. They had employed 34,457 employees as at the end of March 2016.

As on 31 March 2016, there were two non-working PSUs existing from last eight to 16 years having investment of ₹ 78.79 crore.

1.2 *Accountability framework*

The audit of Government companies is governed by Sections 139 and 143 of the Companies Act, 2013 (Act). According to Section 2 (45) of the Act, a Government company means any company in which not less than fifty one *per cent* of the paid-up share capital is held by the Central government or by any State government or governments or partly by the Central government and partly by one or more State governments and includes a company which is a subsidiary company of such a government company.

1 Himachal Pradesh General Industries Corporation Limited.
2 Himachal Pradesh Kaushal Vikas Nigam.
3 Non-Working PSUs are those which have ceased to carry on their operations.
4 Government PSUs includes other Companies referred to in Section 139 (5) and 139 (7) of the Companies Act, 2013.
5 Himachal Pradesh Financial Corporation and Himachal Road Transport Corporation.

Further, as *per* sub-Section 7 of Section 143 of the Act, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, the Comptroller and Auditor General of India (CAG) may cause an audit to be conducted of the accounts of such company and Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to such audit. The audit of the financial statements of a company in respect of the financial years that commenced on or after 1 April 2014 shall be governed by the provisions of the Companies Act, 2013.

1.3 Statutory Audit

The financial statements of Government companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by statutory auditors who are appointed by CAG under Section 139 (5) or (7) of the Act. The statutory auditors shall submit a copy of Audit Report to the CAG which among other things includes the directions issued by the CAG, the action taken thereon and its impact on the accounts. The financial statements are subject to supplementary audit by CAG within sixty days from the date of receipt of the Audit Report under Section 143 (6) of the Act.

Audit of statutory corporations is governed by their respective legislations. Out of the two statutory corporations[6], CAG is the sole auditor for the Himachal Road Transport Corporation (HRTC). In respect of Himachal Pradesh Financial Corporation (HPFC), the audit is conducted by chartered accountants and supplementary audit by CAG.

1.4 Role of Government and Legislature

The State government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government.

The State Legislature monitors the accounting and utilisation of Government investment in the PSUs. For this purpose, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State government companies and Separate Audit Reports in case of statutory corporations, are to be placed before the Legislature under Section 394 of the Act or as stipulated in the respective Acts. The Audit Reports of CAG are submitted to the Government under section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

1.5 Stake of State Government in the Public Sector Undertakings

The State government has substantial financial stake in these PSUs which is mainly of three types:

- **Share Capital and Loans**- In addition to Share Capital Contribution, State government also provides financial assistance by way of loans to the PSUs from time to time.

6 Himachal Pradesh Financial Corporation and Himachal Road Transport Corporation.

- **Special Financial Support-** State government provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees-** State government guarantees the repayment of loans with interest, availed by the PSUs from financial institutions.

1.6 Investment in State PSUs

As on 31 March 2016, the investment (capital and long-term loans) in 22 PSUs was ₹ 10,820.11 crore as given in table 1.2 below.

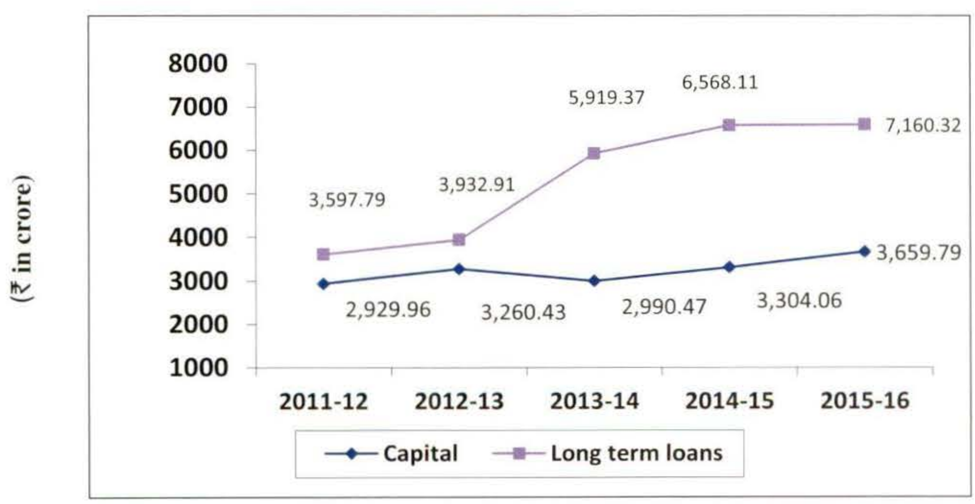
Table 1.2: Total investment in PSUs

(₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	2,919.04	6,906.37	9,825.41	722.11	193.80	915.91	10,741.32
Non-working PSUs	18.64	60.15	78.79	-	-	-	78.79
Total	**2,937.68**	**6,966.52**	**9,904.20**	**722.11**	**193.80**	**915.91**	**10,820.11**

As on 31 March 2016, 99.27 *per cent* of the total investment in State PSUs was in working PSUs and the remaining 0.73 *per cent* in non-working PSUs. This total investment consisted of 33.82 *per cent* towards capital and 66.18 *per cent* in long-term loans. The investment has grown by 65.28 *per cent* from ₹ 6,527.75 crore (Capital: ₹ 2,929.96 crore and Long term loans: ₹ 3,597.79 crore) in 2011-12 to ₹ 10,820.11 crore (Capital: ₹ 3,659.79 crore and Long term loans: ₹ 7,160.32 crore) in 2015-16 as shown in the graph 1.1 below.

Graph 1.1: Total investment in PSUs



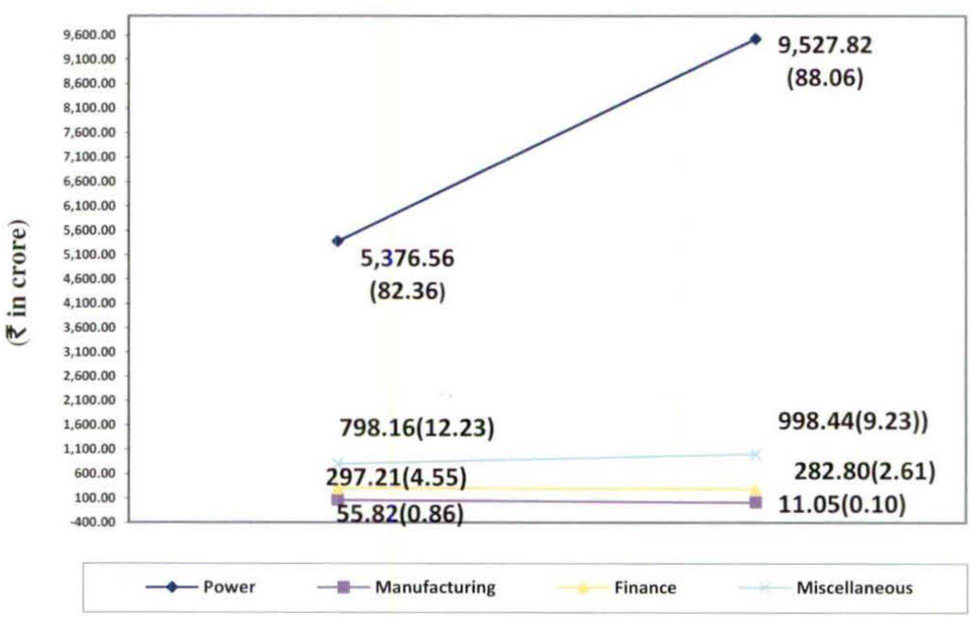
1.7 The sector wise summary of investments in State PSUs as on 31 March 2016 is given in table 1.3 below.

Table 1.3: Sector-wise investment in PSUs

Name of Sector	Government companies		Statutory corporations	Total	Investment
	Working	Non-Working	Working		(₹ in crore)
Power	4	-	-	4	9,527.82
Manufacturing	1	1	-	2	11.05
Finance	3	-	1	4	282.80
Service	5	-	1	6	735.32
Infrastructure	2	-	-	2	55.82
Agriculture and Allied	3	1	-	4	207.30
Total	**18**	**2**	**2**	**22**	**10,820.11**

The investment in four significant sectors and percentage thereof at the end of 31 March 2012 and 31 March 2016 are indicated below in graph 1.2 below.

Graph 1.2: Sector wise investment in PSUs



(Figures in brackets show the sector-wise percentage of investment to total investment)

The thrust of PSU investment was mainly in the power sector which increased from 82.36 *per cent* to 88.06 *per cent* of the total investment during period from 2011-12 (₹ 5,376.56 crore) to 2015-16 (₹ 9,527.82 crore). The investment in manufacturing and finance sector decreased from ₹ 55.82 crore to ₹ 11.05 crore and ₹ 297.21 crore to ₹ 282.80 crore respectively. However, the investment in miscellaneous sector increased from ₹ 798.16 crore to ₹ 998.44 crore as on March 2016 in comparison to March 2012.

1.8 Special support and returns during the year

The State government provides financial support to PSUs in various forms through its annual budget. The summarised details of budgetary outgo towards equity, loans, grants / subsidies, loans written off and interest waived in respect of State PSUs are given in table 1.4 below for three years ended 31 March 2016.

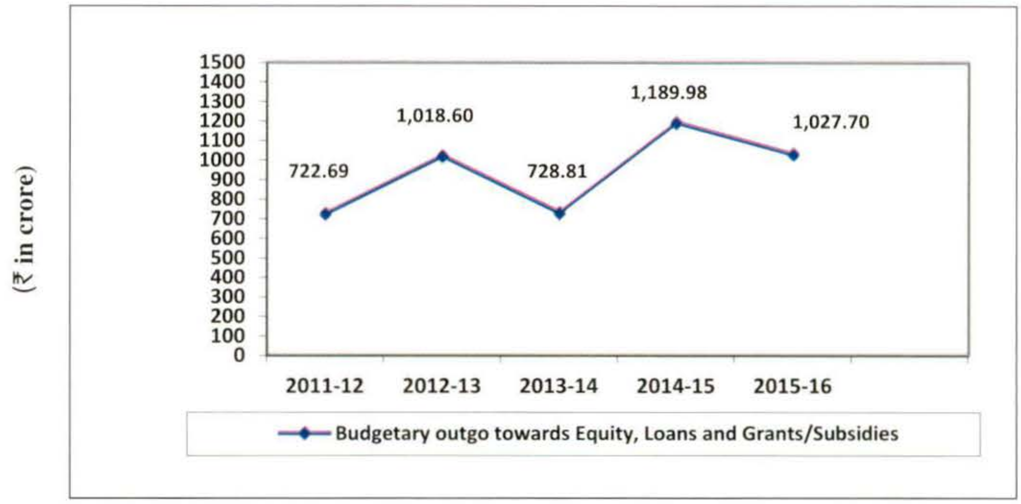
Table 1.4: Details regarding budgetary support to PSUs

(₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	6	261.77	7	283.38	8	308.29
2.	Loans given from budget	1	49.20	2	119.15	2	96.04
3.	Grants / Subsidy from budget	7	417.84	7	787.45	9	623.37
4.	**Total Outgo (1+2+3)**		**728.81**		**1,189.98**		**1,027.70**
5.	Waiver of loans / interest and loans converted into equity	1	7.05	1	19.11[7]	0	Nil
6.	Guarantees issued	9	2,332.54	9	4,919.21	9	2,855.24
7.	Guarantee Commitment	9	2,768.03	9	2,746.24	8	1,516.87
8.	Guarantee fee	2	0.09	2	0.09	2	0.09

The details regarding budgetary outgo towards equity, loans and grants / subsidies for past five years are given in graph 1.3 below.

Graph 1.3: Budgetary outgo towards Equity, Loans and Grants / Subsidies



[7] The State government has converted loans into equity during 2013-14 in respect HPSEBL, but the Company has not finalised its account for the year 2013-14.

The budgetary outgo of the State government towards equity, loans and grants / subsidies during the years 2011-12 to 2015-16 had shown a varying trend. The budgetary outgo which stood at ₹ 722.69 crore in 2011-12 increased to ₹ 1,189.98 crore in 2014-15 but decreased to ₹ 1,027.70 crore in 2015-16. This quantum of budgetary outgo was mainly due to equity, loans and grants / subsidies invested / released to Himachal Pradesh Road and Other Infrastructure Development Corporation Limited (HPRIDC), Himachal Pradesh State Electricity Board Limited (HPSEBL), Himachal Pradesh Power Corporation Limited (HPPCL), Himachal Pradesh Power Transmission Corporation Limited (HPPTCL), Himachal Pradesh Mahila Vikas Nigam (HPMVN) and Himachal Road Transport Corporation (HRTC).

In order to enable PSUs to obtain financial assistance from banks and financial institutions, State government provides guarantee and charges guarantee fee from zero *per cent* to one *per cent*. During 2015-16, the Government had guaranteed loans aggregating ₹ 2,855.24 crore obtained by nine PSUs. The guarantee commitment decreased to ₹ 1,516.87 crore (eight PSUs) in 2015-16 from ₹ 2,746.24 crore (nine PSUs) in 2014-15. Further, two PSUs[8] paid guarantee fee to the tune of ₹ 0.09 crore during 2015-16.

1.9 Reconciliation with Finance Accounts

The figures in respect of equity, loans and guarantees outstanding as *per* records of State PSUs should agree with the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance department should carry out reconciliation of differences. The position in this regard as at 31 March 2016 is given in table 1.5 below.

Table 1.5: Equity, loans, guarantees outstanding as *per* finance accounts *vis a vis* records of PSUs

(₹ in crore)

Sl. No.	Outstanding in respect of	Amount as *per* Finance Accounts	Amount as *per* records of PSUs	Difference
1.	**Equity**	1,811.17	1,899.47	110.42
2.	**Loans**	423.30	1,254.09	519.02

There was a mismatch between figures furnished by the State PSUs and those depicted in the Finance Accounts. Reasons for the difference were not furnished by the PSUs though the concerned administrative departments, PSUs and Finance Department were requested (September 2016) to take necessary action to reconcile the differences.

1.10 Arrears in finalisation of accounts

The financial statements for every financial year are required to be finalised by the companies within six months from the end of the relevant financial year *i.e.* by September end in accordance with Section 96 (1) of the Companies Act, 2013. Failure to do so may attract penal provisions under Section 99 of

8 Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited and Himachal Pradesh State Handicrafts and Handloom Corporation Limited.

the Act. In case of statutory corporations, their accounts are finalised, audited and presented to the Legislature as *per* the provisions of their respective Acts.

The details of progress made by working PSUs in finalisation of accounts as of 30 September 2016 are given in table 1.6 below.

Table 1.6: Position relating to finalisation of accounts of working PSUs

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1	**Number of working PSUs / other companies**	19	19	19	19	20
2.	**Number of accounts finalised during the year**	15	15	16	16	19
3.	**Number of accounts in arrears**	16	20	23	26	27
4.	**Number of Working PSUs with arrears in accounts**	10	12	15	18	18
5.	**Extent of arrears (numbers in years)**	1 to 2 years	1 to 3 years	1 to 3 years	1 to 3 years	1 to 3 years

The administrative departments have the responsibility of overseeing the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments were updated regularly on the status of arrears in finalisation of accounts, no remedial measures were taken. As a result, the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was taken up (July 2016) with the Chief Secretary / Director, Institutional Finance and Public Enterprises for liquidating the arrears of accounts. However, no significant improvement has been noticed.

1.11 The State government had invested ₹ 809.10 crore in 11 PSUs for which accounts have not been finalised as detailed in ***Appendix 1.1***. In the absence of finalisation of accounts and their audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and whether the purpose for which the amount was invested had been achieved or not. Thus, government's investment in such PSUs has remained outside the oversight of the State Legislature.

1.12 As on 30 September 2016, there were arrears in finalisation of accounts by non-working PSUs as depicted in table 1.7 below.

Table 1.7: Position relating to arrears of accounts in respect of non-working PSUs

Name of non-working company	Period for which accounts were in arrears	No. of years for which accounts were in arrears
Himachal Worsted Mills Limited	Under process of liquidation	Under process of liquidation
Agro Industrial Packaging India Limited	2014-15	2

Out of two non-working PSUs, Himachal Worsted Mills Limited was in the process of liquidation since 2000-01 and accounts were finalised up to that period. The Agro Industrial Packaging India Limited had finalised its accounts up to 2013-14.

1.13 Placement of Separate Audit Reports

The status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2016) on the accounts of statutory corporations in the Legislature is given in table 1.8 below.

Table 1.8: Status of placement of SARs in Legislature

Sl. No.	Name of statutory corporation	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
1.	**Himachal Pradesh Financial Corporation**	2014-15	2015-16	09.09.2016
2.	**Himachal Road Transport Corporation**	2014-15	2015-16	Accounts yet to be finalised.

1.14 Impact of non-finalisation of accounts

Delay in finalisation of accounts raises the risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the arrears of accounts, the actual contribution of PSUs to the State GDP for the year 2015-16 could not be ascertained.

1.15 Performance of PSUs as per their latest finalised accounts

The financial position and working results of working Government companies and statutory corporations are detailed in ***Appendix 1.2.*** The ratio of PSU turnover to State GDP shows the extent of PSU activities in the State's economy. The details of working PSUs turnover and State GDP for a period of five years ending 31 March 2016 is given in table 1.9 below.

Table 1.9: Details of working PSUs turnover *vis-a vis* State GDP

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Turnover[9]	4,990.22	4,945.29	5,952.79	6,536.34	7,565.74
State GDP	66,448	76,259	85,841	95,587	1,10,511
Percentage of Turnover to State GDP	7.51	6.48	6.93	6.84	6.85

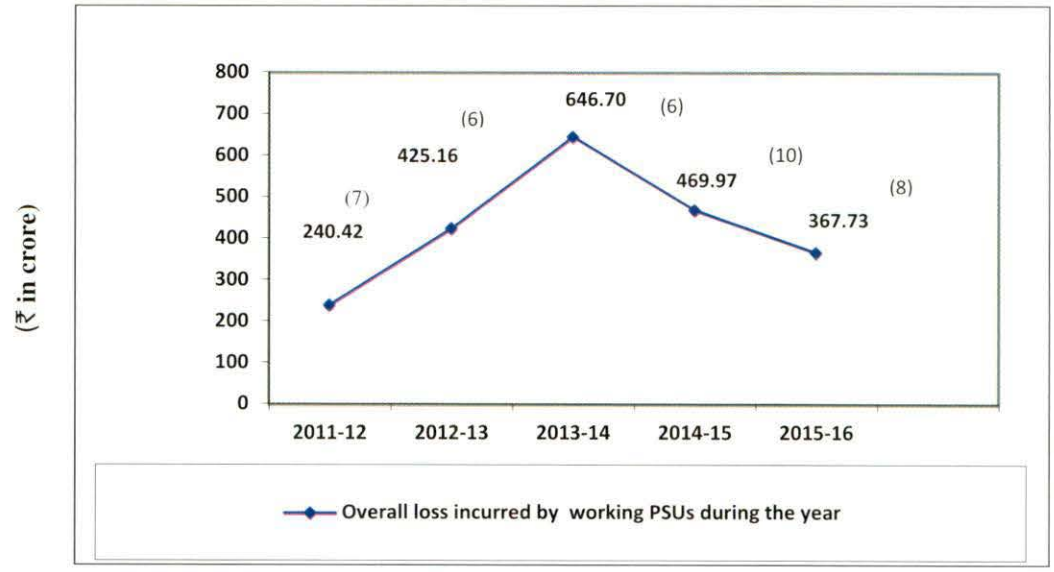
During the last five years, the turnover of working PSUs decreased from ₹ 4,990.22 crore in 2011-12 to ₹ 4,945.29 crore in 2012-13 due to less turnover in respect of HPSEBL and HPMC and increased to ₹ 7,565.74 crore

9 Turnover as *per* the latest finalised accounts as of 30 September.

in 2015-16. The percentage of turnover to State GDP decreased from 7.51 in 2011-12 to 6.85 in 2015-16.

1.16 Overall losses incurred by working State PSUs during 2011-12 to 2015-16 are given below in graph 1.4 below.

Graph 1.4: Loss of working PSUs



(Figures in brackets show the number of working PSUs which incurred losses in respective years)

During the year 2015-16, out of 20 working PSUs, nine PSUs earned profit of ₹ 18.75 crore and eight PSUs incurred loss of ₹ 367.73 crore which includes three PSUs[10] which prepared their accounts on a 'No profit no loss basis'. One working Government company (Beas Valley Power Corporation Limited) has not prepared its profit and loss account whereas in respect of one working PSU *viz.* Himachal Pradesh Road and Other Infrastructure Development Corporation Limited, excess of expenditure over income is reimbursable by the State Government. The Himachal Kaushal Vikas Nigam Limited incorporated in 2015-16 has not prepared its first accounts. The major contribution to profit were made by Himachal Pradesh Small Industries Development Corporation Limited (₹ 6.47 core) and Himachal Pradesh General Industries Corporation Limited (₹ 4.93 crore). Heavy losses were incurred by Himachal Pradesh State Electricity Board Limited (₹ 136.98 crore), Himachal Road Transport Corporation (₹ 172.70 crore), Himachal Pradesh State Forest Development Corporation Limited (₹ 9.11 crore) and Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited (₹ 6.96 crore).

10 Himachal Backward Classes Finance and Development Corporation, Himachal Pradesh Mahila Vikas Nigam and Himachal Pradesh Minorities Finance and Development Corporation.

1.17 Some other key parameters of PSUs are given in table 1.10 below.

Table 1.10: Key Parameters of State PSUs

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Return on Capital Employed ***(per cent)***	(-)25.17	(-)241.16	(-)342.76	17.77	(-) 6.09
Debt	3,597.79	3,932.91	5,919.37	6,568.11	5,384.53
Turnover[11]	4,990.22	4,945.29	5,952.79	6,536.34	7,565.74
Debt / Turnover Ratio	0.72:1	0.80:1	0.99:1	1:1	0.71:1
Interest Payments	199.50	163.24	280.37	473.82	613.73
Accumulated Losses	1,360.75	1,875.73	2,492.97	2,951.26	3,291.92

Debt-Turnover Ratio increased from 0.72:1 in 2011-12 to 1:1 in 2014-15 which further decreased to 0.71:1 in 2015-16 which impacted its profits. Consequently, the accumulated losses which were ₹ 1,360.75 crore in 2011-12 increased to ₹ 3,291.92 crore in 2015-16.

1.18 The State government had formulated (April 2011) a dividend policy under which all profit making PSUs (except those in welfare and utility sector) are required to pay a minimum return of five *per cent* on the paid up capital contributed by the State government subject to a ceiling of 50 *per cent* of profit after tax. As *per* their latest finalised accounts, nine PSUs earned an aggregate profit of ₹ 18.75 crore out of which only three[12] PSUs declared / paid a dividend of ₹ 2.25 crore during 2014-15. The remaining six profit making PSUs had not declared and paid any dividend to the State government.

1.19 Winding up of non-working PSUs

There were two non-working companies[13] as on 31 March 2016. Of these, one PSU *i.e.* Himchal Worsted Mills Limited had commenced its liquidation process since 2000-01. The numbers of non-working companies at the end of 2011-12 were three and thereafter have remained at two. The non-working companies are not contributing to the State's economy nor meeting their intended objectives.

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

[12] Himachal Pradesh State Industrial Development Corporation, Himachal Pradesh General Industrial Corporation and Himachal Pradesh State Civil Supply Corporation.

[13] Agro Industries Packaging India Limited and Himachal Worsted Mills Limited.

1.20 The stages of closure in respect of non-working PSUs are given in table 1.11 below.

Table 1.11: Closure of non working PSUs

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

During the year 2015-16, no company was finally wound up. The Government may take a decision regarding commencement of liquidation process in respect of one non-working company, namely, Agro Industries Packaging India Limited.

1.21 Account Comments

Seventeen working companies forwarded their 18 audited accounts to the Principal Accountant General from October 2015 to September 2016 which were selected for supplementary audit. The details of aggregate money value of comments of statutory auditors and CAG are given in table 1.12 below.

Table 1.12: Impact of audit comments on working Companies

(₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	5	92.42	4	21.87	6	4.99
2.	Increase in loss	4	636.69	5	2,105.11	2	6.34
3.	Decrease in loss	-	-	2	2.22	2	1.29
4.	Increase in profit	1	0.85	-	-	2	0.66
	Total increase in Profit / (-)Loss	**10**	**728.26**	**11**	**2,126.98**	**8**[14]	**9.38**
5	Non-disclosure of material facts	-	-	2	19.64	2	3.93
6	Errors of classification	-	-	2	4.47	2	0.34

As a result of the account comments, there would be an overall increase in the loss in eight PSUs by ₹ 9.38 crore during the year 2015-16.

During the year, the statutory auditors had given adverse certificates[15] for five accounts and disclaimer[16] for one account of Himachal Pradesh State Electricity Board Limited. In respect of remaining 12 accounts, qualified reports were issued by the statutory auditors. CAG gave qualified reports containing comments for 15 accounts during supplementary audit and nil

14 Comments relate to eight companies.

15 Adverse certificate means that accounts do not reflect a true and fair position.

16 Disclaimer means auditors are unable to form an opinion on accounts.

comments have been issued in respect of three accounts of two companies. The compliance of companies with the Accounting Standards remained poor as there were 41 instances of non-compliance in 13 accounts during the year.

1.22 Similarly, two working statutory corporations forwarded their two accounts during the period between October 2015 and September 2016. Of these, one account of Himachal Road Transport Corporation pertained to sole audit by CAG which was completed. The remaining one account of Himachal Pradesh Financial Corporation was selected for supplementary audit by CAG and received adverse comment. The details of aggregate money value of comments of statutory auditors and CAG are given in table 1.13 below.

Table 1.13: Impact of audit comments on Statutory Corporations

(Amount ₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Increase in loss	2	0.47	2	41.60	1	49.19
2	Decrease in loss	-	-	-	-	1	0.04
3	Non-disclosure of material facts	-	-	1	5.27	1	0.57

The impact of comments on 'increase in loss' escalated from ₹ 0.47 crore in 2013-14 to ₹ 49.15 crore in 2015-16 indicating deficiency in proper accounting practices being followed.

1.23 Response of the Government to Audit

Performance Audits and Paragraphs

For the Report of the Comptroller and Auditor General of India on State Public Sector Undertakings for the year ended 31 March 2016, one performance audit on the provision of transport services within State of Himachal Pradesh and 11 compliance audit paragraphs were issued to the Additional Chief Secretaries / Principal Secretaries of the respective departments with the request to furnish replies within six weeks. However, replies in respect of the performance audit and ten compliance audit paragraphs were awaited from the State government (November 2016).

1.24 Follow up action on Audit Reports

Replies outstanding

The Report of the Comptroller and Auditor General (CAG) represents the culmination of the process of statutory audit. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. The Finance department, Government of Himachal Pradesh, issued (February 1994) instructions to all administrative departments to submit replies / explanatory notes to paragraphs / reviews included in the Audit Reports of the CAG within a period of three months of their presentation to the Legislature in the prescribed format without waiting for any questionnaire from the Committee on Public Undertakings (COPU). The status of receipt of explanatory notes is given in table 1.14 below.

Table No.1.14: Explanatory notes not received as on 30 September 2016

Year of the Audit Report on PSUs (Economic Sector)	Date of placement of Audit Report in the State Legislature	Total Performance audits (PAs) and Paragraphs in the Audit Report		Number of PAs / Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2012-13	February 2014	1	10	1	2
2013-14	April 2015	2	12	1	6
2014-15	April 2016	2	12	2	12
Total		**5**	**34**	**4**	**20**

Out of 39 paragraphs / performance audits, explanatory notes to 24 paragraphs / performance audits (61 *per cent*) involving six departments were awaited (November 2016).

1.25 Discussion of Audit Reports by COPU

The status as on 30 September 2016 of performance audits and paragraphs that appeared in Audit Reports on State Public Sector Undertakings (Economic Sector) and were discussed by the Committee on Public Undertakings (COPU) is given in table 1.15 below.

Table 1.15: Performance audits / Paragraphs appeared in Audit Reports *vis a vis* discussed as on 30 September 2016

Period of Audit Report	Number of performance audits / paragraphs			
	Appeared in Audit Reports		Paragraph discussed	
	Performance Audits	Paragraphs	Performance Audits	Paragraphs
2010-11	1	15	0	15
2011-12	1	13	1	6
2012-13	2	12	0	7
2013-14	1	10	0	2
2014-15	2	12	0	0
Total	**7**	**62**	**1**	**30**

1.26 Compliance to Reports of Committee on Public Undertakings (COPU)

Action Taken Notes (ATN) to 34 paragraphs pertaining to 20 Reports of COPU presented to the State Legislature between December 2013 and March 2016 had not been received (November 2016) as indicated in table 1.16 below.

Table 1.16: Compliance to COPU Reports

Year of COPU Report	Total number of COPU Reports	Total number of Paragraphs	Total number of recommendations in COPU Report	Number of recommendations where ATNs not received
2012-13	-	2	2	-
2013-14	2	11	27	8
2014-15	11	14	71	68
2015-16	7	7	24	24
Total	**20**	**34**	**124**	**100**

These reports of COPU contained recommendations in respect of paragraphs pertaining to five departments which appeared in the Reports of the CAG for the years 2005-06 to 2013-14.

It is recommended that the Government ensures (a) sending of replies to inspection reports / draft paragraphs / performance audits and ATNs on the recommendations of COPU as *per* the prescribed time schedule and (b) revamping of the system of responding to audit observations to ensure timely response.

1.27 Recoveries at the instance of audit

Audit findings involving recoveries that came to notice in the course of test audit of accounts of the PSUs are referred to the PSUs / State government through Audit Inspections Reports for further investigation.

During the course of audit in 2015-16, recoveries of ₹ 22.97 crore were pointed out to the Management of various PSUs which were admitted by PSUs. Against this, an amount of ₹ 8.42 crore was recovered during the year 2015-16.

1.28 Disinvestment, Restructuring and Privatisation of PSUs

During the year 2015-16, there was no case of privatisation of Government companies and statutory corporations. However, one PSU, namely Himachal Pradesh Power Corporation Limited had disinvested ₹ 100.00 crore equity to Himachal Pradesh Infrastructure Development Board. The State government has not prepared any policy on disinvestment of Government equity invested in State PSUs.

1.29 Coverage of this Report

This Report contains one performance audit on the provision of transport services within State of Himachal Pradesh and 11 paragraphs including three thematic paragraphs with financial implication of ₹ 258.14 crore.

Chapter-II
Performance Audit

CHAPTER-II

PERFORMANCE AUDIT

Himachal Road Transport Corporation

Provision of transport services within the State of Himachal Pradesh

Transport services in Himachal Pradesh are provided by the Himachal Road Transport Corporation (Corporation) and private operators on the routes allotted by the State government. Himachal Road Transport Corporation is a State transport utility which had a fleet of 2,827 buses while private operators operated 3,345 buses as on 31 March 2016. A performance audit of the provision of transport services in the State and the functioning of the Corporation brought out lack of a transparent policy relating to allocation of routes between the Corporation and operational inefficiencies that led to continuing losses for the Corporation. Some of the significant findings are summarised below.

Highlights

No criteria had been determined to ascertain which routes were to be allotted to the Corporation and which to the private operators. Audit analysis brought out that only 10 *per cent* of route frequencies between district headquarters and tourist destinations with maximum flow of commuters were allotted to the Corporation and 90 *per cent* to private operators. There was no mechanism in place to ensure that burden of uneconomical routes were equitably shared by both the Corporation and the private operators. Further, no mechanism had been established to ensure the reasonability of the price of a route permit and they were being allotted on an *ad hoc* basis.

(Paragraph 2.7.1)

Poor enforcement of judicial decisions as well as provisions of the Motor Vehicles Act relating to installation of speed governors and vehicle tracking systems and ineffective monitoring compromised maintenance of road safety and pollution standards in the State.

(Paragraphs 2.9 and 2.10)

Vehicle productivity achieved by the Corporation was 16 to 54 kilometers less than the all India average during 2011-16 which deprived the Corporation of potential traffic revenue of ₹ 313.29 crore during 2011-16.

(Paragraph 2.14.3)

Inconsistencies in recording of 'dead kilometers' between ISBT Delhi and parking space in Jagatpur in eight test checked units brought out loss of ₹ 2.14 crore on account of extra dead mileage during the period of five years ended March 2016.

(Paragraph 2.15.2)

The Corporation consumed 498.38 lakh litres of fuel in excess of the all India average during 2011-16 resulting in extra expenditure of ₹ 240.02 crore.

(Paragraph 2.16)

The State government compensates the Corporation for concessions and free passes for various sections of society. However, the Corporation submitted its claims only on estimation basis and not on actuals. Out of total estimated claims of ₹ 1,111.66 crore during 2011-16, the State Government reimbursed ₹ 895.00 crore leaving ₹ 216.66 crore unrecovered.

(Paragraph 2.18)

2.1 Introduction

The Himachal Road Transport Corporation (Corporation) was incorporated in September 1974 under Section 3 of the Road Transport Corporation Act, 1950, as a wholly owned Corporation of the Government of Himachal Pradesh (GOHP) with the objective of providing economic, efficient, reliable and safe transport system for the commuters in the State. The Corporation had a fleet strength of 2,827 buses as on 31 March 2016 including 781 buses procured under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) during 2014-16 besides 37 attached buses being operated under wet-lease[1]. The Corporation carried an average of five lakh passengers *per* day as of March 2016 by covering 1,853.63 lakh kilometers (kms) annually. In addition to the fleet of Corporation, private operators are also operating within the State with 3,345 buses as of March 2016. The fare structure and allocation of routes between the Corporation and private operators is controlled and approved by the State government as *per* its transport policy.

During the period from 2011-12 to 2015-16, the share of the Corporation in transporting passengers was between 39.16 and 45.80 *per cent* as compared to private operators whose share was between 54.20 and 60.84 *per cent*. The turnover of the Corporation was ₹ 930.95 crore as on 31 March 2016 which constituted 0.84 *per cent* of the State Gross Domestic Product of ₹ 1,10,511 crore. The Corporation employed 9,162 employees as on 31 March 2016.

[1] Hiring of buses from rate contractors approved by ASRTU (Association of State Road Transport Undertakings) with the condition that cost of drivers, repair and maintenance, fuel cost and insurances are to be borne by the lessor.

The performance of the Corporation was last reviewed in the Audit Report of the Comptroller and Auditor General of India for the year ended March 2009 (Commercial). The Report was discussed by COPU and its recommendations were presented to the State Legislature vide its 58th Report in August 2011. An Action Taken Report was submitted by the State government to COPU in March 2013.

2.2 Organisational setup

The Management of the Corporation is vested with the Board of Directors comprising of 15[2] members. The Managing Director (MD) who is the Chief Executive of the Corporation is assisted by a Financial Advisor and Chief Accounts Officer, an Executive Director, three General Managers and four Divisional Managers at Head Quarters and four Divisional Managers in the field offices. The Corporation functions under the administrative control of the Transport Department which formulates transport policy and ensures its implementation in the State.

2.3 Audit Objectives

The objectives of the performance audit were to assess:

- whether the route permits were being granted to private operators at a competitive price after route survey / assessment of demand in a transparent manner and as *per* pre-determined criteria;
- the implementation of effective Fare Policy;
- the mechanism to enforce vehicular emission norms;
- the effectiveness of road safety measures;
- the adequacy, economy, reliability, effectiveness of transport services and reasonability of fare to recover cost of operation;
- the extent of recovery of operational cost by Corporation; and
- the Management Information System and internal control of the Corporation.

2.4 Scope and Methodology of Audit

The performance audit was conducted between March 2016 and July 2016 covering the provision of transport services within the State of Himachal Pradesh by the Corporation and other private operators during 2011-12 to 2015-16. The performance audit mainly deals with examination of the implementation of transport policy, basis of allocation of routes, fare policy formulated and implemented by State government and the operational efficiency, financial management, fulfillment of social obligations and compliance of pollution norms by the Corporation.

[2] Five officials of the State government, one official from the Central government and nine non-official members nominated by the State government.

The audit examination involved scrutiny of records of the Transport Department, Head Office of the Corporation and its Divisional Offices[3]. Test check of records was carried out in one[4] out of four Divisional Workshops, seven[5] out of 27 Regional Depots, one[6] out of three Central Booking Agencies and three[7] out of 10 Regional Transport Offices selected by using Simple Random Sampling without Replacement method.

An entry conference was held in May 2016 with the Principal Secretary (Transport) wherein the audit objectives as well as the audit criteria along with scope and methodology of audit were explained. The draft performance audit report was issued in August 2016 to the State government / Management for their comments. An exit conference was held on 2 November 2016 with the Principal Secretary (Transport) and Director of Transport and officers of the Corporation. The replies of the Director of Transport and Management have been suitably incorporated in the report before its finalisation. The reply of the Government was awaited (November 2016).

2.5 Audit Criteria

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

- Guidelines issued by the Ministry of Road Transport and Highways (MoRTH), Government of India;
- Norms fixed by the State Pollution Control Board, Provisions of Road Transport Corporation Act, 1950, State Transport Policy, Motor Vehicle Act, 1988, Motor Vehicle Amendment Act, 2015, Motor Vehicle Rules, 1989, Motor Transport Worker's Act, 1961, Labour Act, 1970, Minimum Wages Act, 1948, Factory Act, 1948 and guidelines / directions of State Government;
- Agenda and Minutes of meetings of Director of Transport ;
- Statistical data of the regional offices regarding overall performance of the fleet operations, Agenda and Minutes of Board of Directors meetings of the Corporation;
- All India Average (AIA) for performance parameters as compiled by the Central Institute of Road Transport (CIRT), Pune; and
- Performance standards and operational norms fixed by the Association of State Road Transport Undertakings (ASRTU).

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3 Dharamshala, Hamirpur, Mandi & Shimla.
4 Parwanoo.
5 Chamba, Hamirpur , Keylong, Kullu, Rampur, Solan & Una.
6 Chandigarh.
7 Kangra, Solan & Una.

2.6 Audit Findings

Transport Policy of the State Government

The State government notified (2004) a policy document to outline the needs and priorities aimed at spreading transportation network in rural areas. The transport policy was further revised in 2014 with the main objectives of achieving connectivity to the remotest corners of the State, showing concern for road safety and to discourage operation of polluting and unsafe vehicles. The compliance of the provisions of the policy, *ibid*, was examined in audit and audit observations thereon are mentioned in the succeeding paragraphs.

2.7 Route analysis

2.7.1 Allocation of route permits and identification of new routes

The State government grants route permits to the Corporation and private operators from time to time. During the period 2011-2016, a total 185 routes were allotted to private operators and 214 to the Corporation by the State government. Audit observed the following:

(a) No criteria has been specified to ascertain which routes are to be allotted to private operators. Audit analysed 1,658 frequencies of buses between district headquarters and tourist destinations where maximum flow of commuters is expected and noted that the Corporation was allotted only 173 frequencies (10 *per cent*) against 1,485 frequencies (90 *per cent*) to private operators on first come first served basis.

(b) There was provision in the Transport Policy, 2004, for carrying out comprehensive study to identify new routes and also to ensure that private operators share rural / uneconomical operation to a certain extent before grant of new route permits in 60:40 ratio wherein 60 *per cent* of the allotted route should fall in rural areas. However, there was no mechanism in place to ensure that private operators should bear certain burden of uneconomical routes as no specific percentage of sharing of rural / uneconomical routes between Corporation and private operators has been fixed by the State government.

(c) The Department did not fix any criteria to ensure the reasonability of the price of route permit. Resultantly, the routes were being allotted to private operators at an *ad hoc* price of ₹ 300 *per* route *per* year for first five years and renewed at ₹ 250 every year thereafter without adopting any transparent procedure to determine price like open bid system.

The Directorate of Transport assured (November 2016) that routes will be allotted after determination of fair price of the concerned route and allotment of routes through open auction. In addition, possibility for bunching of profitable routes with uneconomical routes would also be explored.

2.7.2 Passing of vehicles without obtaining frequency certificate

The Transport Policy, 2004, provided *inter alia* that all stage carriage operators should produce a certificate from the concerned *Gram Panchayat* or the Urban Local Body of the starting and terminal points of their routes to the effect that the vehicle was operating regularly on the route as *per* time table. This frequency certificate is required to be produced at the time of passing of vehicle. The objective of this certificate was to ensure that the transport services are being provided to the inhabitants regularly.

Audit scrutiny revealed that 22,155 buses were passed by the Motor Vehicle Inspectors during 2011-16 without obtaining the requisite certificate from the concerned Panchayats / Local bodies.

The Directorate of Transport stated (November 2016) that the department had been passing the vehicles as no complaint relating to their performance had been received. The reply was not acceptable since non-receipt of complaints by itself provided no assurance as to the regularity of the service being provided by the operators and passing the vehicles without the stipulated frequency certificate was in contravention of transport policy and defeated its objective.

2.8 Fare Policy

Fares are fixed by the State government under section 67 of the Motor Vehicles Act, 1988. The fares to be charged by stage carriers were revised twice during the period from March 2010 to March 2016 as *per* notifications issued by the State government. The *per* kilometer fare revised in March 2010 and October 2013 is given in table 2.1 below.

Table 2.1: Revision of fare

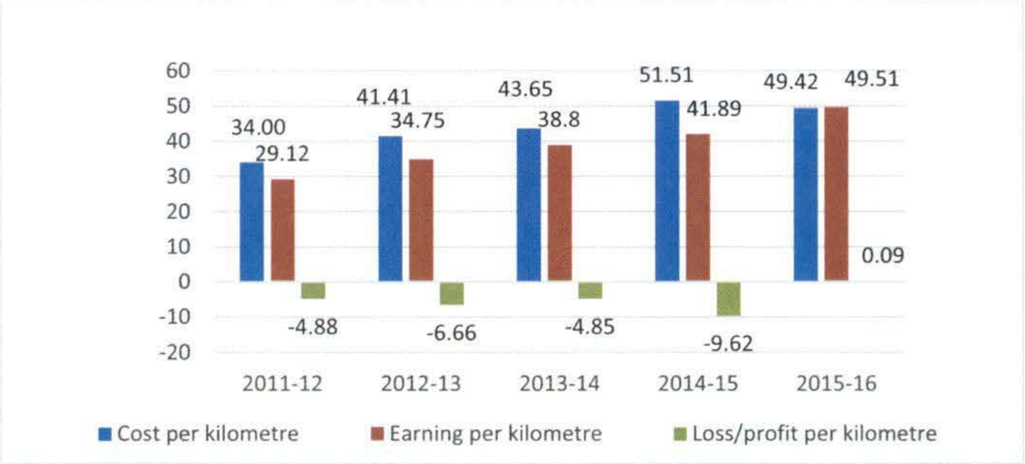
(Fare *per* kilometer in paise)

Particulars	Fare revised on 08 March 2010		Fare revised on 01 October 2013		Percentage increase	
	Hills	Plains	Hills	Plains	Hills	Plains
For Ordinary bus	111	71.25	145	90	30.63	26.32
For Deluxe bus	222	142.5	180	110	(-)18.92	(-)22.81
For AC bus service	227.5	178.13	300	220	31.87	23.51

The fare for deluxe buses was reduced by 18.92 *per cent* and 22.81 *per cent* for Hills and Plains respectively after revision in 2013 whereas fare for ordinary and AC Buses was increased by 30.63 and 31.87 *per cent* for hills and 26.32 and 23.51 *per cent* for plains. The increase in fare for *per* kilometer was not sufficient to cover the *per* kilometer cost of operation which increased by over 45 *per cent* as compared to cost in March 2010 as depicted in graph 2.1 below.

Graph 2.1: Cost and earning *per* kilometer

(Amount in ₹)



In 2005, the State government had proposed the setting up of a Public Tariff Commission for bringing transparency in the cost and subsidy. However, this was yet to be established (November 2016).

The Directorate of Transport stated (November 2016) that the State government fixes the fare by considering the operational cost of both the State Transport Undertaking and private operators. The fact remains that establishment of an independent Tariff Commission may address issues relating to fixation of fares by taking into account all economic factors as well as social obligations in a transparent manner and could reduce the imbalance between cost of services of the Corporation and private operators.

2.9 Pollution Control

2.9.1 Certification and monitoring of Pollution Checking Centers

The Transport Policy, 2004, and the Motor Vehicles Rules, 1989, prescribe that every registered motor vehicle shall carry a valid 'Pollution under Control' (PUC) certificate issued by an authorised agency after the expiry of a period of one year from the date of first registration. The validity of such certificate is for three months in case of diesel vehicles and six months for petrol vehicles.

State government notified (October 2007) the procedure for setting up and monitoring of Pollution Checking Centers (PCC) run by authorised agencies to check the emission of all type of vehicles in the State. A portal was to be provided for data entry relating to issue of PUC certificates by PCCs into the software maintained by the Transport Department. Audit observed that no portal was designed by the Department. Resultantly, the efficiency and effectiveness of the authorised agencies in checking pollution could not be ascertained in Audit. There was also no system in place for conducting inspection of PCCs to ensure their proper functioning.

2.9.2 Insufficient Pollution checking Infrastructure

Transport Department had authorised 88 private PCCs to meet the PUC certificates requirement of 11,75,510 vehicles registered in the State up to 31 March 2016. Considering that every PCC continuously worked for seven hours in a day for 310 days in a year, these PCCs could have issued 38 lakh PUC certificates (taking 15 minutes *per* PUC) during the last five years ending March 2016 against the total requirement of 126.82 lakh PUC certificates leaving shortage of 70 *per* cent.

Further, there is no mechanism except checking of vehicle to know whether PUC certificates were being obtained by every vehicle. The Department had only 24 smoke meters, 25 gas analysers and six sound level meters which can meet only negligible pollution checking requirement.

Thus, insufficient pollution checking infrastructure coupled with absence of any monitoring mechanism to ensure that every vehicle gets the required PUC certificate indicates lack of adequate attention on the part of the Department in controlling vehicular pollution.

The Directorate of Transport admitted (November 2016) the shortage of infrastructure for checking of vehicular pollution and lack of any mechanism for monitoring and evaluation of performance of PCCs and assured to provide on line portal to the PCCs.

2.10 Road safety

2.10.1 Non installation of speed governing devices

In compliance with the orders of Hon'ble Supreme Court, the Government of India, Ministry of Road Transport and Highways (MoRTH), notified (April 2015) that every transport vehicle notified by the Central government under sub section (4) of section 41 of the Motor Vehicles Act, 1988, and manufactured on or after 1 October 2015 shall be equipped or fitted by the vehicle manufacturer with a speed governor (speed limiting device or speed limiting function) having maximum pre-set speed of 80 km *per* hour. It was also stipulated that the "State government shall ensure installation of such devices in vehicles registered prior to 1 October 2015.

Audit scrutiny revealed that 2,55,103 commercial vehicles were registered prior to 1 October 2015 and 9,801 thereafter. The State government had neither made any efforts to verify that the vehicles manufactured on or after 1 October 2015 are being fitted with such devices nor specified such conditions to the transport vehicles registered prior to 1 October 2015 in compliance with the notification of MoRTH *ibid* for ensuring safety of passengers and pedestrians. No speed governor had been installed in any of transport vehicle in the State (November 2016).

The Directorate of Transport stated (November 2016) that process for installation of speed governors has been started by issue of Notification in September 2016.

2.10.2 Non installation of Vehicle Tracking System

The Hon'ble High Court, Shimla, ordered (November 2012) that all new commercial vehicles registered in the State of Himachal Pradesh must be fitted with a Vehicle Tracking System (VTS) from 1 April 2013. Further, all older commercial vehicles, which are brought for passing / renewal of route permit / fitness certificate / re-registration should also be fitted with a VTS at that time.

Audit scrutiny showed that only the Corporation had installed VTS in its 1,000 buses out of its total 2,827 buses up to March 2016. However, no action has been taken by the Department to ensure the installation of VTS in other buses though 17,812 buses were passed for fitness certificate during April 2013 to March 2016.

The Directorate of Transport stated (November 2016) that the process for installation of VTS has been initiated and its installation will be enforced at the time of passing of each vehicle.

2.10.3 Vehicles with lapsed registration / fitness certificate

Section 56 of the Motor Vehicles Act, 1988, provides that a transport vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness issued by the competent authority. Section 41(7) stipulates that a certificate of registration in respect of a motor vehicle other than a transport vehicle shall be valid for a period of fifteen years from the date of its registration.

There were 11,75,510 vehicles registered up to March 2016 in the State. Analysis of data[8] revealed that certificates of fitness of 41,476 transport vehicles and 79,932 non-transport vehicles aging more than fifteen years had expired. Audit further noticed that neither any Management Information System (MIS) report of unfit vehicles was generated by the system nor had the Department any monitoring mechanism to keep track of such vehicles that pose a risk to road safety as well as heighten vehicular pollution.

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8 Data captured through VAHAN application used by the Department was supplied by National Informatics Centre (NIC).

Thus, poor enforcement of judicial directions as well as the provisions of the Motor Vehicles Act relating to installation of speed governing devices and vehicle tracking systems and lack of effective monitoring compromised maintenance of road safety and pollution standards in the State.

Working of Himachal Road Transport Corporation

2.11 Financial Position and Working Results of the Corporation

2.11.1 Financial Position

The consolidated financial position of the Corporation for the five years up to 2015-16 is given in ***Appendix 2.1.*** The accumulated losses of ₹ 653.45 crore in 2011-12 increased to ₹ 1,018.64 crore in 2015-16. The percentage increase in accumulated losses was more than 56 *per cent*. The net worth[9] of the Corporation had already eroded prior to 2011-12.

2.11.2 Working Results

The consolidated working results like operating revenue / expenditure, net surplus / loss and cost / earning *per* kilometer of operation are given in ***Appendix 2.2***. The earning *per* km increased from ₹ 29.12 to ₹ 49.51 during 2011-12 to 2015-16 while the cost *per* km increased from ₹ 34 to ₹ 49.42 *per* km during the same period. The net loss *per* km increased from ₹ 4.88 during 2011-12 to ₹ 9.62 up to 2014-15. Increase in loss *per* kilometer was mainly due to increase in personnel cost and non-revision of tariff on regular basis till 2015.

The Management stated (October 2016) that the revision of the fare by the State government was not commensurate with the cost of operation.

2.12 Operational Performance

The operational performance of the Corporation for the five years ending 2015-16 is given in the ***Appendix 2.3***. The operational performance was evaluated on various operational parameters such as fleet and capacity utilisation, vehicle productivity, load factor, fuel cost, repair and maintenance of vehicles and manpower cost.

2.13 Share of Corporation in public transport

The percentage share in passenger traffic between the Corporation and private operators and growth of public transport in the State during the last five years

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9 Paid up capital + free reserves - accumulated losses - deferred revenue expenditure.

ending March 2016 is given in table 2.2 below.

Table 2.2: Share of Public Transport

(in numbers)

Sl. No	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1	Total Corporation Buses including hired buses	2,048	2,089	2,252	2,681	2,827
2	Private stage carriages	3,128	3,245	3,299	3,345	3,345
3	Total buses for public transport	5,176	5,334	5,551	6,026	6,172
4	**Percentage share of Corporation**	39.57	39.16	40.57	44.49	45.80
5	Percentage share of private operators	60.43	60.84	59.43	55.51	54.20
6	Estimated population (in lakh)	68.57	69.44	70.33	71.23	72.90
7	Vehicle density *per* one lakh population[10]	75.48	76.81	78.93	84.60	84.66
8	**Vehicle density of Corporations buses *per* one lakh population**	29.87	30.08	32.02	37.64	38.78
9	Vehicle density of private buses *per* one lakh population	45.61	46.73	46.91	46.96	45.88

(Data provided by Corporation and Directorate of Transport)

Though the share of the Corporation has improved from 39.57 to 45.80 *per cent*, private operators still control the majority of transport services. The improvement in percentage share of Corporation was due to addition of 779 buses in its fleet during the last five years ending March 2016 as compared to 217 buses inducted by private operators. Further, the effective kilometers operated by the Corporation *per* year also showed an improving trend increasing from 1,627.70 lakh km to 1,853.63 lakh km during the last five years ending March 2016.

2.14 Efficiency and economy in operation

Efficiency and economy in operation depends on optimum utilisation of fleet, productivity of vehicles, load factor, proper route planning and achievement of scheduled kilometers.

2.14.1 Intelligent Road Transport System

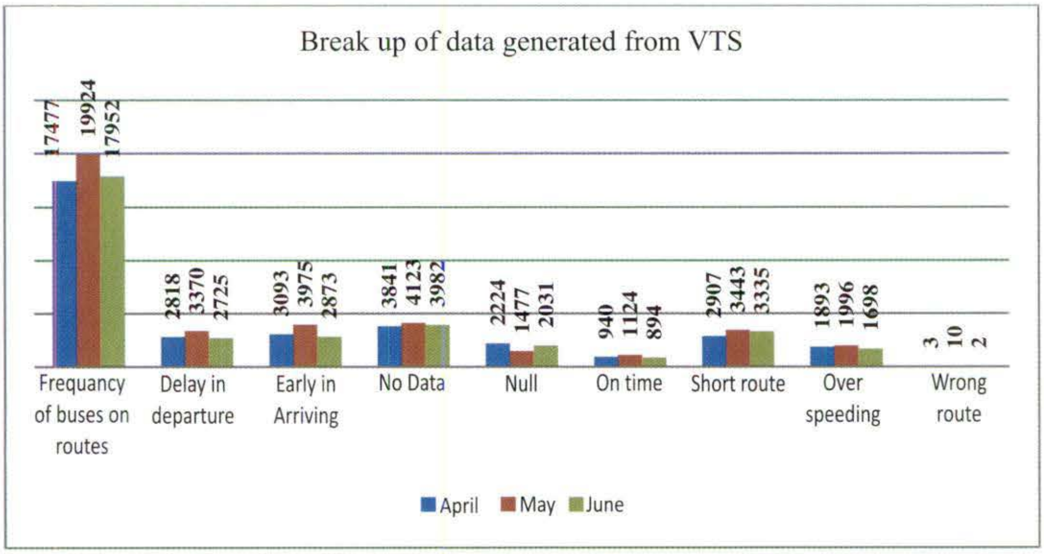
The Government of India introduced (March 2010) a scheme for strengthening public transport system by adoption of information technologies such as Global Positioning System / Global System for Mobile based Vehicle Tracking System (VTS). Accordingly, the Corporation awarded (October 2012) the work of implementation, operation and maintenance of the system to a firm[11] at a cost of ₹ 4.90 crore. The work was completed in March 2016.

10 Total buses / estimated population.

11 M/s IL&FS Technologies Limited.

The data generated from VTS for the period from April to June 2016 after completion of Phase I in March 2016 is shown in graph 2.2 below.

Graph 2.2: Data generated from VTS for the period from April to June 2016



Out of total 55,353 frequencies of buses plied during April 2016 to June 2016 on various routes, departure of buses was delayed on 8,913 times, the journey was not completed on 9,685 times, over speeding of buses as *per* criteria of 60 km *per* hours fixed in the system were noticed in 5,587 cases, plying of buses on wrong routes were reported in 15 cases and there was no data in 17,678 cases besides.

Audit observed that while the system was generating reports indicating poor operational controls and highlighting areas that merited action, no action was being taken by the Management to improve the deficiencies being brought out.

Management stated (October 2016) that field units were being instructed to take action on the reports generated through the system.

2.14.2 Fleet Utilisation

Fleet utilisation represents the net on-road fleet out of the total fleet available. The percentage of fleet utilisation of the corporation ranged between 80 and 98 *per cent* during the last five years ending March 2016. However, in comparison to All India Average (AIA) of 92 *per cent*, it was higher up to 2012-13 but was below during 2013-14 to 2015-16. The main reasons which contributed to low fleet utilisation analysed in audit were shortage of operational staff and cancellation of scheduled kilometers.

2.14.3 Vehicle productivity

Vehicle productivity refers to average kilometers run by each bus *per* day in a year. Despite reduction in percentage of overage fleet to total fleet from 21.30

per cent (435 buses) in 2011-12 to 8.32 *per cent* (232 buses in 2015-16), vehicle productivity decreased from 222 km in 2011-12 to 184 km in 2015-16. On comparing the vehicle productivity with the all India average, the vehicle productivity achieved by the Corporation's buses was 16 to 54 kms less during 2011-16 which deprived the Corporation from earning potential additional traffic revenue[12] of ₹ 313.29 crore during 2011-16.

The Management attributed (October 2016) low fleet utilisation and vehicle productivity to shortage of operational staff but added that the process for recruitment was underway.

2.15 Capacity Utilisation

2.15.1 Under-achievement of Scheduled Kilometers

A review of the operations indicated that scheduled kilometers were not fully operated mainly due to non-availability of adequate number of buses, shortage of operational staff and other factors like breakdown, accidents, late arrivals and strikes. During the period from 2011-12 to 2015-16, 293.36 lakh kms were cancelled by the Corporation due to overage buses and shortage of staff resulting in loss of potential revenue of ₹ 25.92 crore.

2.15.2 Dead Kilometers

Dead kilometer is the difference between gross kilometers and effective kilometers and relates to the distance travelled by a bus from the Depot / workshop to the bus stand. The Corporation had not set a norm of dead kilometers. The total dead kilometers of the Corporation during the period 2011-16 was 129.30 lakh kilometers ranging between 1.38 *per cent* and 1.60 *per cent* to the gross kilometers.

Audit scrutiny of records relating to eight units[13] revealed that there was no uniformity in accounting dead kilometers from ISBT Delhi to Jagatpur where the buses were parked (distance of 10 km from ISBT). As against the actual distance of 20 km to and fro from ISBT Delhi to Jagatpur, buses of different region had recorded dead kilometers at 50, 40, 30, 24, and 20 km in the logbooks of their respective buses. Thus, recording of different dead mileage by eight units in the log books of their buses for same distance resulted in a loss of ₹ 2.14 crore on account of extra dead mileage during the last five years ended 31 March 2016.

The Management stated (October 2016) that scheduled kilometers could not be achieved due to shortage of staff. As regards dead kilometers of Delhi, it was stated that it was fixed at depot level and the difference was due to diversion of buses during rush hours through lengthy routes. The reply is not

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12 Additional traffic revenue = (AIA target of vehicle productivity in km – actual achieved vehicle productivity in km) X number of buses on road as *per* effective km X Traffic revenue *per* km X 365 days.

13 Chamba, Dehra, Mandi, Nalagarh, Rampur, Reckong Peo, Rohroo &Taradevi.

tenable as the dead kilometers of Delhi by units were being recorded differently in routine and not due to diversion of buses.

2.16 Fuel Cost

Fuel is a major cost element and constituted 29.64 *per cent* of the total expenditure incurred during the last five years ending March 2016. Control of fuel costs has a direct bearing on productivity. The Corporation has not fixed any norms for consumption of fuel *per* kilometer. The mileage *per* litre achieved by the Corporation was always on the lower side in comparison to the all India average of 4.58 km *per* litre for hilly areas. On comparing the fuel consumption with the all India average, the Corporation consumed 498.38 lakh litres of fuel in excess during 2011-12 to 2015-16 involving an extra expenditure of ₹ 240.02 crore (at an average rate of ₹ 48.16 *per* litre).

The Management stated (October 2016) that *per* litre cost has reduced by ₹ 6.86 *per* litre during 2015-16 and the Corporation has saved an amount of ₹ 9 crore during the year. Audit observed that saving was due to decrease in market price of diesel and it was not attributable to the efforts of the Corporation in reducing the operational costs.

2.17 Maintenance of vehicles

2.17.1 Repair and Maintenance

The repair and maintenance expenditure *per* bus decreased from ₹ 5.14 lakh *per annum* in 2013-14 to ₹ 4.37 lakh *per annum* in 2015-16. The decrease was mainly due to reduction in percentage of overage buses.

2.17.2 Breakdown

Against the all India average for breakdown of 0.10 *per* 10,000 effective kms for hilly areas, the actual breakdowns ranged between 0.12 (2014) and 0.25 (4,631) *per* 10,000 kms during the period 2011-16 which were on the higher side. Audit scrutiny of records of seven selected depots revealed that the main reasons for breakdown were failure of engines, defects in clutch plates, starting problem and broken shaft due to lack of periodical maintenance.

The higher cost of repair and maintenance and breakdowns adversely affected efficiency as well as contributed to accumulation of losses.

2.18 Claims for fare concessions / discount and their recoveries

The State government periodically announces concessions and free passes for various sections of society besides operating buses on un-economical routes in remote and tribal areas. The State government compensates the Corporation by providing grants-in-aid.

The Corporation did not maintain proper records of beneficiaries availing free / concessional travel and services and submitted its claims to the State government on estimated basis only. During the last five years ending March

2016, the Corporation lodged claims for ₹ 1,111.66 crore of which the State government reimbursed ₹ 895.00 crore only leaving a sum of ₹ 216.66 crore unrecovered.

2.19 Realignment of business model

In order to augment financial resources to fund reliable transport services, it is imperative for the Corporation to tap non-traffic revenue sources to cross-subside its operations.

In February 2013, the Corporation invited bids for display of advertisements on its buses[14] for a period of three years. After evaluation of bids, the Corporation awarded the contract (May 2013) to an agency for displaying advertisement on 1,918 buses for a period of three years effective from 1 July 2013. As *per* the terms of the agreement, the agreement shall stand automatically cancelled if the contractor fails to deposit the monthly installment along with interest for three consecutive months and the Corporation shall be entitled to forfeit the security deposit.

Audit scrutiny of records revealed that contractor was irregular in payment of monthly installments from May 2014 and did not pay any installment from March 2015 onward. The Corporation had an option to cancel the contract immediately after default of contractor in three consecutive installments in May 2015 and adjust the unpaid amount by forfeiting the security deposits. The Corporation however cancelled the contract in October 2015 by which time the total recoverable amount had increased to ₹ 0.78 crore. At this stage, even after adjusting the security deposits of ₹ 0.48 crore of the contractor, ₹ 0.30 crore remained unrecoverable.

The Management stated (October 2016) that the agency was afforded an opportunity to clear its dues which turned out to be in vain.

2.20 Buses under the Jawaharlal Nehru National Urban Renewal Mission

The Ministry of Urban Development, Government of India, had sanctioned 800 buses to the State under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM). To operate these buses in 13 clusters / planning areas, the State government constituted a Special Purpose Vehicle (SPV)[15]. Since the SPV was not having operational staff and other logistics support to operate these buses, it entered (March 2015) into an agreement with the Corporation for operation and maintenance of these buses. The Corporation received 781 number of JNNURM buses during the period from 2014-16 sharing their cost in 90:10 ratios between Central and State governments respectively. These buses were allotted to 23 depots of the Corporation.

[14] 1843 Ordinary and 75 JNNURM buses.

[15] H.P. City Transport and Bus Stand Management & Development Authority (HP CT & BSM&DA) has been constituted under H.P.Bus Stand Management & Development Authority Act, 1999.

2.20.1 Non-claiming of operational losses from the State government

As *per* Clause 5 (5.2) of the agreement between the Corporation and the SPV for operation of JNNURM buses, the operational losses of these buses was to be borne by the State government and if at any stage the operation became uneconomical, the State government was to provide funds to the Corporation to meet the gap. This provision was inserted in the agreement with the consent of the State government in February 2014.

Audit scrutiny of records revealed that the Corporation suffered loss of ₹ 3.28 crore during 2014-16 on operation of these buses. However, the Corporation failed to take up the matter of release of funds to meet this gap with the State government.

2.20.2 Non establishment of Ancillary Infrastructure

The Central Sanctioning and Monitoring Committee approved (October 2013) a Detailed Project Report (DPR) for ancillary infrastructure such as terminals, depots / workshops and control centre for operation and maintenance of JNNURM buses for ₹ 63 crore (Central Share – ₹ 56.70 crore and State Share – ₹ 6.30 crore). This approval was subject to the condition of JNNURM guidelines that depot land / depot is transferred to the respective SPV. However, non-transfer of title of the land, delay in issuing Notice Inviting Tender and subsequent delay in award of works for construction of ancillary infrastructure led to the ₹ 63 crore not being released to the SPV. Subsequently, the grant lapsed. Non-establishment of ancillary infrastructure will affect the proper maintenance of JNNURM buses and may lead to operational inefficiencies and losses.

2.20.3 Under-utilisation of buses purchased under JNNURM

In nine depots,[16] 28 to 56 JNNURM buses remained idle for want of operational staff and route permits during February 2015 to March 2016. This resulted in loss of 19,740 bus days with consequential potential revenue loss of ₹ 3.64 crore [17] to the Corporation.

The Management stated (October 2016) that operational losses would be claimed from the State government in due course of time.

2.21 Internal Control

Internal Audit

The Accounts Manual of the Corporation provides that the accounts of the Corporation are subject to concurrent audit conducted by internal auditors

16 Bilaspur, Dehra, Dharamshala, Hamirpur, Nalagarh, Parwanoo, Pathankot, Solan and Sundernagar.

17 19,740 bus days x 216 km as average vehicle productivity *per* day *per* bus X ₹ 8.53 *per* km average contribution.

attached to each unit / sub-unit. Further, the peripatetic internal audit party also conduct audit of accounts of each unit twice a year.

It was noticed in audit that the Corporation had not conducted concurrent audit during the period 2011-12 to 2015-16. As regards peripatetic internal audit, the details of audit conducted during the period from 2011-2016 is given in table 2.3 below.

Table 2.3: Details of internal audit conducted during 2011-16

Year	No. of units	Number of audit to be conducted	No. of audit actually done	Shortfall in audit	Percentage of shortfall
2011-12	32	64	13	51	79
2012-13	32	64	7	57	89
2013-14	32	64	6	58	90
2014-15	32	64	16	48	75
2015-16	35	70	Nil	70	100

The shortfall in conduct of internal audit ranged between 75 to 100 *per cent*. Due to non-conducting of internal audit as *per* prescribed periodicity, cases of misappropriation of tyres (2013-15) valuing ₹ 42.63 lakh at Una unit, embezzlement of 14,080 litres of diesel valued at ₹ 6.62 lakh (2009-14) in Kullu unit, double payment of pensionary benefits (October 2015) by Chamba unit of ₹ 11.05 lakh and blocking of ₹ 7.01 lakh due to non-usage of 15,858 litres of diesel (2012-16) for period ranging from three to 21 months in Rampur and Solan units were noticed only during special audit conducted by the Corporation in 2015-16.

The Management stated (August 2016) that the concurrent internal audit / peripatetic internal audit could not be conducted due to deployment of audit staff on other jobs and shortage of staff.

Conclusion

While the percentage share of passenger traffic of the Corporation improved from 39.57 *per cent* to 45.80 *per cent* during 2011-12 to 2015-16, poor operational efficiencies and productivity, a fare structure that did not adequately match operational expenses and lack of a mechanism for route analysis before allotment between the Corporation and private operators to encourage bunching of profitable routes with uneconomical ones resulted in continuing losses in the Corporation. Mechanisms to ensure compliance with statutory provisions relating to road safety and emission norms were deficient. The operational performance of the Corporation was below the all India average in respect of hilly States in respect of vehicle productivity, achievement of scheduled kilometers and fuel costs which resulted in depriving the Corporation of potential revenue of ₹ 579.23 crore.

Recommendations

In the light of the audit findings, it is recommended that the Government and Corporation may:

- ***Determine a criteria for allocation of routes between the Corporation and private operators for an equitable distribution of uneconomical routes to ensure sustainable provision of transport services by both the Corporation and private operators;***

- ***Determine price of route permits by adopting transparent procedures and institutional mechanisms;***

- ***Ensure strict enforcement of statutory provisions relating to road safety and vehicular emissions by creating sufficient infrastructure and strict monitoring of functioning of Pollution Checking Centers;***

- ***Review and identify specific measures to improve fleet utilisation and vehicle productivity; and***

- ***Improve internal controls by ensuring that internal audit staff are utilised for carrying out internal audit functions as per the stipulated periodicities.***

Chapter-III

Audit of Transactions

CHAPTER-III

AUDIT OF TRANSACTIONS

Himachal Pradesh State Electricity Board Limited

3.1 Audit of implementation of Re-Structured Accelerated Power Development and Reforms Programme (R-APDRP)

Non completion of Re-Structured Accelerated Power Development and Reforms Program works within schedule time resulted in loss of potential revenue of ₹ 73.06 crore due to non-achievement of envisaged loss reduction targets besides forfeiting grant of ₹ 17.92 crore which was admissible on successful completion of the projects within the time schedule approved by the Government of India. Further, the Company failed to deduct entry tax from the contractors and will have to deposit ₹ 8.64 crore along with interest and penalty as demanded by tax authorities. The Company did not recover penalty of ₹ 2.43 crore from the contractors on account of non-completion of required formalities, such as non-submission of PERT chart and performance bank guarantee as *per* contract agreements and non-synchronisation of allied works by the contractors rendered expenditure of ₹ 8.87 crore unfruitful.

3.1.1 Introduction

The Government of India (GOI) launched the Re-Structured Accelerated Power Development and Reforms Programme (R-APDRP) in July 2008 as a Central Sector Scheme for the XI Plan (2007-12). As *per* Detailed Project Reports (DPRs) submitted to Power Finance Corporation (PFC), 14 towns of the State were found eligible for funding. Six[1] towns out of fourteen were selected for audit. The scheme was to be implemented in two parts; Part-A covers establishment of base line data system, Information Technology (IT) application for energy accounting / auditing and establishment of IT based consumer service centres and Part-B includes strengthening of sub-transmission and distribution system and their upgradation.

Audit of implementation of R-APDRP was conducted between April 2016 and July 2016 covering the period from 2013-14 to 2015-16.

3.1.2 Financial Performance

The detail of the funds received by the Company against the scheme and its

[1] Baddi, Dharamshala, Paonta Sahib, Shimla, Sundernagar and Yol.

utilisation is tabulated in table 3.1 below.

Table 3.1: Funding of the Scheme

(₹ in crore)

Year	Opening balance	Receipt during the year	Funds available	Expenditure during the year	*Per cent* expenditure of funds available	Closing balance
2009-10	-	24.32	24.32	-	Nil	24.32
2010-11	24.32	101.25	125.57	1.21	0.96	124.36
2011-12	124.36	-	124.36	24.13	19.40	100.23
2012-13	100.23	29.59	129.82	30.53	23.52	99.29
2013-14	99.29	0	99.29	79.77	80.34	19.52
2014-15	19.52	40.70	60.22	63.55	105.53	(-)3.33
2015-16	(-)3.33	54.33	51.00	64.98	127.41	(-)13.98
Total		**250.19**		**264.17**		

No amount was spent against the scheme during 2009-10 and only 0.96 *per cent* was spent during 2010-11. In subsequent years, the utilisation against available funds increased and the utilisation was 105.53 and 127.41 *per cent* during 2014-15 and 2015-16 respectively. The Company earned interest income of ₹ 27.98 crore on unutilised funds received from the Ministry of Power. Out of unspent balance in 2010-11, ₹ 56.94 crore had been temporarily diverted by the company towards its working capital requirement.

3.1.3 R-APDRP (Part-A)

The Government of India (GOI), Ministry of Power (MOP) sanctioned (September 2009) ₹ 81.07 crore for Part-A of the scheme which was revised to ₹ 96.40 crore in August 2010 with scheduled completion period of September 2012 which was later extended to September 2015. Initially, funds were to be released as loan through the Power Finance Corporation and later the same was to be converted into grant subject to completion of project milestones as mentioned in the scheme such as establishment of Data Centre (DC), Disaster Recovery Centre (DRC), integration of sub division offices of 14 towns with DC network and installation and customisation of application software with Customer Care Centre. Against sanction of ₹ 96.40 crore, ₹ 58.54 crore had been incurred as of 31 March 2016. The financial progress of R-APDRP Part-A works in respect of 14 towns ranged between 36.07 and 69.51 *per cent*. Despite the fact that none of the activities at DC, DRC and of sub-division offices of 14 towns have been completed (March 2016), intimation regarding Go-live[2] of all works in 14 towns was given to the GOI between July 2013 and July 2014.

2 Go-live is used for declaring the application fully functional and integrated with all the concerned units through internet.

Audit observed the following:

- The company failed to get the part-A project completed within the stipulated period of September 2015 due to failure on the part of the contractor in completing the works as *per* the prescribed time schedule resulting in non-conversion of loan into grant. Consequently, the Company had to refund ₹ 10.38 crore (Principal: ₹ 5.23 crore and interest ₹ 5.15 crore) to the Power Finance Corporation towards repayment of loan during 2014-15 as *per* terms of the scheme.
- As *per* conditions issued by MOP during February 2016, in case of completion of IT project under Part-A within five years from the sanction (September 2009) of the scheme, network bandwidth and Facility Management Service (FMS) charges for a maximum period of one year under R-APDRP are to be funded by MOP. As *per* awarded IT project (awarded for ₹ 99.14 crore) cost of one year GPRS connectivity and FMS works out to ₹ 2.96 crore. The Company failed to get the IT project completed even till March 2016 and resultantly has to forfeit the grant of ₹ 2.96 crore.
- Fees of IT consultant under Part-A was to be converted into grant for a maximum period of four years. As the project was not completed within time schedule due to slow progress of the contractor, Company had to bear avoidable expenditure of ₹ 29 lakh towards consultation charges excluding service tax for the period between July 2013 and December 2015.

Thus, due to delay in completion of the Part-A of the scheme, the Company had to forgo grant of ₹ 13.34 crore besides incurring avoidable expenditure of ₹ 29 lakh on account of consultation charges.

3.1.4 Functioning of Automatic Meter Reading system

Part-A of the scheme envisaged generation of automatic, real time and accurate energy audit reports. For this purpose, project areas were to be ring fenced and all the feeders and large supply consumers were to be equipped by installing Automatic Meter Reading (AMR) system. Energy data from AMR installed in the town area was to be dispatched electronically to Data Centre at Shimla which would be helpful in determining the actual Aggregate Technical and Commercial (AT&C) losses of these towns. Proper functioning of installed equipment was crucial for both Part-A and Part-B of the scheme.

Audit observed that out of total 3,363 AMRs installed on DTRs / Feeders, data in respect of 664 DTRs / Feeders was not being transmitted as of March 2016 due to defective AMR and problem in network connectivity which impacted assessment of AT&C losses. Thus, expenditure of ₹ 9.02 crore incurred on installation of AMR equipment on 664 DTR / Feeders during 2010-14 was rendered unfruitful.

3.1.5 Non-recovery of Entry Tax

As *per* Clause 15.4 of the General Conditions of Contract (GCC) and Clause 6 of award letter issued to a contractor under R-APDRP Part-A on 30 August 2010 for supply of AMR equipment, the prices quoted were inclusive of entry tax which had to be deducted from contractor's invoices and remitted to Trade and Tax Department by the purchaser under its own TIN number. During 2010-14, the contractor supplied AMR equipment valuing ₹ 45.70 crore from outside the State under TIN of the Company. The Company did not deduct Entry Tax of ₹ 2.28 crore from contractor's invoices for onward deposit with Excise and Taxation Department resulting in excess payment of ₹ 2.28 crore to the contractor. Moreover, due to non-deposit of entry tax, the Excise and Taxation Department levied penalty of ₹ 1.14 crore and interest of ₹ 1.45 crore in April 2015. The Company filed an appeal against the assessment before the Excise and Taxation Commissioner Himachal Pradesh Shimla, which is sub-judice. However, as *per* general conditions of the contract agreement *ibid*, the Company was liable to deduct and deposit the entry tax.

3.1.6 R-APDRP Part-B

Under Part-B of the scheme, initially funds were to be released as loan and on completion of the scheme, 90 *per cent* of the funds were to be converted to grant subject to achievement of reduction targets in AT&C losses of 15 *per cent* on sustained basis for a period of five years besides completion of projects within time schedule as fixed by the Steering Committee which shall in no case exceed five years from the date of project approval. The projects under Part-B were to be completed within three years from the date of sanction. However, the period for completion of incomplete projects has been extended up to 31 December 2016 in respect of nine towns out of fourteen. Against sanction of ₹ 338.97 crore, expenditure of ₹ 205.63 crore was incurred for the period ending March 2016. The financial progress of Part-B works as of March 2016 ranged between 38.52 and 132.70 *per cent*. The work in five[3] towns out of fourteen was substantially completed.

3.1.7 Non-obtaining of sufficient Bank Guarantee

As *per* revised instructions to bidders (Clause10 of Section-I) circulated in February 2011, if the quoted rates are between 10 to 25 *per cent* below the estimated cost, the contractor shall remit performance security up to ₹ 10 lakh in cash and remaining in the shape of Bank Guarantee (BG) equal to 10 *per cent* of the estimated cost rather than at 10 *per cent* of the award amount. This amendment was not adopted in seven cases where contracts were entered into after circulation of above instructions in February 2011 and performance security was obtained at the rate of 10 *per cent* of contract value though estimated cost was more than the awarded amount. This has resulted performance security being less than the stipulated amount by ₹ 3.33 crore.

[3] Chamba, Kullu, Una, Nahan and Hamirpur.

Further, the contract relating to 11 KV and below works of Poanta Sahib town was terminated by the Company for non / under performance by the contractor in October 2015. Against this contract, the Company had obtained performance security of ₹ 2.15 crore instead of ₹ 2.78 crore. The bank guarantee was encashed during November 2015 and after adjustment of ₹ 2.15 crore an amount of ₹ 1.78 crore remained to be recovered from the defaulting contractor. Had the Company obtained performance security from contractor as *per* above mentioned conditions, it could have recovered additional amount of ₹ 0.63 crore.

3.1.8 Variation in components in excess of permissible limit

The Steering Committee in its meeting held on 21 August 2012 decided to allow variation in individual components up to ± 20 *per cent* of Detailed Project Report (DPR) subject to overall ceiling of 10 *per cent* of approved DPR cost.

Audit noticed that in respect of five out of 14 towns under Part-B of the scheme, the awarded amount was in excess (12.82 *per cent* to 29.92 *per cent*) of overall 10 *per cent* limit of estimated cost of DPRs. This indicates that DPRs were not prepared on actual current market rates. Thus, even after allowing variation up to 10 *per cent* of sanctioned cost of DPRs, the Company would have to bear ₹ 2.44 crore on account of price variation from its own sources out of total awarded amount of ₹ 30.86 crore.

3.1.9 Loss of revenue due to delay in award and execution of works

The DPRs of 11 towns under Part-B were submitted by the field units for approval between July 2010 and September 2010. These schemes were sanctioned for ₹ 229.17 crore between 16 August 2010 and 8 December 2010 with scheduled completion period of three years from the date of sanction which was later extended to December 2016 in respect of seven incomplete works.

3.1.9.1 Audit observed that the Company took four to 34 months' time for issuing tenders after sanction of schemes and four to 14 months after receipt of bids to award the works. Further as *per* award letters, the works under the packages were to be completed within 12 to 18 months from the dates of award. However, the works of these towns were not completed (except Chamba, Kullu, Una and Nahan) till March 2016 even after elapse of four to 29 months (***Appendix 3.1***) from scheduled completion period. Due to delay in completion of the works, AT&C losses of these towns during 2013-14 to 2015-16 remained higher by 0.39 to 15.14 *per cent* as compared to targets fixed in DPRs. The delay in award and execution of works resulted in potential loss of revenue of ₹ 73.06 crore (***Appendix 3.2***) due to non-achievement of AT&C loss targets as envisaged in the respective DPRs.

3.1.9.2 Audit analysis revealed that out of potential revenue loss of ₹ 73.06 crore, loss of ₹ 11.45 crore *per annum* was due to short award of works provided in the approved DPRs, ₹ 3.57 crore *per annum* due to award of more than admissible (two) works to a single contractor and ₹ 6.48 crore *per annum* due to non-installation of awarded shunt capacitors by the contractors till date. Besides, due to short award of works and delay in completion of works Company was deprived from availing grant of ₹ 2.14 crore under the scheme and cost overrun of ₹ 1.31 crore due to delay in award (***Appendix 3.3***).

3.1.10 Non levy of penalty

Clause 35.4 of Section II of Instructions to Bidders (ITB) in respect of 33 KV, 11 KV and below packages stipulates that successful bidder shall observe all the formalities mentioned in the letter of award failing which penalty of one *per cent per week* of bid security / earnest money deposit for delay beyond the prescribed time will be levied.

Audit noticed that in 13 packages, the contractors did not submit detailed PERT chart[4] within 15 days of signing contract agreements as stipulated in clauses 14.5 and 10.5 (supply and erection) of award letters and 12 contractors did not sign the contract-agreements within 15 days of the receipt of detailed LOA as *per* Clause 35 of Section II of ITB and as *per* clause 41 and 47 of award letters. Further, 12 contractors did not furnish performance guarantee equal to 10 *per cent* of contract price as provided under clause 42 and 54 of award letter within 15 days of award failing which there was a provision of penalty at the rate of 0.35 *per cent per* week or part thereof of the value of performance guarantee till the same is submitted by contractor.

Thus, the contractors were liable to pay penalty of ₹ 2.43 crore for non-completion of required formalities within stipulated dates. However, no such penalty was levied and recovered from the defaulting contractors.

3.1.11 Irregular Excess payment

Clause 25 of Section-III of the General Conditions of Contract relating to Part-B of the scheme stipulates that contractors shall bear and pay all taxes, duties, levies and charges assessed on them, their sub-contractors or their employees by Municipal, State or National Government authorities. Entry tax was introduced in Himachal Pradesh in April 2010. Tenders in respect of three works of Shimla town and two works of Paonta Sahib town were floated in April 2011 after introduction of entry tax. The concerned contractors did not deposit the entry tax admissible while transporting material in the State from outside for execution of works. Material of the value of ₹ 43.61 crore ***(Appendix 3.4)*** were supplied by the concerned contractors between April 2012 to December 2015 from outside the State by using TIN number of the Company. The Company while recording entries in Stock Measurement

4 PERT stands for Program Evaluation Review Technique. A PERT chart is a project management tool used to schedule, organize and coordinate tasks within a project.

Books and passing the bills of contractors failed to detect non-payment of entry tax by contractors and released payment without deducting entry tax due. The Assessing Authority assessed (March 2016) entry tax of ₹ 1.84 crore against Shimla town[5] for the period from April 2012 to December 2015 on material valuing ₹ 36.82 crore besides, penalty and interest of ₹ 1.59 crore (penalty ₹ 0.93 crore and interest ₹ 0.66 crore). The amount however, had not been deposited till May 2016. Thus, failure in detecting non-payment of entry tax on goods purchased from outside the State by the contractors resulted in excess payments of ₹ 2.18 crore as well as avoidable liability of penalty and interest of ₹ 1.59 crore.

3.1.12 Unfruitful expenditure

The Company did not ensure the synchronised completion of various works of a particular package under Part-B of the scheme which rendered expenditure of ₹ 8.87 crore incurred on completed works remained unfruitful as detailed in ***Appendix 3.5***. Further, due to non-functioning of 33/11 KV Rampur Ghat and Badripur sub-stations, the Company was deprived the benefit of reduction in transmission and distribution losses valuing ₹ 1.20 crore annually.

Conclusion

Delay in completion of R-APDRP works resulted in loss of potential revenue of ₹ 73.06 crore due to non-achievement of envisaged loss reduction targets of different towns besides forfeiting the grant of ₹ 17.92 crore which was admissible on successful completion of the projects within the time schedule as approved by the Government of India. Aggregate Technical and Commercial (AT&C) losses at the end of 2015-16 in respect of 14 towns as *per* data generated by IT system ranged between 16.42 and 75.54 *per cent* against the target of 15 *per cent.* The Company failed to deduct entry tax from contractors and will have to deposit ₹ 8.64 crore along with interest and penalty as demanded by the tax authorities. Further, Company did not recover penalty of ₹ 2.43 crore from contractors for non-completion of required formalities as *per* contract agreements such as non-submission of PERT chart and performance bank guarantee. An expenditure of ₹ 8.87 crore remained unfruitful due to non-completion of allied works on time by the contractors.

The audit findings were referred to the State government / Management in July 2016, their reply was awaited (November 2016).

5 Assessment had not been made in respect of Paonta Sahib town as of November 2016.

3.2 *Non- recovery of energy charges*

The Company failed to recover energy charges of ₹ 18.46 crore due to acceptance of bank guarantee for amount that was less than that stipulated in Government instructions and delay in taking remedial action despite repeated defaults.

With the objective of providing convenient and speedy services to citizens through Common Service Centres (CSC), the State government executed (September 2008) an agreement with a firm as a Service Centre Agency (SCA). The Himachal Pradesh State Electricity Board Limited (Company) signed (May 2010) a Memorandum of Understanding (MOU) with the SCA and Society for Promotion of Information and Technology and E-governance (SITEG) working under the aegis of Department of Information and Technology. As *per* the MOU, the SCA was authorised to operate 2,070 CSCs covering eight[6] districts of the State. The validity of MOU was initially for a period of two years with the provision of annual renewal based on performance to be evaluated by the user company which was extendable for five years up to September 2015.

As *per* Clause 9 of the MOU, the SCA shall consolidate total amount of bills collected and deposit the full amount in the specified account of the Company within 24 hours. In case of default in deposit, liquidated damages (LD) equivalent to 20 *per cent* of the total amount due was to be imposed by the Company (Clause 13). Further, in case of continued default beyond three days, action towards invocation of performance bank guarantee was to be initiated (Clause 13.2).

The SCA commenced collection of energy charges from October 2010 and was regular up to March 2013 in depositing the amount along with LD imposed for minor delays. However, between April 2013 and November 2013, while the collected amount was deposited, LD amounting to ₹ 175.86 lakh imposed for delay during the period was not deposited by the SCA. In December 2013, the SCA deposited only ₹ 4.77 crore out of total collected amount of ₹ 7.01 crore and regularly defaulted thereafter up to April 2014. The total recoverable amount including LD increased to ₹ 20.56 crore. The SCA was stopped from collecting the amount bills in April 2014 and was debarred from doing business with the State government in August 2014. After adjusting an amount of ₹ 2.10 crore received on encashment of BG in October 2015, an amount of ₹ 18.46 crore remained unrecovered. SCA also submitted cheques amounting to ₹ 15.25 crore during March 2014 to April 2015, which were dishonoured for want of sufficient funds and Company had filed six cases in different courts[7] under the Negotiable Instruments Act, 1881, for its recovery.

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6 Shimla, Solan, Sirmour, Kinnaur, Bilaspur, Hamirpur, Kullu and Mandi.

7 Shimla, Gurgaon and Delhi.

Audit scrutiny revealed the following:

- As *per* extant instructions of the State government, the minimum bank guarantee should be either 15 *per cent* of the total revenue support sought over a four years' period or at least ₹ 65 lakh *per* division. The Company however accepted performance bank guarantee (BG) totaling only ₹ 2.10 crore against the required amount of ₹ 22.75 crore.[8] In March 2014, the Company requested for enhancement of the BG to ₹ 10 crore which was still less than the minimum stipulated and that too when the outstanding amount had worked out to ₹ 19.94 crore;

- SCA was continuously defaulting in making payment since April 2013. However, no action was initiated to invoke BG till October 2014 as *per* the provisions of MOU; and

- MOU was initially valid for a period of two years *i.e.* up to September 2012 which was extended up to November 2014 even though SCA was continuously defaulting in depositing payment.

Thus, acceptance of insufficient amount of BG coupled with delay in invocation of BG and allowing the SCA to collect energy charges despite repeated defaults resulted in non-recovery of energy charges of ₹ 18.46 crore.

The State government stated (October 2016) that BG was with the Department of Information and Technology (DIT) and once the default was noticed, the Company as *per* the condition of Clause 3 and 24 of tripartite agreement repeatedly requested the DIT to invoke LD clause and immediately encash the BG. The reply is not acceptable as though the Company had requested the DIT to invoke the LD clause, the request to encash the bank guarantee was made only in March 2014 when the amount of default by SCA had increased to more than the amount of BG.

3.3 Excess payment of interest to Industrial Consumer

Payment of interest by the Company on refund of ₹ 39.49 lakh due to an industrial consumer on monthly compounding basis instead of simple interest resulted in excess payment of interest of ₹ 1.24 crore.

As *per* Regulation 7(1)(b)(i) of the Central Electricity Authority Regulations, 2006, consumer meters shall be installed by the licensee either at consumer premises or outside the consumer premises. For billing purpose, reading of consumer meter installed outside the consumer premises *i.e.* at sub-station was to be taken into account.

[8] Minimum amount of BG: ₹ 65 lakh X 35 divisions in eight districts = ₹ 22.75 crore.

Himachal Pradesh State Electricity Board Limited was supplying power to a Large Supply Industrial category consumer through 132 KV independent feeder under Electrical Sub-Division, Kala Amb. Energy meters were installed at both ends of the feeder *i.e.* at consumer premises and at sub-station. The field unit was billing the consumer on the basis of higher of the two readings recorded by meter installed at consumer's premises or by sub-station meter. The consumer deposited the bills under protest and filed a case for redressal of his grievances before the Forum for Redressal of Grievances of the consumer (FRGC). The FRGC held (September 2013) that all energy bills should have been issued on the basis of the meter installed at sub-station and directed the Company to refund the excess by way of adjustment in future bills.

Accordingly, the Company refunded ₹ 39.49 lakh to the consumer through bills issued to the consumer during the period from November 2013 to January 2014. As no interest on this amount was allowed by the FRGC, the consumer filed an appeal with the Electricity Ombudsman for allowing interest on the amount charged in excess from him by the Company. The Electricity Ombudsman in its order of August 2014 allowed payment of interest in favour of consumer and directed the Company to work out interest at twice the Short Term Prime Lending Rate (STPLR) of the State Bank of India prevalent on the 1st April of the relevant financial year for the period for which disputed amount was withheld till such time the excess amount was adjusted and refunded to the Applicant. In pursuance of these orders, the Company paid interest of ₹ 2.01 crore for the period from February 2005 to December 2014 and adjusted the same in energy bill for the month of December 2014 payable in January 2015.

Audit scrutiny revealed (January 2016) that Company computed interest by applying twice the STPLR on monthly compounding basis instead of simple rate of interest for the period for which said amount was retained. Further, this compounding was also done up to December 2014 though the amount of refund due to consumer was adjusted in the bills raised on consumer between November 2013 and January 2014. Against the total interest of ₹ 76.98 lakh due to the consumer worked out by applying simple rate at twice the STPLR for the period from February 2005 to January 2015, the Company paid interest of ₹ 2.01 crore by monthly compounding. This resulted in excess payment of interest of ₹ 1.24 crore to consumer on ₹ 39.49 lakh excess billed amount refunded as *per* the directions *ibid.*

The Chief Engineer stated (July 2016) that interest was calculated after seeking clarification from Kala Amb branch of State Bank of India regarding calculation method. The reply of the Chief Engineer was not acceptable as method for calculation of interest by bank was not relevant in this case as there was no provision for compounding of interest.

The matter was reported to the Government / Management (April 2016); their reply was awaited (November 2016).

3.4 Loss due to delay in enforcing terms of contract

The Company suffered avoidable loss of ₹ 41.58 lakh by not initiating timely action for encashment of bank guarantee of defaulting contractor coupled with non-recovery of full amount of liquidated damages as *per* terms and conditions of the contract.

Himachal Pradesh State Electricity Board Limited (Company) awarded (June 2012) two contracts for supply and erection of 33/11 KV unmanned sub-station at Burma Papri under Operation Circle Nahan to a contractor for ₹ 2.23 crore with scheduled completion by November 2012. As *per* terms and conditions of the contract, the contractor had to furnish two separate bank guarantees (BGs) as performance security against the above mentioned two contracts amounting to ₹ 16 lakh and ₹ 6.33 lakh. Accordingly, the contractor furnished two separate BGs of the required amount with validity up to 28 February 2014. The Contract Agreement further provided that in case the job is delayed beyond the contractual time limit, then liquidated damages (LD) will be recovered at the rate of 0.5 *per cent per* week of delay or part thereof subject to maximum of 5 *per cent* of total value of contract. As *per* clause 12.4 of the letter of award (June 2012), in case the contractor fails to complete the work within the stipulated period, the Company has the right to cancel the contract and effect commissioning at the risk and cost of the contractor.

The contractor after completing initial minor works abandoned the work in January 2014. The Company issued notice to the contractor in June 2014 *i.e.* after 18 months from scheduled completion period and released payment of ₹ 19.25 lakh to the contractor in March 2014 after deducting LD of ₹ 1.01 lakh at 5 *per cent* on billed amount. Meanwhile, both the BGs furnished by the contractor for ₹ 22.33 lakh expired as Company failed to get them either renewed or encashed before expiry. Ultimately, the work was rescinded in October 2014 and remaining work was awarded to another contractor for ₹ 2.37 crore[9] with scheduled completion by November 2016 the cost of which was higher by ₹ 34.07 lakh as compared to the rescinded work.

Audit scrutiny revealed that Company was aware that the contractor had left the work and therefore timely action should have been initiated either to renew or encash BGs before expiry. Further, total LD recoverable from the contractor as *per* contract works out to ₹ 11.17 lakh. Therefore, deduction of LD to the extent of ₹ 1.01 lakh and releasing the balance amount of ₹ 19.25 lakh was not justified. This amount could also have been withheld to adjust the risk and cost of ₹ 34.07 lakh. Thus, failure of Company in initiating timely action for encashment of BGs coupled with non-recovery of full amount of LD out of the amount released to the contractor resulted in avoidable loss of ₹ 41.58 lakh.

[9] Supply of material: ₹ 1.95 crore and Erection of supplied material: ₹ 0.42 crore.

The Management stated (July 2016) that work had been rescinded and awarded to another contractor and the difference between earlier award and subsequent award is only ₹ 14 lakh. The reply is not based on the facts as the risk and cost amount is to be calculated on the value of balance works of the first contractor and not on the awarded cost of original contract.

The matter was reported to the Government (May 2016); their reply was awaited (November 2016).

3.5 Inadmissible payment to the contractor

Incorrect evaluation of bids by the Company on number basis instead kilogram basis for galvanized iron wire resulted in extra payment of ₹ 2.55 crore to a contractor.

Himachal Pradesh State Electricity Board Limited (Company) approved cost estimates for ₹ 28.90 crore in March 2008 for the construction of 11 KV HT lines under *Rajiv Gandhi Gramin Vidyutikaran Yojana* for five blocks under Operation Circle, Solan, with provision of 26 kilograms Galvanized Iron (GI) wire *per* kilometre for guarding power line across the road. The works were awarded to different contractors during March 2009.

Audit scrutiny revealed that in bidding documents relating to two blocks *viz.* Dharampur and Solan, the unit of GI wire to be used was mentioned in 'Number' instead of 'Kilograms' in unit column. In the remaining three blocks, the unit was correctly mentioned in kilograms. The quantity of wire cannot be measured in numbers. The Company while evaluating the bids should have considered the rates quoted by the contractor for the quantity of 26 kg of GI wire against one kilometre of line. However, Company wrongly evaluated the bid by multiplying the rates quoted for 26 kg with 26 numbers for arriving at the cost of one kilometre line whereas the same should have been evaluated by multiplying the rate quoted for 26 kg *per* one kilometre line with actual number of kilometres of line to be erected. Further, actual payment released to contractor for the completed work does not tally with the actual amount released by applying the said rates. On comparing the actual payment so made with the rates required to be paid, there was extra payment of ₹ 2.55 crore to contractor in these two blocks during the period from January 2010 and February 2014. Thus, wrong evaluation of bids by considering GI wire to be used in number instead of kilogram resulted in extra payment of ₹ 2.55 crore to the contractor.

The Management stated (August 2016) that discrepancy in the measurement of road crossing in term of units of GI wire used were inadvertently mentioned in number *per* kilometer. However, the recovery of excess payment made to the contractor amounting to ₹ 42.58 lakh in respect of Parwanoo and Solan has already been made as *per* the actual measurement at the time of final payment. The reply was not acceptable as the recovery was made only in respect of quantity received in excess of requirement whereas the audit has commented for excess payment made for the quantity of GI wire used in the works.

The matter was reported to the Government (May 2016); their reply was awaited (November 2016).

3.6 *Short recovery of fixed demand charges*

The Company failed to restrict contract demand to 50 *per cent* of the original sanctioned demand in terms of Schedule of Tariff which resulted in short-recovery of fixed demand charges of ₹ 56.70 lakh from an industrial consumer.

Clause V of Schedule of Tariff stipulates that consumer to whom two part tariff is applicable shall be entitled to revise their contract demand (CD) twice in a financial year subject to the condition that it shall not be reduced to less than 50 *per cent* of the original sanctioned demand with effect from 1 July 2013.

The Himachal Pradesh State Electricity Board Limited (Company) sanctioned power supply to a large supply industrial consumer having connected load of 19,991.7 KW with original sanctioned demand of 22,214 KVA which was subsequently temporarily reduced to 10,214 KVA in November 2012. The connection was temporarily disconnected in March 2013 due to non-payment of outstanding dues. However, after permanent disconnection of power supply in September 2013, the Company sanctioned the reduction in contract demand in October 2013 from 10,214 KVA to 250 KVA for the period from 10 April 2013 to 30 June 2013. Thereafter, it was restored to 50 *per cent* of the original sanctioned demand.

Audit scrutiny showed that while preparing revised energy bills for the period from July 2013 to September 2013, the fixed charges had been levied on the basis of reduced demand of 5,107 KVA instead of 11,107 KVA *i.e.* 50 *per cent* of original sanctioned demand of 22,214 KVA resulting in short-recovery of ₹ 56.70 lakh[10] on account of fixed demand charges from the consumer. Although the Company had filed recovery suit of ₹ 1.52 crore against the consumer after permanent disconnection, it had not included this ₹ 56.70 lakh on account of short-recovery of fixed demand charges for the above period.

The Management stated (July 2016) that contract demand from 10,214 KVA to 250 KVA was sanctioned with the condition that contract demand of 250 KVA shall be applicable from April 2013 to June 2013 and 50 *per cent* of the sanctioned demand from July 2013. In view of this, the contract demand of 5,107 KVA (50 *per cent* of the 10,214) has been considered for demand charges from July 2013 to September 2013. The Management added that this had been done in accordance with a judgement of the HP Electricity Regulatory Commission (HPERC) of December 2013.

[10] 6,000 KVA (11,107 KVA-5,107 KVA) x 90 *per cent* x ₹ 350x3 months = ₹ 56,70,000.

The reply was not tenable as the Schedule of Tariff does not permit reduction of the contract demand beyond 50 *per cent* of the original sanctioned demand. Further, the pronouncement of the HPERC did not cover the period cited by audit and it only closed the petition with the instructions to the petitioner to sort out the difference in calculations with the Board.

The matter was reported to the Government (July 2016); their reply was awaited (November 2016).

3.7 Infructuous expenditure due to delay in acting upon exemption granted by Government

Delay on the part of the Company in conveying exemption granted by State government for installation of Real Time Online Water Discharge Monitoring System on Hydro Electric Projects to its field units resulted in infructuous expenditure of ₹ 2.19 crore on installation of devices which were not required to be installed.

The Department of Pollution Control, Government of Himachal Pradesh, in exercise of power conferred under Section 5 of the Environment (Protection) Act, 1986, issued notification dated July 2005 making it mandatory for all existing and upcoming Hydro Electric Projects (HEP) to maintain 10 *per cent* minimum flow of water in downstream of diversion structure of the project throughout the year. The condition of minimum flow of 10 *per cent* was revised to 15 *per cent* in September 2005 by the State Pollution Control Board (SPCB) besides making it mandatory (July 2009) for all existing and upcoming projects to install Real Time Online Continuous Flow Measurement and Data Logging Devices up to 31 December 2009. The State government accorded (April 2012) exemption sought by the Himachal Pradesh State Electricity Board Limited (Company) that the notification would have prospective effects for projects commissioned after 9 September 2005. This decision of the State Government was conveyed to the Company on 21 April 2012.

Audit scrutiny of installation of Water Discharge Monitoring System (WDMS) revealed (December 2014) that the Company had a total of 21 HEPs commissioned up to March 2012. Out of these, Real Time Online WDMS was already installed in Larji HEP and not required for Bassi HEP being the tail race development project of Shanan HEP of Punjab State Electricity Board. Out of the remaining 19 HEPs, 18 HEPs were commissioned prior to July 2005 and only Khauli HEP was commissioned in March / April 2007. In view of the State Government decision conveyed to the Company in April 2012, the notification was not applicable for 18 HEPs which were commissioned prior to July 2005. The decision was, however, conveyed by the Corporate Office to the concerned field unit after a delay of 28 months in August 2014. Meanwhile, the process of tendering for installation of WDMS for all 19 HEPs was completed in October 2012 and the work for supply and installation was awarded to a contractor in March 2013 for ₹ 2.50 crore. The

Company had released the payment of ₹ 2.19 crore to the contractor as of March 2016. Audit also noticed that these devices were either idle or non-functional in respect of all the 18 HEPs.

Thus, delay of 28 months in conveying the decision of the State government *ibid* to its field units resulted in infructuous expenditure of ₹ 2.19 crore on installation of WDMS in 18 HEPs commissioned prior to July 2005.

The Management admitted (June 2016) that the device installed in 18 HEPs were either idle or non-functional as release of 15 *per cent* mandatory water discharge had been stopped as *per* the instructions of the State government issued in April 2012. The State government added (October 2016) that the possibility of utilising the system for purpose other than measuring minimum flow had been discussed with the supplier who had assured that the equipment can after some modifications be used for measurement of intake flow to turbine in order to monitor plant efficiency.

The reply may be viewed in the light of the fact that matter was taken up with the supplier during July 2015 and even after elapse of 16 months these devices remained idle / non-functional in respect of all the 18 HEPs as of November 2016.

Himachal Pradesh General Industries Corporation Limited

3.8 Non-recovery due to failure to take into account all elements while arriving at mutual settlement with a contractor

Failure of the Company to take into account risk and cost from alternate sources and production loss while arriving at a mutual settlement with a defaulting firm relating to purchase of Extra Neutral Alcohol despite clear provisions in the contract and directions of Hon. Court resulted in non-recovery of ₹ 81.95 lakh.

The Himachal Pradesh General Industries Corporation Limited (Company) placed a purchase order for supply of 25 lakh bulk litres (BL) of Extra Neutral Alcohol (ENA) in May 2012 on a firm at the rate of ₹ 36.99 *per* BL. The ENA was required for its Country Liquor Bottling Plant (CLBP) Mehatpur and CLBP Parwanoo. The purchase order stipulated that security will be liable to be forfeited for failure to supply the material as *per* supply schedule and for violation of any other terms and conditions. This shall be in addition to any other penalty or damages that may be calculated in case any purchases are required to be made by the Company from alternate source due to non-supply of ordered quantity. The Company was entitled to retain a sum of ₹ 20 lakh towards security deposits against the supply order.

The supply of ordered quantity was to be made from May / June 2012 to May 2013 as *per* the requirement of the consignee. The firm could supply only 5.40 lakh BL of ENA. The firm did not fulfil its commitment despite repeated reminders[11] and the production of country liquor in both the plants of the Company remained completely stopped for twelve days[12] between August and October 2012 resulting in net production loss of ₹ 19.55 lakh. The Company finally cancelled the purchase order on 7 November 2012 after forfeiting security deposits of ₹ 20 lakh. Meanwhile, to resume production, the Company placed two purchase orders on another firm in October 2012 (1.60 lakh BL) and November 2012 (13.40 lakh BL) at the rate of ₹ 41.15 *per* BL. On the purchase of total 15 lakh BL of ENA, the Company incurred an extra expenditure of ₹ 62.40 lakh as compared to the rates of the first firm.

The firm filed a Civil Writ Petition (CWP) against cancellation of purchase order in the Hon. High Court of Himachal Pradesh and the Hon. Court directed the Company (April 2013) to take appropriate decision for recovery of risk and cost along with production loss due to non-availability of ENA as *per* purchase order within four weeks' time. The Company settled the case by releasing the balance payment of ₹ 16.35 lakh in July 2013 after forfeiting the security deposits of ₹ 20 lakh.

Audit noticed (March 2015) that the Company was entitled to recover ₹ 81.95 lakh[13] for risk and cost and production loss in addition to forfeiture of security deposits but this was not considered during mutual settlement. On this being pointed out in audit, the Company issued legal notice to the firm in July 2015 claiming damages for breach of conditions of purchase order. The legal advisor of the Company opined (September 2015) that keeping in view the mutual settlement with the firm, any suit now filed was unlikely to be successful and advised closure of the case by writing off the amount.

Thus, failure to adhere to the terms and conditions of purchase order during mutual settlement with the supplier relating to risk and cost on purchase of ENA from alternate sources and production loss led to non-recovery of ₹ 81.95 lakh.

The Management stated (May 2016) that the Law Department of the State government had opined that for recovery of risk and cost from the firm could have been effected by filing suit for recovery within a period of limitation which appears to have been already expired and now it is fruitless to file a case of recovery.

The matter was reported to the Government (April 2016); their reply was awaited (November 2016).

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[11] Issued between July 2012 and October 2012.

[12] 4/8/2012, 6/08/2012, 7/08/2012 and 17/10/2012 to 25/10/2012 (12 days).

[13] Risk purchase cost on purchase of 15 lakh BL ENA: ₹ 62.40 lakh and loss incurred during the 12 days when the production remained stopped for non-availability of ENA: ₹ 19.55 lakh.

Himachal Pradesh Minorities Finance and Development Corporation

3.9 Audit of Sanction of loans to beneficiaries and recoveries

The Company failed to meet the target of distribution of assistance to eligible beneficiaries from the minority community and weaker sections and persons with disabilities. The Company failed to disburse sanctioned loan of ₹ 1.94 crore due to non-arrangement of required government guarantee and could not implement *Mahila Samridhi Yojana* despite allocation of ₹ 1.20 crore by the apex institution. Further, non-provision of calculation of normal interest from defaulters in the software led to short recovery of interest of ₹ 1.44 crore.

3.9.1 Introduction

The Himachal Pradesh Minorities Finance and Development Corporation (Company) was incorporated in September 1996 under Section 25 of the Companies Act, 1956, to undertake schemes aimed at social, economic and educational upliftment of socially and economically backward minorities and other weaker sections as well as persons with disabilities (PwDs) having deformity of 40 *per cent* or above. To achieve this objective, the Company provides financial assistance and professional know-how by arranging vocational training to the aforesaid classes and sections. The Company is also functioning as a State Channelizing Agency (SCA) of the National Minorities Development and Finance Corporation (NMDFC) and National Handicapped Finance and Development Corporation (NHFDC) which are apex level finance and development institutions setup by the Government of India (GOI) to assist minority communities and persons with disabilities.

Audit of sanction of loans to beneficiaries and its recovery was conducted between March 2016 and May 2016 covering the period 2013-16 through test check of records at the Corporate Office. The audit findings are discussed in the succeeding paragraphs.

3.9.2 Funding

Funds are provided by NMDFC and NHFDC to the beneficiaries through the Company on guarantee provided by the State government. The State government invested ₹ 10.59 crore as paid up share capital in the Company up to March 2016. The Company provided assistance under "Term loan scheme and Education loan scheme" at the rate of interest 2 *per cent* and 3 *per cent* over and above interest charged by these apex bodies from time to time.

The Company gets funds from NMDFC for minorities' community and in case of PwDs from NHFDC. The Company had disbursed loan of ₹ 16.41 crore provided by NMDFC and ₹ 16.25 crore provided by NHFDC during the last five years ending March 2016.

3.9.3 Identification of beneficiaries

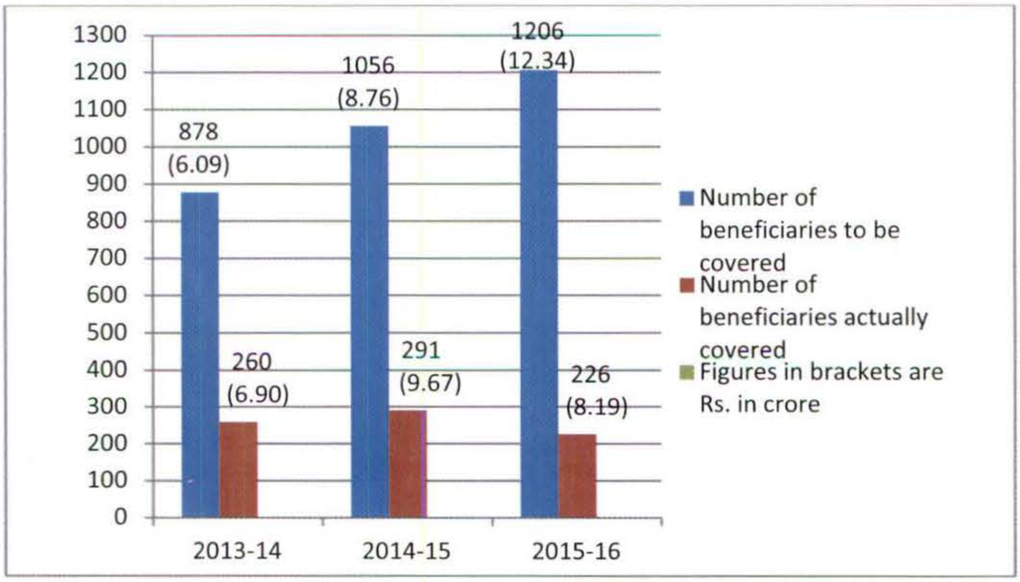
The Company had not maintained any data base for identification of eligible beneficiaries as *per* criteria fixed for providing financial assistance. The percentage of minorities' community and persons with disabilities (PwDs) was 4.71 *per cent* and 2.26 *per cent* respectively as *per* census 2011. The Company provided financial assistance of ₹ 57.07 crore to 3,444 beneficiaries (Minority community: 2,139 beneficiaries - ₹ 30.72 crore and PwDs: 1,305 beneficiaries - ₹ 26.35 crore) since its inception which was only 0.66 *per cent* of minorities' community and 0.84 *per cent* of PwDs as compared to their population based on 2011 census.

The Management stated (May 2016) that various awareness programmes are being organised in the State to educate the beneficiaries about various schemes. Further, the reasons for less coverage were non fulfilment of certain eligibility conditions besides shortage of staff with the Company.

3.9.4 Non achievement of targets

The NMDFC and NHFDC had fixed targets for disbursement of loans as well as number of beneficiaries to be covered. Against the targets of ₹ 32.96 crore, the Company disbursed of ₹ 32.66 crore during 2011-16 but failed to achieve targets in respect of number of beneficiaries to be covered. The beneficiaries to be covered and actual covered during the past three years ending March 2016 are given below in graph 3.1.

Graph 3.1 Coverage of beneficiaries



(Figures shown in brackets represent amount of loan in crore)

The number of beneficiaries targeted by the apex institutions increased from 878 in 2013-14 to 1,206 in 2015-16 but the actual coverage by the Company ranged between 226 and 291 beneficiaries (19 and 52 *per cent*) during the same period as compared to the target. However, the amount of loan disbursed was more than the targeted amount except in 2015-16. The Company had not analysed the reasons for non-achievement of targets. Thus, the objective of providing financial assistance to maximum number of beneficiaries was not achieved. Audit also observed that there was no system for reviewing / reporting actual performance periodically with reference to targets fixed so as to take timely remedial measures.

The Management stated (May 2016) that non achievement of targets were low income eligibility criteria *i.e.* ₹ 81,000 for rural and ₹ 1,03,000 for urban inhabitant due to which the inhabitants above this limit are not eligible for assistance. Further, the Buddhist and *Gujjars* communities are also eligible for assistance from other sources at 4 *per cent* as compared to 6 *per cent* interest being charged by the Company due to which they do not apply for financial assistance. The reply was not tenable as the target should have been fixed after considering all these issues.

3.9.5 Disbursement of funds

3.9.5.1 Non disbursement of sanctioned loans

The State government had extended guarantee (August 2015) to cover NMDFC loan of ₹ 15 crore which has been fully utilised up to October 2015. NMDFC informed (October 2015) the Company to increase the State government guarantee for making further disbursement and did not release any fund after that. Accordingly, the Company took up (March 2016) the matter with the State government for enhancement of block guarantee from ₹ 15 crore to ₹ 25 crore but the same has not been enhanced so far (May 2016). Consequently, sanctioned loans of ₹ 1.94 crore to 60 beneficiaries could not be released even after receipt of beneficiaries' share of ₹ 9.71 lakh from them between November 2015 and March 2016.

The Management stated (May 2016) that the matter for enhancement of block guarantee is under consideration of the State government and the loan would be received / disbursed after enhancement of guarantee.

3.9.6 Analysis of loan cases

As *per* the disbursement procedure, the Company was required to execute / obtain documents like agreement deeds, mortgage deeds and post-dated cheques from beneficiaries and guarantee of Government employee for loans, annual income certificate and policy documents for insurance of the properties.

Test check of 243 cases involving loan amount of ₹ 8.11 crore disbursed between September 2006 and February 2016 revealed the following deficiencies:

- In 15 cases, date of agreement, rate of interest and penal interest to be charged were not indicated. In absence of such details, the Company would find it difficult to establish dues of interest / penal interest in case of default.
- Copies of insurance cover of assets purchased by 155 beneficiaries involving loan of ₹ 4.08 crore during the first year and 222 cases involving loan of ₹ 6.47 crore relating to subsequent years were not obtained. Thus, the financial interest of the company would not be safeguarded in case the assets are destroyed in fire and floods.
- Each beneficiary was to be visited at least twice *i.e.* once after three months of financing and second after six months of financing for follow up regarding grounding of assets for providing assistance in overcoming problems, if any. However, no such visits were conducted to verify the actual utilisation of loan for the purpose for which the loan was provided.

3.9.7 Distribution of Education Loan

3.9.7.1 Irregular payment of contribution on behalf of beneficiaries

NMDFC provides education loan to SCA at the rate of one *per cent per annum* and SCA provide the same to beneficiaries at the rate of three *per cent per annum*. The financial pattern for providing education loan was in the ratio of 85:10:5 to be shared by NMDFC, SCA and beneficiary up to 2012-13 and in the ratio of 90:5:5 respectively from 2013-14. Further, repayment of loan was to be started after six months from the date of the completion of the course or start of earning whichever is earlier and in case of default in repayment, the beneficiaries are liable to pay penal interest at the rate of three *per cent per annum* over and above the normal interest. The Company had provided education loan of ₹ 26.02 lakh to 16 beneficiaries during the period from 2009-10 to 2015-16.

Audit noticed (May 2016) that Company did not ask the beneficiaries to contribute their share of 5 *per cent* and contributed the same out of its own funds in violation of the guidelines without approval of the Board of Directors. This resulted in excess disbursement of loan amounting to ₹ 1.30 lakh. Further, against the loan of ₹ 16.63 lakh disbursed to 10 beneficiaries between July 2010 and October 2014, the Company has demanded repayment after a delay of six months to 23 months from the due date. In absence of up to date posting of data in the computer system, notices could not be issued to defaulters.

The Management stated (May 2016) that five *per cent* share would be recovered from the beneficiaries out of loan to be disbursed to them in future.

3.9.7.2 Interest subsidy for moratorium period

NMDFC circulated (May 2014) a copy of scheme launched (May 2010) by the Ministry of Human Resource Development (MoHRD), Government of India, for providing interest subsidy for the moratorium period under the education loan in order to minimise the interest burden on beneficiaries. As *per* the scheme, the interest amount charged by SCAs during the moratorium period[14] from beneficiaries was to be refunded by NMDFC on receipt of reimbursement from the MoHRD. The scheme was implemented from the financial year 2010-11.

Audit observed (May 2016) that Company had not provided any information to NMDFC in respect of 11 beneficiaries who were disbursed loan of ₹ 17.05 lakh up to October 2014 and completed their course up to March 2015 as *per* course schedule. This deprived 11 beneficiaries of interest subsidy benefit of ₹ 1.82 lakh.

The Management stated (May 2016) that the matter will be taken up with NMDFC for reimbursement of interest subsidy for the moratorium period.

3.9.8 Non implementation of promotional activities

NMDFC sanctioned notional annual allocations of ₹ 1.20 crore for *Mahila Samiridhi Yojna* during 2013-16. Audit noticed that the *Mahila Samiridhi Yojna* was not implemented by the Company resulting in non-provision of financial assistance of ₹ 1.20 crore to poor women belonging to minorities community.

The Management attributed (May 2016) non-implementation of the scheme to shortage of staff.

3.9.9 Sanction of loan to persons with disabilities

The Company provides term loans[15] out of funds received from NHFDC to the PwDs to establish small business. In addition to this, the State government also notified (December 2008) an integrated scheme "SAHYOG" for the benefit of PwDs which provided for payment of additional financial assistance in the form of capital subsidy of 20 *per cent* of the project cost or ₹ 0.10 lakh whichever was less for setting up of self-employment venture / micro enterprise. As *per* the scheme, the subsidy was to be kept in term deposit for loan period and credited in the loan account of the beneficiary along with interest at the time of final payment.

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[14] Moratorium period constitute course period plus one year or six months after getting job whichever is earlier.

[15] The term loan carries annual rate of interest of 5 *per cent* up to ₹ 50,000, 6 *per cent* up to ₹ 5.00 lakh and 8 *per cent* on project costing above ₹ 5.00 lakh to ₹ 25.00 lakh.

The Company received an amount of ₹ 73.50 lakh in respect of 735 PwDs beneficiaries during the year 2015-16 on account of capital subsidy under SAHYOG" against ₹ 76.70 lakh receivable in respect of 767 eligible beneficiaries from the State government for the period from 2008-16. No action has been initiated by the Company to demand the balance ₹ 3.20 lakh from the State government. Further, capital subsidy of ₹ 31.80 lakh received for the period from 2008-09 to 2010-11 was kept in current account up to March 2011 on which no interest has been received. Non-investing this amount in interest bearing term deposit as *per* the instructions resulted in loss of interest of ₹ 4.13 lakh which had to be credited to loan account of the concerned beneficiary. Further, out of 735 beneficiaries, 91 beneficiaries had closed their loan account during 2013-16. The Company has not credited their share of capital subsidy of ₹ 15.60 lakh (including interest of ₹ 6.50 lakh[16]) into their account.

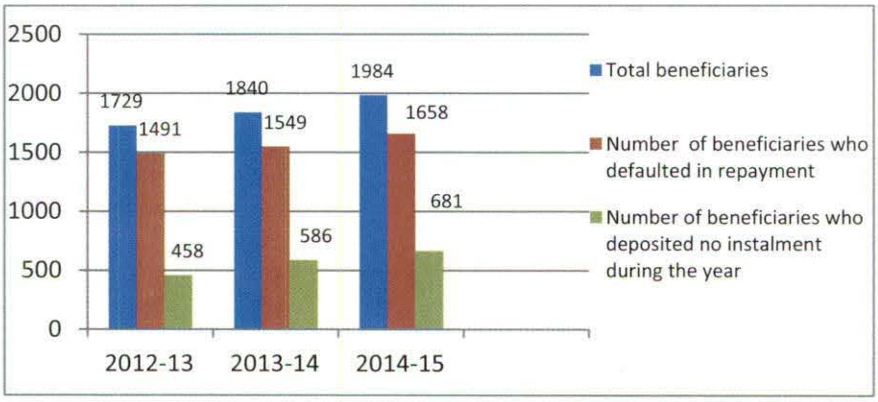
The Management stated (May 2016) that the capital subsidy will be released to the beneficiaries who have made full payment of loan and completed tenure of loan.

3.9.10 Recovery of loan from beneficiaries

3.9.10.1 Analysis of beneficiaries

The Company has not evolved any system to regularly analyse loan cases. The total number of beneficiaries, beneficiaries who defaulted in repayment and beneficiaries who did not deposit any instalment during the period from 2012-13 to 2014-15 is indicated in the graph 3.2 below.

Graph 3.2: Default in repayment of loan by beneficiaries



16 Interest calculated at an average interest rate of 8 *per cent* compounded yearly for seven year period as fixed for repayment of loan

While the number of beneficiaries increased from 1,729 in 2012-13 to 1,984 in 2014-15, the number of beneficiaries who defaulted in repayment also increased from 1,491 to 1,658 and number of beneficiaries who did not deposit even a single installment also increased from 458 to 681 during the same period.

Audit observed that against the total 1,658 defaulters as on 31 March 2015 who defaulted in repayment of ₹ 7.03 crore, the Company filed 254 cases under Negotiable Instruments Act, 1881, for recovery of ₹ 1.26 crore and five cases involving ₹ 2.15 lakh under Himachal Pradesh Public Money's (Recovery and Dues) Act, 2013. However, no action has been initiated against the remaining 1,399 defaulters involving ₹ 5.75 crore.

The Management attributed (May 2016) the delay in updating of beneficiaries' accounts to technical deficiencies in the software besides shortage of staff.

3.9.10.2 Recovery performance

The status of recovery performance in respect of minorities and PwDs against the total amount due for the period from 2012-15 is detailed in table 3.2 below.

Table 3.2: Status of recovery performance

(₹ in crore)

Year	Opening balance	Amount Due	Total	Receipt	Received in advance	Percentage of receipt to total due	Closing balance
Minorities community							
2012-13	2.86	1.72	4.58	1.83	0.05	39.96	2.80
2013-14	2.80	1.53	4.33	1.79	0.38	41.34	2.92
2014-15	2.92	2.30	5.22	1.99	0.10	38.12	3.33
Persons with disability							
2012-13	2.36	1.73	4.09	1.45	0.08	35.45	2.72
2013-14	2.72	1.76	4.48	1.65	0.36	36.83	3.19
2014-15	3.19	2.33	5.52	1.73	0.14	31.34	3.93

Source: (Data compiled from the reports generated through software of the Company)

The percentage of recovery to total amount due ranged between 38.12 and 41.34 *per cent* from minorities and between 31.34 and 36.83 *per cent* from PwDs during 2012-15. Analysis also showed that the percentage of recovery decreased during 2014-15 in respect of both categories as compared to 2013-14. The management had not investigated the reasons for decrease in recovery percentage / low recovery.

The Management attributed (May 2016) the low recovery to non-availability of sufficient staff and the matter for creation of additional posts which was stated to be under consideration of the State government.

3.9.10.3 Short recovery of interest

As *per* loan agreement executed by the Company with beneficiaries, the rate of interest to be charged on term loans was 6 *per cent per annum*. Further, in the event of non-payment of any instalment or any interest on due dates, such arrears shall bear penal interest at the discretion of the Company (clause 2) until the interest or instalment due is not paid. The rate of penal interest prior to March 2010 was 12 *per cent* which was subsequently reduced by the BOD to 3 *per cent* from April 2010. The rate of penal interest was in addition to normal rate of interest being charged from time to time.

Audit scrutiny revealed (April 2016) that Company was not charging normal interest and had charged only penal interest at the rate of 3 *per cent per annum* on defaulted amount from the beneficiaries due to deficient software used for calculation of interest. This resulted in short recovery of interest of ₹ 1.44 crore from defaulting beneficiaries between April 2010 and March 2015.

The Management stated (May 2016) that there was no provision in the software to calculate the normal interest on defaulted amount. The reply was not acceptable as there was no point in installing software which has no provision to calculate both normal and penal interest.

3.9.10.4 Short calculation of interest

Funds are provided by NMDFC and NHFDC to State Channelizing Agency (Company). Interest is charged by these institutions on reducing balance method. In the same way, the Company provides loans to its beneficiaries by calculating the total interest on loan on reducing balance method and then divides it by number of instalment for fixing the equated instalment for repayment of principal and interest.

Test check of records of 118 beneficiaries who had closed their accounts before prescribed period showed that the Company did not recalculate the amount of interest at the time of making final payment and recovered only equated instalment of interest up to that date. This has resulted in short calculation of interest by ₹ 3.18 lakh from 47 beneficiaries due to non-recalculation of interest in cases of repayment of loan before prescribed period.

The Management stated (May 2016) that the figures of interest reflected in the software generated statement could not be changed. However, they assured that efforts will be made to replace the software for calculation of interest on reducing balance method.

3.9.10.5 Excess recovery from beneficiaries

The Company has developed software for generating a statement of interest and outstanding balance of loan. But due to non-feeding up-to-date data in respect of receipt of instalments, the final calculation of interest at the time of final instalment was being calculated manually.

Audit observed that due to manual calculation of interest on overdue amount at the time of receipt of final instalment from beneficiary, the Company recovered excess amount of ₹ 19.59 lakh up to March 2015 as compared to amount calculated by software subsequently after completion of data feeding. The Company had not initiated any action to refund the amount recovered in excess to the concerned beneficiaries. This placed an undue interest burden on beneficiaries.

The Management admitted (May 2016) that excess amount had been received from the beneficiaries due to manual calculation and necessary action will be taken after updating of the software.

Conclusion

The Company failed to meet the target of distribution of assistance to eligible beneficiaries. The Company failed to disburse sanctioned loan of ₹ 1.94 crore due to non-arrangement of required government guarantee and could not implement *Mahila Samridhi Yojana* despite allocation of ₹ 1.20 crore by the apex institution. Further, non-provision of calculation of normal interest from defaulters in the software led to short recovery of interest of ₹ 1.44 crore.

The matter was reported to the Government (June 2016); their reply was awaited (November 2016).

Himachal Pradesh Power Transmission Corporation Limited

3.10 Audit of award and execution of transmission project

The Company had withdrawn excess loan funds without reference to the actual expenditure incurred on the project resulting in an extra financial burden of ₹ 1.52 crore. Non-adherence to norms of debt equity ratio for sharing costs would result in loss on Return on Equity of ₹ 3.80 crore *per annum*. Further, inconsistent approach in allowing interest free mobilisation advance led to interest loss of ₹ 5.11 crore.

The Himachal Pradesh Power Transmission Corporation Limited (Company) was established in August 2008 as the State transmission utility with a view to strengthening the transmission network relating to Extra High Voltage (EHV) transmission lines and sub-stations and for formulation, updating and execution of transmission master plan to facilitate evacuation of power from upcoming Hydro Electric Projects (HEPs).

The Asian Development Bank (ADB) agreed to lend (August 2011) to the Company through Government of India (GOI) and State government an amount of $113 million *i.e.* ₹ 592.57 crore[17] to execute works covered under

[17] At conversion rate of ₹ 52.44 *per* $ prevailing at the time of first drawl (December 2011).

the Himachal Pradesh Clean Energy Transmission Investment Programme (tranche-I). The objective of the investment programme was to provide the Company with sufficient assets and capacity to support its mandate besides capacity development through an enterprise resource planning system.

An audit review of the implementation of the project brought out the following:

(a) Delay in execution of works

Initially, construction of three sub-stations and one transmission line with estimated cost of ₹ 649.64 crore were covered under tranche-I. During April 2016, the execution of two works *viz.* GIS sub-station at Chambi (₹ 49.40 crore) and Pandoh with Loop-in Loop-out (LILO) of one circuit of 132 KV Bajaura-Kangoo double circuit line (₹ 41.86 crore) with total cost of ₹ 91.26 crore was added to tranche-I by shifting from tranche-II. A sum of ₹ 167.98 crore (excluding advances to contractors) has been incurred by the Company on these works till March 2016.

At the end of March 2016, the financial achievement in respect of supply and erection part and present status of work being executed is depicted in table 3.3 below.

Table: 3.3 Status of works as on 31st March 2016

(₹ in crore)

Sl. No.	Name of work	Awarded amount		Month of award	Completion month as *per* award	Expenditure up to March 2016		Percentage Achievement		Revised date of completion	Reasons for delay
		Supply	Erection			Supply	Erection	Supply	Erection		
1	**Substation, Bhoktoo**	21.13	5.31	Dec-11	Jul-14	20.01	2.24	94.70	42.18	Dec-16	Land slide during 2013
2	**Hatkoti – Pragtinagar (Gumma) transmission line**	37.66	24.65	Sep-12	Mar-14	26.00	0.13	69.04	0.53	June-17	Forest clearance and acquisition of land
3	**GIS Sub Station, Gumma**	104.94	38.65	Oct-13	Apr-15	72.02	7.58	68.63	19.61	Jan-17	Acquisition of required land
4	**Substation, Wangtoo**	232.43	76.12	Sep-13	Feb-15	38.71	1.29	16.65	1.69	June-17	Forest clearance.

The percentage of financial achievement up to March 2016 in respect of supply ranged between 16.65 and 94.70 *per cent* and erection ranged between 0.53 and 42.18 *per cent.* The main reasons for shortfall in utilisation of funds were delay in award of works, delay in obtaining forest clearances, delays in handing over of sites and non-acquisition of private land in the periphery of layout plan.

The delay in award and execution of works also entail commitment charges of ₹ 2.98 crore that would have to be borne by GOI in terms of its agreement with the ADB.

(b) Avoidable interest burden due to excess drawl of funds

As *per* Schedule-3 of loan agreement executed between the GOI and ADB, the Company was required to establish imprest accounts in commercial banks which would be managed in accordance with ADB's loan disbursement hand book. The maximum amount to be retained in the imprest account shall not exceed the lower of the estimated expenditure to be financed from the imprest account for the first six months of project implementation or 10 *per cent* of the loan amount.

Audit scrutiny revealed that the Company had drawn imprest amount of ₹ 61.36 crore in December 2012 equivalent to 10 *per cent* of the loan while the expenditure during 2012-13 was only ₹ 12 lakh. As on March 2016, funds of ₹ 12.96 crore were lying in the imprest account. This amount had been invested in FDRs for varying periods carrying interest ranging between 6.5 and 8.5 *per cent* or kept in saving account at interest of 4 *per cent* whereas the Company had to pay interest of 10 *per cent* to the State government on loan funds drawn. Thus, the decision to draw loan funds without reference to the actual expenditure incurred placed an extra interest burden of ₹ 1.52 crore on project cost up to March 2016.

(c) Non-adherence to norms of debt equity ratio for sharing of costs

Regulation 14 of the HPERC (Terms and Conditions for Determination of Transmission Tariff) Regulation, 2011, provides that expenditure incurred or projected to be incurred including interest during construction and finance charges of debt and equity should be in the ratio of 70:30. In the event of actual equity deployed in excess of 30 *per cent* of the funds, the excess would be treated as normative loan and in case of equity deployed less than *30 per cent* of the funds, it would be treated on actual basis. Further, Return on Equity (ROE) as *per* regulation 19 shall be computed on the equity determined on base rate of 15.5 *per cent* and for debt / loan on actual rate of interest *i.e.* 10 *per cent* as *per* loan agreement.

Audit noticed that the sharing of cost proposed in the detailed project reports through debt and equity was in the ratio of 80:20 instead of 70:30. This resulted in over drawl of loan amounting to ₹ 73.94 crore[18]. Consequently, on completion of project, the Company would get return through tariff at the rate of only 10 *per cent* instead of 15.5 *per cent* that would eventually result in loss on Return on Equity amounting to ₹ 3.80 crore[19] *per annum*.

(d) Inconsistent approach in mobilisation advances

The bidding documents for three projects *viz*. Bhoktoo, Hatkoti-Pragtinagar and Gumma awarded between December 2011 and October 2013 had

[18] 30 *per cent* equity of ₹ 222.27 crore out of total project cost eligible for tariff *minus* 20 *per cent* equity of ₹ 153.22 crore actually provided in the project cost = ₹ 69.05 crore.

[19] 5.5 *per cent per annum* difference between the RoE and rate of interest on ₹ 69.05 crore

provisions for interest free mobilisation advance to contractors while that for Wangtoo sub-station had a provision for mobilisation advance at the rate of 10 *per cent* interest. Thus, the Company had adopted different parameters for allowing mobilisation advance to the contractors.

Audit observed the guidelines issued by the Central Vigilance Commission in October 1997 stated that advances should be interest bearing so that the contractor does not draw undue benefit. The Company had itself given mobilisation advances carrying interest in other similar works. Thus, grant of interest free mobilisation advance led to interest loss of ₹ 5.11 crore as well as undermined the objective of ensuring that the contractor expeditiously commenced the work.

The audit findings were reported to the Government / Management in July 2016, their replies were awaited (November 2016).

Himachal Pradesh Power Corporation Limited

3.11 Avoidable payment of Excise Duty

Failure of the Company to claim exemption of excise duty as allowed by the Government of India to Asian Development Bank funded projects resulted in avoidable payment of excise duty of ₹ 36.11 crore.

Civil work of Sawra Kuddu, Kashang and Sainj Hydroelectric projects of Himachal Pradesh Power Corporation Limited (Company), funded by Asian Development Bank (ADB), were awarded to two firms in February / March 2009 and June 2010 respectively. The bidding documents and contract agreements provided that all duties and taxes levied as *per* the laws and regulations shall be included in the price bids. The contractors shall pay all taxes, duties and fees required to be made under the contracts.

As *per* Government of India (GOI) notification issued on 28 August 1995 and amended in November 1999 all goods falling under schedule to the Central Excise Tariff Act, 1985, when supplied to the projects financed by the international organisation and approved by the GOI were exempt from excise duty (ED) and additional duty of excise.

Audit scrutiny revealed that all the three HEPs were eligible for claiming excise duty exemption of ₹ 36.11 crore on cement and steel used in the construction of these three HEPs funded by ADB during the period from April 2009 to December 2015 subject to fulfilment of the required formalities. But the Company failed to avail the intended benefit which resulted in avoidable payment of excise duty of ₹ 36.11 crore on excisable goods such as cement and steel used in the constructions of the three HEPs during the period from April 2009 to December 2015.

Management stated (August 2016) that the circular nowhere defines that this benefit of the policy is meant for the government companies / departments in whose works the materials are to be consumed. In fact, the circular clearly mentions that the benefits shall be availed by the manufacturers / purchaser. The reply is not tenable as the circular clearly defines that the exemption of taxes and duties is available to facilitate the completion at lesser cost of the projects approved by the Government of India.

The matter was reported to the Government (April 2016); their reply was awaited (November 2016).

Ram Mohan Johri

Shimla
The 21 February 2017

(R. M. JOHRI)
Principal Accountant General (Audit)
Himachal Pradesh

Countersigned

New Delhi
The 23 February 2017

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

Appendices

Appendix 1.1

(Referred to in paragraph 1.11)

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

(Figures in column 4 & 6 to 8 are ₹ in crore)

Sl. No.	Name of the PSU	Year up to which accounts finalised	Paid up capital	Period of accounts pending finalisation	Investment made by State Government during the year of which accounts are in arrears		
					Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A	**Working Government Companies**						
1	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	2014-15	31.19	2015-16	-	-	7.00
2	Himachal Backward Classes Finance and Development Corporation	2012-13	10.28	2013-14 2014-15 2015-16	0.72 0.80 0.67	- -	- -
3	Himachal Pradesh MahilaVikas Nigam	2012-13	7.09	2013-14 2014-15 2015-16	0.60 0.65 0.75	- - -	- - 0.61
4	Himachal Pradesh Minorities Finance and Development Corporation	2011-12	7.45	2013-14 2014-15 2015-16	0.64 1.30 0.66	- - -	0.12 0.11 0.12
5	Himachal Pradesh Power Corporation Limited	2014-15	532.68	2015-16	191.25	-	-
6	Himachal Pradesh Power Transmission Corporation Limited	2014-15	97.74	2015-16	23.75	85.00	-
7	Himachal Pradesh State Electricity Board Limited	2013-14	490.78	2014-15 2015-16	62.50 50.00	-	330.00 0.70
8	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	2014-15	9.22	2015-16	-	-	8.35
9	Himachal Pradesh Kaushal Vikas Nigam	-	-	2015-16	0.01	-	0.99
10	Himachal Pradesh Tourism Development Corporation Limited	2014-15	12.30	2015-16	-	-	0.60
	Total A : (Working Government Companies)		**1198.73**		**334.30**	**85.00**	**348.60**
B	**Working Statutory Corporations**						
1	Himachal Road Transport Corporation	2014-15	565.90	2015-16	41.20	-	-
	Total B : (Working Statutory Corporations)		**565.90**	-	**41.20**	-	-
	Grand Total : (A + B)		**1764.63**		**375.50**	**85.00**	**348.60**

Appendix 1.2

(Referred to in paragraph: 1.1 and 1.15)

Summarised financial position and working results of Government companies and Statutory corporations as *per* their latest finalised financial statements / accounts

(Figures in column 5 to 12 are ₹ in crore)

Sl. No.	Sector/ Name of the company	Period of accounts	Year in which accounts finalised	Paid-up capital	Long term loans outstanding	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit(+)/ Loss(-)	Net impact of audit comments[1]	Capital[2] employed	Return on capital employed[3]	Percentage of return on capital employed	Manpower	Interest
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	
A.	**WORKING GOVERNMENT COMPANIES**													
AGRICULTURE AND ALLIED														
1	Himachal Pradesh Agro Industries Corporation Limited	2013-14	2016-17	18.85	6.23	(-)19.24	55.39	0.01	(-)17.05	25.08	0.08	0.32	103	0.07
2	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	2014-15	2016-17	38.76	12.00	(-)77.00	52.08	(-)6.53	(-)11.56	50.76	(-)5.74	(-)11.31	256	0.79
3	Himachal Pradesh State Forest Development Corporation Limited	2013-14	2016-17	11.71	62.51	(-)48.66	183.76	(-)3.71	(-)49.98	74.22	(-)3.22	(-)4.34	1912	0.49
Sector-wise Total:				**69.32**	**80.74**	**(-)144.90**	**291.23**	**(-)10.23**	**(-)78.59**	**150.06**	**(-)8.88**	**(-)5.92**	**2271**	**1.35**
FINANCE														
4	Himachal Backward Classes Finance and Development Corporation	2012-13	2015-16	10.28	16.50	6.29	2.57	0.61	0.24	26.78	0.90	3.36	18	0.29
5	Himachal Pradesh MahilaVikas Nigam	2012-13	2015-16	7.19	-	1.02	0.59	0.35	(-)0.17	7.19	0.35	4.87	2	-

(Figures in column 5 to 12 are ₹ in crore)

Sl. No.	Sector/ Name of the company	Period of accounts	Year in which accounts finalised	Paid-up capital	Long term loans outstanding	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit(+)/ Loss(-)	Net impact of audit comments[1]	Capital[2] employ ed	Return on capital employed[3]	Percentage of return on capital employed	Manpower	Interest
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	
6	Himachal Pradesh Minorities Finance and Development Corporation	2012-13	2015-16	8.09	10.23	(-)4.80	0.94	(-)1.50	-	18.32	(-)1.15	6.28	14	0.35
Sector-wise Total:				**25.56**	**26.73**	**2.51**	**4.10**	**(-)0.54**	**0.07**	**52.29**	**0.1**	**0.19**	**34**	**0.64**
INFRASTRUCTURE														
7	Himachal Pradesh Road and Other Infrastructure Development Corporation Limited	2015-16	2016-17	25.00	-	-	-	-[4]	-	25.00	-	-	2	-
8	Himachal Pradesh State Industrial Development Corporation Limited	2014-15	2015-16	30.82	-	26.21	16.14	6.47	0.13	30.82	6.47	20.99	138	-
Sector-wise Total:				**55.82**	**-**	**26.21**	**16.14**	**6.47**	**0.13**	**55.82**	**6.47**	**11.59**	**140**	**-**
MANUFACTURE														
9	Himachal Pradesh General Industries Corporation Limited	2014-15	2015-16	7.16	4.63	8.78	51.61	4.93	(-)1.78	11.79	5.14	43.60	102	0.21
Sector-wise Total:				**7.16**	**4.63**	**8.78**	**51.61**	**4.93**	**(-)1.78**	**11.79**	**5.14**	**43.60**	**102**	**0.21**
POWER														
10	Beas Valley Power Corporation Limited	2014-15	2015-16	300.00	586.80	-	-	-[5]	-	886.80	-	-	187	-
11	Himachal Pradesh Power Corporation Limited	2014-15	2015-16	1393.92	1837.14	(-)41.06	30.42	(-)21.74	(-)8.12	3231.06	5.47	0.17	675	27.21
12	Himachal Pradesh Power Transmission Corporation Limited	2014-15	2015-16	206.44	253.02	(-)3.66	12.47	0.95	7.38	459.46	0.95	0.21	111	0
13	Himachal Pradesh State Electricity Board Limited	2013-14	2015-16	490.78	2280.73	(-)1875.61	5050.90	(-)136.09	(-)1977.60	2771.51	410.08	14.80	19216	546.17
Sector-wise Total:				**2391.14**	**4957.69**	**(-)1920.33**	**5093.79**	**(-)156.88**	**(-)1978.34**	**7348.83**	**416.50**	**5.67**	**20189**	**573.38**

(Figures in column 5 to 12 are ₹ in crore)

Sl. No.	Sector/ Name of the company	Period of accounts	Year in which accounts finalised	Paid-up capital	Long term loans outstanding	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit(+)/ Loss(-)	Net impact of audit comments[1]	Capital[2] employed	Return on capital employed[3]	Percentage of return on capital employed	Manpower	Interest
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	
SERVICE														
14	Himachal Pradesh State Civil Supplies Corporation Limited	2014-15	2015-16	3.51	-	30.69	1222.95	2.06	0.63	3.51	2.46	70.09	910	0.40
15	Himachal Pradesh State Electronics Development Corporation Limited	2014-15	2015-16	3.72	1.20	3.12	56.54	1.01	-	4.92	1.01	20.53	57	-
16	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	2014-15	2015-16	9.25	0	(-)15.83	31.17	0.60	(-)0.54	9.25	0.60	6.49	59	-
17	Himachal Pradesh Tourism Development Corporation Limited	2014-15	2015-16	12.30	-	(-)23.48	88.66	0.20	(-)38.14	12.30	0.45	3.66	1518	0.25
18	Himachal Pradesh Kaushal Vikas Nigam			-	-	-	-	-	-	-	-	-	8	-
Sector-wise Total:				**28.78**	**1.20**	**(-)5.50**	**1399.32**	**3.87**	**(-)38.05**	**29.98**	**4.52**	**15.08**	**2552**	**0.65**
Total A (All sector-wise Working Government companies)				**2577.78**	**5070.99**	**(-)2033.23**	**6856.19**	**(-)152.38**	**(-)2096.56**	**7648.77**	**423.85**	**5.54**	**25288**	**576.23**
B.	**STATUTORY CORPORATIONS**													
FINANCING														
1	Himacal Pradesh Financial Corporation	2015-16	2016-17	99.57	109.90	(-)154.66	4.57	(-)9.66	(-)0.20	209.47	3.16	1.51	54	12.82
Sector-wise Total:				**99.57**	**109.90**	**(-)154.66**	**4.57**	**(-)9.66**	**(-)0.20**	**209.47**	**3.16**	**1.51**	**54**	**12.82**
SERVICE														
2	Himachal Road Transport Corporation	2014-15	2015-16	581.34	143.49	(-)1020.36	704.98	(-)172.70	(-)49.24	724.83	(-)148.02	(-)20.42	9114	24.68
Sector-wise Total:				**581.34**	**143.49**	**(-)1020.36**	**704.98**	**(-)172.70**	**(-)49.24**	**724.83**	**(-)148.02**	**(-)20.42**	**9114**	**24.68**
Total B (All sector-wise Working Statutory corporations)				**680.91**	**253.39**	**(-)1175.02**	**709.55**	**(-)182.36**	**(-)49.44**	**934.30**	**(-)144.86**	**(-)15.50**	**9168**	**37.50**
Grand Total (A + B)				**3258.69**	**5324.38**	**(-)3208.25**	**7565.74**	**(-)334.74**	**(-)2146.00**	**8583.07**	**278.99**	**3.25**	**34456**	**613.73**

(Figures in column 5 to 12 are ₹ in crore)

Sl. No.	Sector/ Name of the company	Period of accounts	Year in which accounts finalised	Paid-up capital	Long term loans outstanding	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit(+) / Loss(-)	Net impact of audit comments[1]	Capital[2] employed	Return on capital employed[3]	Percentage of return on capital employed	Manpower	Interest
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	
C.	**NON-WORKING GOVERNMENT COMPANIES**													
AGRICULTURE & ALLIED														
1	Agro Industrial Packaging India Limited	2013-14	2014-15	17.72	60.15	(-)78.23	-	(-)0.04	(-)5.58	77.87	(-)0.04	(-)0.05	1	-
Sector-wise Total:				**17.72**	**60.15**	**(-)78.23**	**-**	**(-)0.04**	**(-)5.58**	**77.87**	**(-)0.04**	**(-)0.05**	**1**	**-**
MANUFACTURE														
2	Himachal Worsted Mills Limited	2000-01	2001-02	0.92	-	(-)5.44	-	(-)0.01	-	0.92	(-)0.01	(-)1.09	-	-
Sector-wise Total:				**0.92**	**-**	**(-)5.44**	**-**	**(-)0.01**	**-**	**0.92**	**(-)0.01**	**(-)1.09**	**-**	**-**
Total C (All sector-wise Non-Working Government companies)				**18.64**	**60.15**	**(-)83.67**	**-**	**(-)0.05**	**(-)5.58**	**78.79**	**(-)0.05**	**(-)0.06**	**1**	**-**
Grand Total (A+B+C)				**3277.33**	**5384.53**	**(-)3291.92**	**7565.74**	**(-)334.79**	**(-)2151.58**	**8661.86**	**278.94**	**3.22**	**34457**	**613.73**

1. Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/ decrease in losses (-) decrease in profit / increase in losses.
2. Capital employed represents Shareholders fund and long term borrowings.
3. Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.
4. Excess of expenditure over income is reimbursable by the State Government.
5. Beas Valley Power Corporation Limited at serial No.A-10 has not prepared its profit and loss account.

Appendix 2.1

(Referred to in paragraph: 2.11.1)

Consolidated financial position of the Corporation for five years ending March 2016

(*₹in crore*)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
A. Liabilities					
Equity Share Capital	439	501.34	541.34	581.34	625.49
Reserve (including capital and revenue reserve but excluding depreciation reserve)	8.91	7.52	5.81	121.51	195.83
Borrowings	62.26	70.73	97	143.49	112.79
Current Liabilities and Provision including deposits	272.85	339.79	416.60	497.79	467.31
Total	**783.02**	**919.38**	**1060.75**	**1344.13**	**1401.42**
B. Assets					
Gross Block (including capital work-in-progress)	254.98	282.90	317.28	446.39	550.01
Less-Depreciation reserve fund	157.25	163.99	183.3	189.68	220.97
Net Fixed Assets (1)	97.73	118.91	133.98	256.71	329.04
Current Assets including investments (2)	31.84	36.07	79.10	67.05	53.74
Accumulated Losses (3)	653.45	764.40	847.67	1020.37	1018.64
Total (1+2+3)	**783.02**	**919.38**	**1060.75**	**1344.13**	**1401.42**
Net worth	(-)214.45	(-)263.06	(-)306.24	(-)438.95	(-)393.15

Appendix 2.2

(Referred to in paragraph: 2.11.2)

Consolidated Working results of the Corporation for five years ending March 2016

(₹ in crore)

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1	Total Revenue	481.71	578.59	666.03	751.44	930.95
2	Operating revenue	479.89	576.38	663.28	745.68	925.40
3	Total Expenditure	562.36	689.54	749.30	924.13	929.23
4	Operating Expenditure	550.14	677.20	734.98	899.22	904.87
5	Loss / Profit for the year	(-)80.65	(-)110.95	(-)83.27	(-)172.69	1.72
6	Depreciation	18.85	20.58	23.74	32.53	31.63
7	Interest (including cash credit limit, term loan, GPF *etc.*)	12.22	12.34	14.32	24.91	24.35
8	Personnel cost (salary & welfare)	265.32	342.61	315.53	444.16	467.49
9	Fuel and Lubricants	186.51	205.54	247.29	265.24	237.84
10	Stores and Accessories	52.52	55.41	58.81	56.92	59.01
11	Total Coverage in lakh km	1654.17	1665.03	1716.47	1793.96	1880.40
12	Traffic Revenue *per* km	22.96	23.61	26.39	29.22	29.58
13	Earning *per* km	29.12	34.75	38.80	41.89	49.51
14	Fixed Cost *per* km	19.05	25.26	25.52	32.68	32.69
15	Variable cost *per* km	14.95	16.15	18.13	18.83	16.73
16	Cost *per* km	34.00	41.41	43.65	51.51	49.42
18	KMPL	3.61	3.61	3.58	3.61	3.67
19	Net Loss / Profit *per* km (EPKM - Cost PKM)	(-)4.88	(-)6.66	(-)4.85	(-)9.62	0.09
20	Operating loss / profit *per* km	(-)4.25	(-)6.06	(-)4.18	(-)8.56	1.09

Appendix 2.3

(Referred to in paragraph: 2.12)

Consolidated Operational Performance of the Corporation for five years ending March 2016

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1	Total number of vehicles held at the end of the year (including hired vehicles)	2048	2089	2252	2681	2827
2	Bus on road as *per* Effective km	1999	2017	2043	2141	2401
3	Percentage of utilisation of vehicles	97.59	96.56	90.74	79.88	84.93
4	Number of employees at the end of the year	8492	8419	8777	8662	9162
5	Employee vehicle ratio (4/2)	4.15	4.03	3.90	3.23	3.24
6	Number of routes operated at the end of the year	2080	2077	2142	2197	2283
7	Route Kilometers (in lakh km)	1696.36	1715.89	1755.49	1824.16	1882.21
9	Effective km (in lakh km)	1627.70	1638.88	1691.33	1769.21	1853.63
10	Dead km (in lakh km)	26.47	26.15	25.16	24.75	26.77
11	Total Coverage (in lakh km)	1654.17	1665.03	1716.49	1793.96	1880.40
12	Percentage of dead km to total coverage	1.60	1.57	1.47	1.38	1.42
13	Average km covered *per* bus *per* day	222	215	221	206	184
14	Traffic Revenue	379.88	393.13	453.03	524.13	556.17
15	Traffic Revenue *per* km	22.96	23.61	26.39	29.22	29.58
16	Number of operating depots	24	24	24	24	27
17	Average number of breakdown *per* ten thousand kilometer	0.15	0.16	0.15	0.12	0.25
18	Average number of accidents *per* lakh kilometer	0.04	0.03	0.07	0.06	0.03
19	Passengers km operated (in crore)	312.27	323.16	372.40	430.85	455.08
20	Load factor or Occupancy Ratio	57	58	55	60	60

Appendix 3.1

(Referred to in paragraph: 3.1.9.1)

Details of towns where works were not completed till March 2016 due to delay in awards of works at various stages.

Sl. No.	Name of Town	Date of approval of DPR	E-Tendering date	Delay in tendering from the date of sanctioning of DPR (In months)	Date of Award	Delay in awarding from e-tendering (in months)	Schedule completion period	Status ending March 2016	Delay after scheduled completion period (in months upto March 2016)
1	Bilaspur	8/12/2010	25/4/2011	4	21/5/2012	12	20/11/2013	Incomplete	28
2	Chamba	8/12/2010	6/5/2011	5	25/7/2012	14	24/1/2014	Completed (30/6/2014)	5
3	Kullu	8/12/2010	25/4/2011	4	23/4/2012	12	22/10/2013	Completed (20/2/2014)	4
4	Nahan	16/8/2010	6/4/2011	7	25/4/2012	12	24/10/2013	Completed	
5	Paonta	16/8/2010	6/4/2011	7	9/5/2012	13	8/11/2013	Incomplete	28
6	Shimla	16/8/2010 revised approval on 20/1/2012	6/4/2011 to 2/12/2014	7 to 34	19/5/2012 to 4/8/2015	13 to 8	18/11/2013 to 3/8/2016	Incomplete	28
7	Solan	16/8/2010	6/4/2011	7	19/4/2012	12	18/10/2013	Incomplete	29
8	Sundernagar	8/12/2010	25/4/2011	4	27/4/2012	12	26/10/2013	Incomplete	29
9	Yol	8/12/2010	13/12/2011	12	3/5/2012	4	2/11/2013	Incomplete	29
10	Dharamshala	8/12/2010	13/12/2011	12	1/5/2012	4	31/10/2013	Incomplete	29
11	Una	8/12/2010	6/5/2011	5	27/4/2012	12	26/10/2013	Completed (7/11/2015)	24

Appendix 3.2

(Referred to in paragraph: 3.1.9.1)

Details of potential loss of revenue due to non-achievement of AT & C loss targets as envisaged in the respective DPRs

Name of Town	Targets of AT&C losses as *per* DPR (%)	Actual losses (%)	Excess losses (%)	Revenue collection during the year (without arrear) (₹ in crore)	Revenue losses (₹ in crore)
Chamba	13.00 (2014-15)	13.39	0.39	10.85	0.04
Kullu	15.00 (2013-14)	30.14	15.14	10.97	2.37
	13.00 (2015-16)	15.59	2.59	9.22	0.28
Paonta	11.50 (2013-14)	19.24	7.74	111.25	10.66
	10.50 (2014-15)	13.63	3.13	118.18	4.28
	10.50 (2015-16)	15.14	4.64	115.67	6.32
Shimla	14.00 (2013-14)	25.70	11.70	151.30	23.82
	11.00 (2014-15)	16.55	5.55	186.51	12.40
Solan	9.00 (2013-14)	15.13	6.13	42.71	3.08
	9.00 (2014-15)	13.96	4.96	53.94	3.11
Sundernagar	16.00 (2013-14)	22.35	6.35	13.49	1.10
	13.00 (2014-15)	19.58	6.58	15.79	1.29
	13.00 (2015-16)	16.00	3.0	16.35	0.58
Yol	16.00 (2013-14)	30.43	14.43	3.44	0.71
	12.00 (2014-15)	23.32	11.32	4.30	0.63
	12.00 (2015-16)	19.83	7.83	3.63	0.35
Dharamshala	12.00 (2015-16)	16.24	4.24	23.17	1.17
Una	14.00 (2015-16)	15.78	1.78	41.38	0.87
Total					**73.06**

Appendix 3.3

(Referred to in paragraph: 3.1.9.2)

Detail of potential revenue loss and forfeiting of grant

Sl. No.	Name of scheme / work	Date of award	Scheduled completion period	Actual date of completion	Annual potential revenue loss (₹ in crore)	Loss of grant (₹ in crore)	Remarks
1	Baddi town	15.05.2012	Nov 2013	Incomplete till 31.03.2016	2.69	0.63	Short award of installation of Meter boxes (single phase 8000 and three phase 180), shifting of 3000 energy meters to outside premises and 169 TWACS Meter total valuing ₹ 0.70 crore provided in DPR
2	Paonta town	09.05.2012	Nov 2013	Incomplete till 31.03.2016	8.76	1.51	Short award of 56 no. 63 KVA & 30 nos. 16 KVA DTRs and shifting of 8000 LT & 60 HT meters to outside premises valuing ₹ 1.67 crore provided in DPR.
3	Sundernagar & Yol towns	27.04.2012 & 03.05.2012	Nov 2013	Incomplete till 31.03.2016	3.57	-	As *per* terms of bid the bidders were entitled to maximum two packages under part-B and in case any bidder is lowest in more than one package, the award of 2nd package would be at the discretion of the company i.e maximum two packages were to be awarded to a single contractor whereas Company has awarded six packages to one contractor valuing ₹ 35.10 crore resulting in slow progress by the contractors.
4	33KV Bharari to Idgah line, conversion of Totu to Idgah from 15KV to 33KV & Const. of 33KV bay at Khalini & Bharari	04.08.2015	Aug 2016	Incomplete till 31.03.2016	-	-	Tenders were floated after 24 months of sanction of the scheme (20 January 2012) and work awarded 8 months thereafter. Abnormal delay in award not only resulted in time overrun but also resulted in cost overrun of ₹ 1.31 crore at initial stage and erection works were still to be started (May 2016).
5	Dharamshala, Yol, Hamirpur, Paonta & Sundernagar	April & May 2012	18 months from date of award	Incomplete till 31.03.2016	6.48	-	The awarded works included installation of 670 shunt capacitors valuing ₹ 0.30 crore to improve voltage of these towns. However, even after elapse of 28 months (March 2016) from the scheduled completion period not even single shunt capacitor was installed.
	Total					**2.14**	

Appendix 3.4

(Referred to in paragraph 3.1.11)

Details of entry tax not recovered from the contractors

(₹ in crore)

Sl. No.	Particulars of works	Name of contractor	Dates of floating of tenders	Supply part		Material supplied from outside the state
				Date of award	Amount of award	
1	11 KV & Below works	Shyam Indus Power Solutions	6-4-2011	19.05.2012	30.51	25.90
2	11 KV & Below works	M/s Himachal Energy Pvt. Ltd.	1.06.2012	8.03.2013	10.57	10.12
3	Replacement of 33 KV ACSR conductor 30/7/2.59 MM to XLPE Cable 500 MM from Khalini to Brock-hurst	M/s Aquarian Enterprises new Delhi	10.09.2012	6.03.2013	2.18	0.80
4	33/11 KV, 2x10 MVA Power transformer at Badripur, re-conductoring of 33 KV line Ghodnmpur to Badripur	M/s Ubitech (P) Ltd	6.4.2011	9.5.2012	3.84	3.45
5	2x6.3 MVA Sub-station at Rampurghat, 33 KV line from Ghodnmpur to proposed Sub-station at Rampurghat.	M/s Kashmirilal Const. Ltd.	1.6.2012	8.3.2013	3.16	3.34
	Total					**43.61**

Appendix 3.5

(Referred to in paragraph: 3.1.12)

Details of unfruitful expenditure

Sr. No.	Name of work	Unfruitful expenditure (₹ in crore)	Remarks
1	Const. of 66 KV D/C transmission line on 132 KV D/C towers from 132/66 KV Sub-station Jutogh to 66 KV Sub-station Totu	0.64	The line work was completed on 23 August 2015 at a cost of ₹ 1.27 crore but due to non-completion of 66/33/11 KV GIS sub-station Totu only one circuit (66 KV) could be put on load in May 2016 to maintain the supply of 66 KV S / stn Totu. The other circuit, to be used for feeding 33 KV Tara Devi & 33 KV Summer Hill sub-stations (under const.), would remain un-utilised till completion of GIS S / stn Totu.
2	33/11 KV, 2x6.3 MVA s / stn Rampur ghat & 33KV line from Gondnmpur s / stn.	3.81	Though sub-station work was completed in September 2015 yet, eight outgoing feeders provided in the scheme had not been constructed from this sub-station till March 2016. However, later on Company constructed 4 out of 8 outgoing feeders through petty contractors during April 2016. The sub-station could not be put to use owing to the fact that manpower required for its operation was not provided by the Company to the field unit till March 2016. This deprived the Company from the benefit of additional sale of power on account of reduction in losses as envisaged in the scheme valued at ₹ 0.23 crore.
3	33/11 KV, 2x10 MVA Sub-station at Badripur alongwith re-conductoring of 33 KV HT line from Gondnmpur to Badripur	4.42	The sub-station and line work was completed during December 2015 and February 2016 respectively after spending ₹ 4.42 crore. Further, four outgoing feeders were also to be constructed which had not been constructed so far (awarded to another contractor whose contract was rescinded in October 2015) and other 8 existing feeders constructed earlier had also not been connected with the sub-station and the sub-station is lying idle since February 2016. Due to non-functioning of the sub-station Company deprived itself from the benefit of additional sale of power on account of annual reduction in losses as envisaged in the scheme valued at ₹ 0.97 crore (2.629 MUs X ₹ 3.68 *per* unit).
	Total	**8.87**	

Glossary of abbreviations

Glossary of abbreviations	
AAAC	All Aluminium Alloy Conductors
ACSR	Aluminium Conductor Steel Reinforced
ADB	Asian Development Bank
AEE	Assistant Executive Engineer
AIPIL	Agro Industrial Packaging India Limited
AI	Ancillary Infrastructure
AMRUT	Atal Mission for Rejuvenation and Urban Transformation
AMR	Automatic Meter Reading
APDRP	Accelerated Power Development and Reforms Programme
AIA	All India Average
ASRTU	Association of State Road Transport Undertaking
AT&C	Aggregate Technical and Commercial
ATN	Action Taken Notes
BG	Bank Guarantee
BL	Bulk Litres
BOD	Board of Directors
BOQ	Bill of Quantity
CAG	Comptroller and Auditor General of India
CBC	Central Billing Cells
CD	Contract Demand
COPU	Committee on Public Undertakings
CIRT	Central Institute of Road Transport
CLBP	Country Liquor Bottling Plant
CSC	Common Service Centres
CWP	Civil Writ Petition
DBTS	Direct Benefit Transfer Scheme
DC	Data Centre
DGA	Dissolved Gas Analyser
DPRs	Detailed Project Reports
DRC	Disaster Recovery Centre / Data Recovery Centre
DTRs	Distribution Transformers
ED	Excise Duty
EHT	Extra High Tension
EHV	Extra High Voltage
ENA	Extra Neutral Alcohol
EMD	Earnest Money Deposited
EoI	Expression of Interest
EPF	Employees Provident Fund
EPFO	Employees Provident Fund Organisation
ESD	Electrical Sub Division
FRGC	Forum for Redressal of Grievances of Consumer

GCC	General Conditions of Contract
GDP	Gross Domestic Product
GIS	Gas Insulated Switchgear
GoI	Government of India
GoHP	Government of Himachal Pradesh
HEP	Hydro Electric Projects
HPERC	Himachal Pradesh Electricity Regulatory Commission
HPFC	Himachal Pradesh Financial Corporation
HPGIC	Himachal Pradesh General Industries Corporation Limited
HPMC	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited
HPPCL	Himachal Pradesh Power Corporation Limited
HPPTCL	Himachal Pradesh Power Transmission Corporation Limited
HPSEBL	Himachal Pradesh State Electricity Board Limited
HPMFDC	Himachal Pradesh Minorities Finance and Development Corporation
HPKVN	Himachal Pradesh Kaushal Vikas Nigam
HPSFDC	Himachal Pradesh State Forest Development Corporation Limited
HPSH&HCL	Himachal Pradesh State Handicrafts and Handloom Corporation Limited
HRTC	Himachal Road Transport Corporation
HT/LT	High Tension / Low Tension
HVSR	Higher Voltage Supply Rebate
IT	Information Technology
ITB	Instructions of Bidders
JNNURM	Jawahar Lal Nehru National Urban Renewable Mission
JV	Joint Venture
KM	Kilometre
LD	Liquidated Damages
LIPS	Large Industrial Power Supply
LILO	Loop in Loop Out
LOA	Letter of Award
LVSS	Low Voltage Supply Surcharge
LSM	Labour Supply Mate
MD	Managing Director
MIS	Management Information System
MoU	Memorandum of Understanding
MoUD	Ministry of Urban Development
MoP	Ministry of Power
MoHRD	Ministry of Human Resource Development
MRI	Metre Reading Instruments

MoRTH	Ministry of Road Transport and Highways
MUs	Million Units
MVT	Motor Vehicle Taxation Act, 1972
NIT	Notice Inviting Tender
NHFDC	National Handicapped Finance & Development Corporation
NMDFC	Nation Minorities Development & Finance Corporation
OTA	Overtime Allowance
PAG	Principal Accountant General
PCC	Pollution Checking Centre
PFC	Power Finance Corporation
PDCO	Permanent Disconnection Connection Order
PLDVC	Peak Load Demand Violation Charges
PO	Purchase Order
PSUs	Public Sector Undertakings
PVR	Physical Verification Reports
PwDs	Persons with Disabilities
R-APDRP	Re-Structured Accelerated Power Development and Reforms Programme
SA	Supplementary Agreement
SITEG	Society for Promotion of Information and Technology and E-governance
SCA	State Channelizing Agency
SMS	Short Message Services
SPCB	Special Pollution Control Board
SRT	Special Road Tax
STPLR	Short Term Prime Lending Rate
SSV	Standard Supply Voltage
SPV	Special Purpose Vehicle
TDCO	Temporary Disconnection Order
TMS	Temporary Meter Supply
VTS	Vehicle Tracking System
WDMS	Water Discharge Monitoring System

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