REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

FOR THE YEAR ENDED 31 MARCH 2007

COMMERCIAL
GOVERNMENT OF HARYANA

---

www.cag.gov.in

TABLE OF CONTENTS

Preface

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

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

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

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

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

5. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2006-07 as well as those which came to notice in earlier years, but were not dealt with in the previous Reports. Matters relating to the period subsequent to 2006-07 have also been included, wherever necessary.

6. It is certified that audits have been conducted in conformity with the Auditing Standards issued by the CAG.

OVERVIEW

1. Overview of Government companies and Statutory corporations

As on 31 March 2007, the State had 28 Public Sector Undertakings (PSUs) comprising 26 Government companies and two Statutory corporations as against the same number of companies and corporations as on 31 March 2006.

(Paragraph 1.1)

The total investment in working PSUs increased from Rs. 10,700.55 crore as on 31 March 2006 to Rs. 12,172.08 crore as on 31 March 2007. The total investment in non-working PSUs was Rs. 139.32 crore as on 31 March 2006 as well as on 31 March 2007.

(Paragraphs 1.2 and 1.14)

The budgetary support from the State Government in the form of capital, loans and grants/subsidies disbursed to the working PSUs increased from Rs. 1,672.66 crore in 2005-06 to Rs. 2,602.43 crore in 2006-07. The State Government guaranteed loans aggregating Rs. 342.04 crore to six PSUs (all working) during 2006-07. The total amount of outstanding loans guaranteed by the State Government to various PSUs was Rs. 3,396.66 crore as on 31 March 2007.

(Paragraph 1.5)

Only six working PSUs (five Government companies and one Statutory corporation) finalised their accounts for the year 2006-07 by 30 September 2007. The accounts of 14 working Government companies and one Statutory corporation were in arrears for periods ranging from one to six years as on 30 September 2007. Only one non-working company finalised its accounts for the year 2006-07. Accounts of four non-working companies were in arrears for one to four years as on 30 September 2007. Two non-working companies were under liquidation/winding up.

(Paragraphs 1.6 and 1.17)

According to the latest finalised accounts, 13 working PSUs (11 Government companies and two Statutory corporations) earned aggregate profit of Rs. 104.65 crore. Against this, seven working PSUs (all Government companies) incurred aggregate loss of Rs. 365.60 crore. Of the loss incurring working Government companies, two companies had accumulated losses of Rs. 768.43 crore against their aggregate paid-up capital of Rs. 708.33 crore.

(Paragraphs 1.7 and 1.9)

Even after 12 to 42 years of their existence, the individual turnover of six Government companies (four working and two non-working) had been less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Further, two non-working Government companies had been incurring losses for five consecutive years as per their latest finalised accounts, leading to negative net worth. The Government may either improve the performance of these eight Government companies or consider their closure.

(Paragraph 1.30)

2. Performance reviews relating to Government Companies

Performance reviews relating to 'Setting up of Industrial Estates' by **Haryana State Industrial and Infrastructure Development Corporation Limited,** 'Disbursement, utilisation and recovery of financial assistance' by **Haryana Backward Classes and Economically Weaker Sections Kalyan Nigam Limited,** 'Tariff, Billing and Collection of Revenue' by **Dakshin Haryana Bijli Vitran Nigam Limited** and 'Implementation of Accelerated Power Development and Reforms Programme' by **Uttar Haryana Bijli Vitran Nigam Limited** and **Dakshin Haryana Bijli Vitran Nigam Limited** were conducted and some of the main findings are as follows:

Setting up of Industrial Estates by Haryana State Industrial and Infrastructure Development Corporation Limited

The performance of the Haryana State Industrial and Infrastructure Development Corporation Limited with regard to setting up of industrial estates was deficient as the Company had not fixed any physical targets for development of industrial estates in a fixed time frame. The rates for allotment of industrial plots were fixed on the estimated cost basis without recourse to actual cost. While making payment of compensation for acquisition of land, the Company had not complied with the provisions of Land Acquisition Act, 1894 with regard to payment of interest. The system for selection/identification of land for acquisition was flawed, which had resulted in blocking up of huge funds. Bulk of the area developed/being developed fell within National Capital Region thereby ignoring other regions thus hampering balanced industrial development of the State. The Company had not maintained year wise break-up of overdue amount recoverable from allottees and had not maintained accounts on accrual basis.

(Chapter 2.1)

Disbursement, utilisation and recovery of financial assistance by Haryana Backward Classes and Economically Weaker Sections Kalyan Nigam Limited

The performance of the Haryana Backward Classes and Economically Weaker Sections Kalyan Nigam Limited as a channelising agency of backward classes, minorities and handicapped persons with regard to their socio economic upliftment was found to be dismal as it could cover only a small fraction of the targeted population. In the absence of monitoring cell benefits reaching the deprived among the targeted group is not ensured. The loans disbursed were inadequate and given for limited sectors. The system of selection of handicapped persons was defective as a large number of beneficiaries refused to avail the loans at final stage. The recovery performance was not satisfactory. The Company had not evolved any system to take legal action against defaulters. The Company was not regular in repayment of loans to National Financial Corporations resulting in payment of penal interest. The internal audit and internal control system of the Company was deficient. The records maintained at field offices were incomplete. Post disbursement inspections were not done to monitor the ultimate impact on the beneficiaries. Thus, the Company failed to achieve its objects of uplifting the financial position of the targeted population.

(Chapter 2.2)

Tariff, Billing and Collection of Revenue by Dakshin Haryana Bijli Vitran Nigam Limited

The performance of the Dakshin Haryana Bijli Vitran Nigam Limited with regard to tariff, billing and collection of revenue was found to be deficient as the Company sustained huge losses due to its failure to contain sub-transmission and distribution losses to the prescribed norms of Central Electricity Authority, lack of submission of proposal to Haryana Electricity Regulatory Commission for increase in tariff to cover up the revenue gap, unmetered supply, defective meters, deficient energy audit, non recovery of revised consumption security and incorrect billing. Laxity in prompt recovery of its dues resulted in heavy accumulation of outstandings. Delay in transfer of funds from collecting branches of the banks caused delay in inflow of funds and loss of interest to the Company.

(Chapter 2.3)

Implementation of Accelerated Power Development and Reforms Programme by Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited

Execution of Accelerated Power Development and Reforms Programme by the Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited was slow and none of the projects was completed even after a lapse of more than two years after the projected dates. The implementation of the Accelerated Power Development and Reforms Programme was marred with deficient detailed project reports, diversion of funds, non synchronisation of related works and non-implementation of Information Technology related works. Due to non-completion of the projects, the Utilities could not avail full grant available under Accelerated Power Development and Reforms Programme. The circle offices were not declared as profit centres for proper accountability. As a result, objectives of the scheme to bring down Aggregate Technical and Commercial losses, increase in consumer satisfaction by providing reliable and quality power could not be achieved and Utilities could not get incentive available under the programme for cash loss reduction.

(Chapter 2.4)

3. Transaction audit observations

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

Loss of revenue of Rs. 4.64 crore due to rejection of valid offer.

(Paragraph 3.2)

Avoidable extra expenditure of Rs. 14.98 crore in nine cases due to non opting for reduced rate of interest, non enforcement of quantity increase in purchase of transformers, delayed finalisation of tenders and resultant purchase at higher rate, non processing of tender within validity period, delayed completion of building and delay in raising the interest bills.

(Paragraphs 3.3, 3.5, 3.8, 3.10 to 3.13, 3.17 and 3.19)

Irregular expenditure of Rs 4.09 crore due to inadmissible re-imbursement of conveyance allowance in violation of State Government instructions.

(Paragraphs 3.4 and 3.18)

Loss of Rs. 18.13 crore due to violation of contractual obligations and undue favour to contractors.

(Paragraphs 3.1, 3.6, 3.7, 3.8, 3.9, 3.14 to 3.16)

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

Haryana Agro Industries Corporation Limited suffered a loss of Rs. 1.17 crore due to non recovery of transportation charges from the millers.

(Paragraph 3.1)

Uttar Haryana Bijli Vitran Nigam Limited suffered a loss of interest of Rs. 5.45 crore due to short recovery of security of Rs. 80.25 lakh from the new consumers and non recovery of security of Rs. 220.06 crore from the existing consumers.

(Paragraph 3.6)

Dakshin Haryana Bijli Vitran Nigam Limited incurred extra expenditure of Rs. 5.95 crore on the purchase of transformers due to delayed finalisation of tender and resultant purchase from Punjab State Electricity Board at higher rates.

(Paragraph 3.10)

Failure of the **Haryana Financial Corporation** to obtain 100 *per cent* collateral security on the pattern of banks coupled with acceptance of collateral security at highly inflated value and not taking over physical possession of the unit had put the recovery of Rs. 8.79 crore at stake.

(Paragraph 3.16)

Chapter-I

1. Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2007, there were 26 Government companies (19 working companies and seven non-working* companies) and two statutory corporations (both working) as against the same number of companies and corporations as on 31 March 2006 under the control of the State Government. In addition, the State had formed (August 1998) Haryana Electricity Regulatory Commission whose audit is also being conducted by the Comptroller and Auditor General of India (CAG). The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by CAG as per the provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956. The audit arrangements of the statutory corporations are as shown below:

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

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2007, the total investment in 21 working PSUs (19 Government companies and two statutory corporations) was Rs. 12,172.08 crore (equity: Rs. 2,388.01 crore; long-term# loans: Rs.8,334.48 crore and share application money: Rs.1,449.59 crore) as against total investment of Rs. 10,700.55 crore (equity: Rs. 2,205.41crore, long-term loans: Rs. 7,655.51 crore and share application money: Rs. 839.63 crore) as on

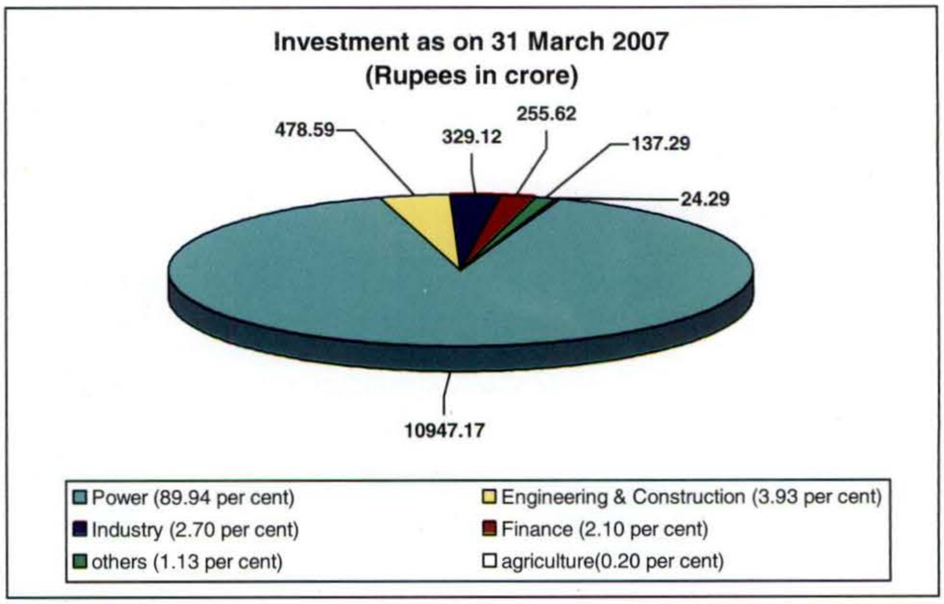
* Non-working companies are those which are under process of liquidation/closure/ merger etc.

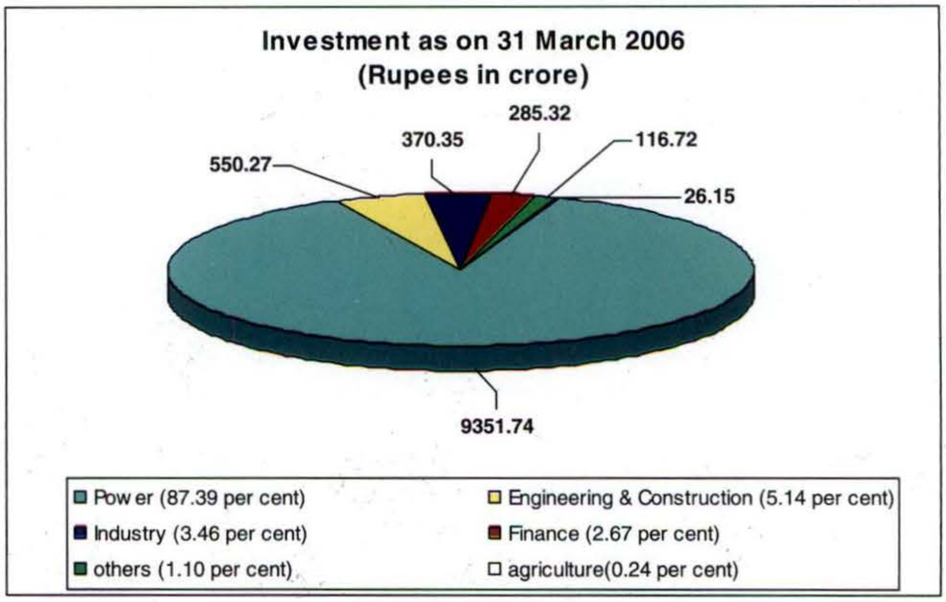
\# Long-term loans mentioned in para 1.2, 1.3 and 1.4 are excluding interest accrued and due on such loans.

31 March 2006. Analysis of investment in working PSUs is given in the following paragraphs.

Sector wise investment in working Government companies and Statutory corporations

The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2007 and 31 March 2006 are indicated below in the pie charts:





Working Government companies

1.3 The total investment in working Government companies at the end of March 2006 and March 2007 was as follows:

(Amount: Rupees in crore)

Year	Number of working Government companies	Equity	Share application money	Long-term loans	Total
2005-06	19	2,165.64	839.63	7,396.36	10,401.63
2006-07	19	2,348.25	1,444.59	8,111.20	11,904.04

As on 31 March 2007, the total investment in working Government companies comprised 31.86 *per cent* equity capital and 68.14 *per cent* loans compared to 28.89 and 71.11 *per cent* of equity capital and loans respectively as on 31 March 2006.

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

Due to increase in paid up capital of power sector and decrease in loan in construction sector, the debt equity ratio of working Government companies as a whole decreased from 2.46:1 in 2005-06 to 2.14:1 in 2006-07.

Working Statutory corporations

1.4 The total investment in two working Statutory corporations at the end of March 2006 and March 2007 was as follows:

(Amount: Rupees in crore)

Name of the corporation	2005-06		2006-07	
	Capital	Long-term loans	Capital	Long-term loans
Haryana Financial Corporation	33.93	251.39	38.92	216.69
Haryana Warehousing Corporation	5.84	7.76	5.84	6.59
Total	**39.77**	**259.15**	**44.76**	**223.28**

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

Due to decrease in long-term loans of both the corporations, the debt equity ratio as a whole decreased from 6.52:1 in 2005-06 to 4.99:1 in 2006-07.

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

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

The budgetary outgo* in the form of equity capital, loans and grants/subsidies from the State Government to working Government companies and working Statutory corporation during 2004-05 to 2006-07 are given below:

(Amount: Rupees in crore)

Particulars	2004-05				2005-06				2006-07			
	Companies		Corporation		Companies		Corporation		Companies		Corporation	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Equity capital outgo from budget	7	166.98	1	0.002	12	348.47	1	3.00	9	784.96	1	5.00
Loans given from budget	3	21.96	-	-	2	5.09	-	-	2	202.68	-	-
Grant/subsidy towards												
(1) Projects/ programmes/ schemes	5	16.10	-	-	8	1306.73	-	-	9	1,565.61	-	-
(2) Other subsidy	5	1,170.74	-	-	3	9.37	-	-	6	2,215.70	-	-
Total grants/ subsidy		1,186.84	-	-		1,316.10	-	-		3,781.31	-	-
Total outgo		**1375.78**		**0.002**		**1,669.66**		**3.00**		**2597.43**		**5.00**

During the year 2006-07, the Government had guaranteed loans aggregating Rs. 342.04 crore obtained by four working Government companies (Rs. 164.29 crore) and two working Statutory corporations (Rs. 177.75 crore). At the end of the year, guarantees amounting to Rs. 3,396.66 crore against 11 working Government companies (Rs. 3,323.24 crore) and one working Statutory corporation (Rs.73.42 crore) were outstanding. The guarantee commission paid/payable to the Government by four Government companies and one Statutory corporation during the year was Rs. 78.47 lakh and Rs. 14.37 lakh respectively.

Finalisation of accounts by working PSUs

1.6 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. These are also to be laid before the Legislature within nine months from the end of relevant financial year. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. Out of 21 working PSUs (19 Government companies and two Statutory corporations), only five companies and one corporation had finalised their accounts for the year 2006-07 by 30 September 2007. During the period from October 2006 to September 2007, 13 working Government companies finalised 16 accounts for previous years.

* Reconciliation of figures with Finance Accounts is pending for the year 2006-07.

The accounts of 14 working Government companies and one Statutory corporation involving 30 accounts were in arrears for periods ranging from one to six years as on 30 September 2007 as detailed below:

Sl. No.	No. of working companies/corporations		Period for which accounts were in arrears	Number of years for which accounts were in arrears	Reference to Serial No. of Annexure 2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
1.	1	-	2001-02 to 2006-07	6	A8	-
2.	1	-	2003-04to 2006-07	4	A13	-
3.	2		2004-05 to 2006-07	3	A12 and A15	
4..	3	-	2005-06 to 2006-07	2	A5, A6 and A16	-
5.	7	1	2006-07	1	A3, A7, A10, A11, A14, A18 and A19	B2

The administrative departments need to oversee and ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by the Audit, of the arrears in finalisation of accounts, no remedial measures had been taken. As a result of which the net worth of these PSUs could not be assessed in audit.

Financial position and working results of working PSUs

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

According to the latest finalised accounts of 19 working Government companies and two working Statutory corporations, seven companies had incurred an aggregate loss of Rs. 365.60 crore. Eleven companies and two corporations earned an aggregate profit of Rs.58.51 crore and Rs.46.14 crore, respectively. One company* did not prepare profit and loss account as it capitalised excess of expenditure over income.

Working Government companies

Profit earning working Government companies and dividend

1.8 Three Government Companies& finalised their accounts for the year 2006-07 up to 30 September 2007 and earned profit of Rs. 34.57 crore. Out of the 13 Government companies, which finalised their accounts for previous years by 30 September 2007, six companies$ earned an aggregate profit of

* Haryana Police Housing Corporation Limited.

& Haryana Agro Industries Corporation Limited, Haryana Land Reclamation and Development Corporation Limited and Haryana State Industrial and Infrastructure Development Corporation Limited.

$ Haryana Roadways Engineering Corporation Limited, Haryana Forest Development Corporation Limited, Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited, Haryana Women Development Corporation Limited, Haryana Tourism Development Corporation Limited and Dakshin Haryana Bijli Vitran Nigam Limited.

Rs. 23.09 crore. Out of these nine profit earning companies, five companies were earning profit for two or more successive years. The State Government had formulated (October 2003) a dividend policy under which all PSUs are required to pay a minimum return of four *per cent* on the paid up share capital contributed by the State Government. Only one company[&] had declared dividend of rupees two crore during the year 2006-07 which worked out to 0.07 *per cent* of total equity investment of Rs. 2,786.08 crore by the State Government in working Government companies.

Loss incurring working Government companies

1.9 Of the seven loss incurring working Government companies, two[#] companies had accumulated losses of Rs. 768.43 crore as per the latest finalised accounts, against the aggregate paid up capital of Rs. 708.33 crore.

Working Statutory corporations

Profit earning Statutory corporation

1.10 One Statutory corporation[Δ] finalised its accounts for the year 2006-07 up to September 2007 and booked profit of Rs. 6.37 crore. The Corporation, however, had accumulated loss of Rs. 147.80 crore, which was, more than three times of its paid-up capital of Rs. 38.92 crore (**Annexure-2**).

Operational performance of working Statutory corporations

1.11 The operational performance of the working Statutory corporations is given in **Annexure 6**. In Haryana Financial Corporation, the overdue amount of loans had increased from Rs. 1,582.34 crore in 2005-06 to Rs. 1,703.78 crore in 2006-07. The percentage of overdue loans to total outstanding loans, however, decreased from 67.72 to 60.65 during this period.

Return on capital employed

1.12 As per the latest finalised accounts (up to September 2007), the capital employed* worked out to Rs. 9,287.24 crore in 19 working Government companies and total return[@] thereon amounted to Rs. 208.94 crore (2.25 *per cent*) as compared to total return of Rs. 53.53 crore (0.68 *per cent*) on capital employed of Rs. 7,910.70 crore in previous year (accounts finalised up to 30 September 2006). Similarly, the capital employed and total return thereon in case of two working Statutory corporations as per their latest finalised accounts (up to September 2007) worked out to Rs. 597.42 crore and Rs. 67.63 crore (11.32 *per cent*), respectively as against capital employed of Rs. 629.83 crore and the total return of Rs. 83.13 crore (13.20 *per cent*) thereon for the previous

---

& Haryana State Industrial and Infrastructure Development Corporation Limited.

\# Haryana Minerals Limited and Uttar Haryana Bijli Vitran Nigam Limited.

Δ Haryana Financial Corportaion.

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

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

year (accounts finalised up to 30 September 2006). The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in **Annexure 2**.

State Electricity Regulatory Commission

1.13 Haryana Electricity Regulatory Commission (HERC) was formed (17 August 1998) under the Haryana Electricity Reforms Act, 1997 (Act) with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. HERC is a body corporate and comprises three members including a Chairman, who are appointed by the State Government. As per Section 8(3) of the Act, all expenditure of HERC is to be charged to the Consolidated Fund of the State. The audit of accounts of HERC is conducted by the CAG under Section 104(2) of the Electricity Act, 2003. Under Section 103 of the Act, *ibid*, the State Government was to constitute a State Electricity Regulatory Commission Fund for crediting its receipts by way of grants /loans, fees etc. to meet out expenses of the commission. The fund is yet to be constituted (August 2007). HERC had finalised its accounts up to 2006-07. During 2006-07, HERC issued 18 orders (nine on annual revenue requirements and nine on others) against 22 orders issued (eight on annual revenue requirements and 14 on others) during 2005-06.

Non-working Public Sector Undertakings

Investment in non-working PSUs

1.14 As on 31 March 2007 and 31 March 2006, the total investment in seven non-working PSUs (all Government companies) was Rs. 139.32 crore (equity: Rs. 23.96 crore and long-term loans: Rs. 115.36 crore). The summarised position of Government investment in non-working Government companies in the form of equity and loans is detailed in **Annexure 1**

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

(Amount: Rupees in crore)

Sl. No.	Status of non-working PSUs	Number of companies	Investment	
			Equity	Long-term loans
1.	Under liquidation/Winding up#	2	6.86	3.69
2.	Others (non-working)$	5	17.10	111.67
	Total	**7**	**23.96**	**115.36**

Haryana Concast Limited and Haryana State Housing Finance Corporation Limited.

$ Haryana State Minor Irregation and Tubewells Corporation Limited, Haryana Tanneries Limited, Punjab State Irons Limited, Haryana State Small Industries and Export Corporation Limited and Haryana State Handloom and Handicrafts Corporation Limited.

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

1.15 The State Government did not release any funds to non-working companies during the year 2006-07. There was no guarantee outstanding as on 31 March 2007.

Total establishment expenditure of non-working PSUs

1.16 The year-wise details of total expenditure of non-working Government companies and the sources of financing that during last three years up to 2006-07 are given below:

(Amount: Rupees in lakh)

Year	Number of Government companies	Total establishment expenditure	Financed by	
			Disposal of investment/assets	Others
2004-05	4^{Δ}	65.00	41.72	23.28
2005-06	3[@]	28.55	8.32	20.23
2006-07	4^{Δ}	42.28	-	42.28

Finalisation of accounts by non-working PSUs

1.17 Out of seven non-working Government companies one non-working company finalised its accounts for the year 2006-07 during October 2006 to September 2007. The accounts of four non-working companies were in arrears for one to four years as on 30 September 2007 and two[*] companies were under liquidation/winding up as shown in **Annexure 2**.

Financial position and working results of non-working PSUs

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

The net worth of seven non-working companies against their paid-up capital of Rs. 24.04 crore was (-) Rs. 238.22 crore. These companies suffered cash loss of Rs. 79.58 crore and their aggregate accumulated loss worked out to Rs. 262.26 crore.

@ Haryana Tanneries Limited, Haryana State Small Industries and Export Corporation Limited and Haryana State Handloom and Handicrafts Corporation Limited.

Δ Haryana State Minor Irregation and Tubewells Corporation Limited, Haryana Tanneries Limited, Haryana State Small Industries and Export Corporation Limited and Haryana State Handloom and Handicrafts Corporation Limited.

* Haryana Concast Limited and Haryana State Housing Finance Corporation Limited.

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

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

Sl. No.	Name of Statutory corporation/ Regulatory Commission	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1	Haryana Financial Corporation	2004-05	2005-06	29 December 2006	Pending with Vidhan Sabha since 13 September 2007 for placement.
2	Haryana Warehousing Corporation	2005-06	-	-	-
3	Haryana Electricity Regulatory Commission	2004-05	2005-06	27 September 2006	Annual report is under preparation.

Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

1.20 The State Government did not undertake the exercise of disinvestment, privatisation and restructuring of any of its PSUs during 2006-07.

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

1.21 During the period from October 2006 to September 2007 the accounts of 18 Government companies (16 working and two non-working) and one Statutory corporation were selected for review. The net impact of important audit observations as a result of review of the accounts of these PSUs was as follows:

Sl No.	Details	Number of accounts		Amount (Rupees in crore)	
		Government companies	Statutory corporations	Government companies	Statutory corporations
1.	Decrease in profit	2	1	4.61	4.96
2.	Increase in loss	4	-	35.13	-
3.	Non disclosure of material facts	5	-	34.70	-
4.	Errors of classification	1	-	0.73	-

Some of the major errors and omissions noticed during October 2006 to September 2007 in the course of review of annual accounts of these PSUs are mentioned below:

Errors and omissions in case of Government companies

Haryana State Roads and Bridges Development Corporation Limited (2005-06)

1.22 Non-provision of depreciation on completed projects resulted in understatement of loss by Rs. 14.61 crore.

Haryana State Industrial and Infrastructure Development Corporation Limited (2006-07)

1.23 Non-provision for doubtful investments resulted in overstatement of investment and profit by Rs 2.96 crore.

Haryana Power Generation Corporation Limited (2004-05)

1.24 The loss for the year was understated by Rs. 7.05 crore due to capitalisation of revenue expenditure, non provision for bad and doubtful advances and liability for expenses.

Dakshin Haryana Bijli Vitran Nigam Limited (2005-06)

1.25 The profit and other current assets were overstated by Rs. 1.65 crore due to non provision of thefts/embezzlements/loss.

Errors and omissions in case of Statutory corporation

Haryana Financial Corporation (2005-06)

1.26 Non provision for leave encashment resulted in overstatement of profit by Rs. 3.23 crore.

1.27 Short provision of Rs. 1.73 crore against loss assets and doubtful assets resulted in overstatement of loans and advances and profit to that extent.

Recoveries at the instance of audit

1.28 On the basis of deficiencies pointed out in audit, the power utilities had recovered Rs.18.99 lakh on account of meter charges (Rs.17.28 lakh), electricity duty (Rs. 0.27 lakh), incorrect tariff (Rs. 0.80 lakh), wrong rebate for power factor (Rs. 0.34 lakh) and under recovery (Rs. 0.30 lakh).

Internal audit/internal control

1.29 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal control/internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system in respect of one company[®] for the year 2003-04, one company[Δ] for the year 2004-05, three companies[@] for the year 2005-06 and two companies[Ψ] for the year 2006-07 are given below:

Sl. No.	Nature of comment made by Statutory Auditors	Number of the companies where recommendations were made	Reference to serial number of the companies as per Annexure 2
1.	Non-fixation of minimum/maximum limits of store and spares	2	A1 and A19
2.	Absence of internal audit system commensurate with the nature and size of business of the company	3	A12, A16 and A18
3	Non-maintenance of cost record	1	A19
4	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	2	A12 and A16
5	Procedure for determination of unserviceable or damaged stores and raw material	1	A18
6	Lack of internal control over sale of power	1	A19
7.	Non Computerisation of inventory records	2	A1 and A17

Recommendations for closure of PSUs

1.30 Even after completion of 12 to 42 years of their existence, the individual turnover of six Government companies (four[^] working and two[#] non-working) had been less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Two[$] non working Government companies had been incurring losses for five consecutive years, as per their latest finalised accounts, leading to negative net worth.

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

® Haryana Scheduled Castes Finance and Development Corporation Limited

Δ Haryana Power Generation Corporation Limited.

@ Haryana Vidyut Prasaran Nigam Limited, Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited.

Ψ Haryana Agro Industries Corporation Limited and Haryana Vidyut Prasaran Nigam Limited

^ Hartron Informatics Limited, Haryana Scheduled Castes Finance and Development Corporation Limited, Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited and Haryana Women Development Corporation Limited.

Haryana Tanneries Limited and Punjab State Irons Limited.

$ Haryana State Minor Irrigation and Tubewells Corporation Limited and Haryana State Handloom and Handicrafts Corporation Limited.

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

1.31 The status (as on 30 September 2007) of reviews and paragraphs that appeared in Audit Reports (Commercial) and were discussed by COPU is as under:

Period of Audit Report	Number of reviews/paragraphs			
	Appeared in Audit Report		Paras discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
2003-04	2	22	2	17
2004-05	2	20	1	6
2005-06	2	22	-	-
Total	**6**	**64**	**3**	**23**

Audit Report (Commercial) for the year 2005-06 was placed before the State Legislature on 9 March 2007.

619-B Companies

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

Chapter-II

2. Performance reviews relating to Government Companies

Haryana State Industrial and Infrastructure Development Corporation Limited

2.1 Setting up of Industrial Estates

Highlights

The performance of Growth Centre Saha and Bawal was dismal as these could generate direct employment to 50 and 7,000 persons only, against projections of 26,000 and 35,000 persons respectively, thereby defeating the main objective of industrialisation and generation of employment.

(Paragraphs 2.1.19 and 2.1.20)

Acquisition of forest land measuring 80.53 acres at a cost of Rs. 16.11 crore for setting up leisure project in contravention with the provisions of Punjab Land Preservation Act, 1900 and Forest Conservation Act, 1980 rendered the investment unfruitful as the land could not be used for non-forestry purpose.

(Paragraph 2.1.12)

Improper planning in the acquisition of land led to blocking of fund to the extent of Rs. 73.66 crore.

(Paragraph 2.1.14)

Irregular allotment of a commercial site, non cancellation on failure of the allottee to fulfill terms and conditions of the allotment and auctioning at prevailing market rate resulted in loss of Rs. 236.89 crore.

(Paragraph 2.1.25)

The Company failed miserably to implement the schemes for providing help to landowners/villagers whose land had been acquired as it incurred expenditure of Rs. 2.12 lakh (0.41 *per cent*) against requirement of Rs. 5.17 crore under skill development/training scheme and Rs. 2.93 crore (17.56 *per cent*) against requirement of Rs. 16.68 crore under village development scheme.

(Paragraph 2.1.28)

Introduction

2.1.1 Haryana State Industrial Development Corporation Limited was incorporated (1967) for promoting medium and large scale industries in the State. The Company was entrusted (1971) with the function of developing industrial estates in the State. The State Government further entrusted (27 December 2005) the function of development of infrastructure in the State to the Company. Accordingly, the Company changed (March 2006) its name to Haryana State Industrial and Infrastructure Development Corporation Limited.

The management of the Company is vested in a Board of Directors (Board) appointed by the State Government. As of March 2007, there were seven directors on the Board. The Managing Director is the Chief Executive of the Company and is assisted by an Executive Director (Personnel and Administration), a Chief Town Planner (Infrastructure Planning Cell), two Additional General Managers (Industrial Area and Public Relation), two Deputy General Managers (Accounts and Estate wing-I) and a Company Secretary (Additional charge Estate wing-II). The Company has 13 field offices to carry out development of industrial estates.

The activities of the Company were last reviewed in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2001 (Commercial) - Government of Haryana. The Committee on Public Undertakings (COPU) discussed the review in November 2005 and May 2006 and settled the review on the basis of submissions made and corrective measures taken by the Management.

Scope of Audit

2.1.2 The present review conducted during November 2006 to March 2007 covers activities relating to setting up of industrial estates and other infrastructure projects by the Company during 2002-07. Besides examining the records maintained at head office of the Company, Audit test checked records of six[@] out of 13[*] field offices. The selection was made by adopting simple random sampling without replacement method.

Audit objectives

2.1.3 The Audit objectives were to ascertain whether:

- the Company had prepared a well rounded plan for integrated development of industrial estates in the State of Haryana;

@ Bawal, Gurgaon, Kundli, Manesar, Manakpur and Saha.

* Bahadurgarh, Barhi, Barwala, Bawal, Faridabad, Gurgaon, Karnal, Kundli, Manesar, Manakpur, Rai, Saha and Sirsa.

- the Company had made proper surveys and investigations to assess the requirement of industrial estates by the entrepreneurs keeping in view the infrastructure, raw material availability, logistics, market and other inputs;
- the farmers/landowners were getting compensation for their land as per Land Acquisition Act, 1894 (LA Act) and socio-economic objectives were achieved;
- proper infrastructure was provided for the industries in the estates developed by the Company and proper mechanism was evolved by the Company for regular upkeep and maintenance of industrial estates;
- the Company adopted a transparent system for allotment of plots and prices were fixed on 'No profit no loss' basis as per its policy; and
- the implementation of industrial infrastructure and other projects was aimed at balanced industrial growth and in overall interest of the State.

Audit criteria

2.1.4 The following audit criteria were adopted:

- decisions of the Board relating to land acquisition, development, allotment of plots and estate management;
- physical and financial targets fixed by the Company;
- LA Act, guidelines of Government of India (GOI) for industrial development and State Industrial Policy (SIP); and
- project reports of the industrial estates and regular letter of allotment (RLA).

Audit methodology

2.1.5 Audit followed the following mix of methodologies:

- examination of land acquisition records;
- comparison of total number of plots allotted vis-à-vis industrial units established;
- compliance of relevant provisions of the LA Act;
- status reports from field offices for construction and installation of industrial units on allotted plots; and
- comparison of industrialisation within National Capital Region (NCR) and outside NCR.

Audit findings

2.1.6 The audit findings were reported (May 2007) to the Government/ Management and discussed in the meeting (23 August 2007) of Audit Review Committee for State Public Sector Enterprises (ARCPSE) wherein representatives of the Company were present. Views of the Management were considered while finalising the review. The audit findings are discussed in succeeding paragraphs.

Sources and application of funds

2.1.7 The Company arranges funds for setting up of industrial estates through loans from financial institutions, recovery from allottees and equity/grants from Central/State Government. The budgeted and actual figures of inflow and outflow of funds during the last five years up to 2006-07 are summarised in ***Annexure-7.***

It would be seen (***Annexure 7***) that there were wide variations in the actuals vis-à-vis budgeted figures. The main source of funds during the five years up to 2006-07 were recovery from allottees: Rs. 1,697.43 crore (54.08 *per cent*); equity and grants: Rs. 507.96 crore (16.18 *per cent*); loans: Rs. 238.71 crore (7.61 *per cent*) and application money: Rs. 694.70 crore (22.13 *per cent*). As compared to budgeted, the actual inflow of the funds was lower by 7 to 54 *per cent* and outflow of the funds was lower by 27 to 62 *per cent* during 2002-07. Evidently, the targets were not realistically fixed.

The Company could not achieve financial targets for development of land in any of the five years.

The Company could not achieve financial targets for development of land in any of the five years covered under review due to non achievement of desired physical progress in respect of certain developmental works*. The huge variation [(-) 78 *per cent* to (-) 100 *per cent*] in the actuals as compared to budgeted loans was due to less acquisition of land. It was further noticed that the Company had set up overall financial targets without fixing the corresponding physical targets in the absence of which the physical achievements thereagainst could not be analysed in audit. Despite assurance given to the COPU (16 May 2006) that the Company had started preparing physical targets, the physical targets were not being fixed so far.

During ARCPSE meeting, the Management, while expressing practical difficulties in the fixation of physical targets, assured to fix the physical targets with regard to developmental works at macro level.

State industrial policy

2.1.8 Industrial Policy 2005 (IP 2005) encourages private participation in development of infrastructure in the State. The key objectives of IP 2005 are to generate employment and entrepreneurial opportunities across all sectors of economy and spatial dispersal of economic activities particularly in

* Construction of roads, laying of sewerage lines, storm water drainage and electrification etc.

economically and socially backward regions. State Government decided to adopt following strategic mission approach to implement the IP 2005:

- to develop economic hubs through infrastructural initiatives;
- to encourage public private partnership in infrastructure projects;
- to focus on economic activities enjoying competitive advantage in the State; in particular development of food processing industry, information communication technology etc.; and
- to promote mega projects with economic spin off potential, particularly in backward regions.

The Company being nodal agency for development of infrastructure has taken up (14 November 2005) development of Kundli-Manesar-Palwal Expressway on public private partnership basis, which was at initial stage of development. The Company had developed (2002) two food parks at Rai and Saha. To promote industrialisation in backward areas, the Department of Industrial Policy and Promotion (DIPP) approved two Growth Centres at Bawal and Saha in March 1992 and October 1997 respectively. The performance of these projects has been discussed in paragraphs 2.1.19 to 2.1.21. The Company had not made any headway towards implementing Kanina special economic zone (SEZ) mega project to give economic spin off in backward area.

Acquisition of land

Action plan

2.1.9 The Company prepares proposal for acquisition of land after assessing the requirement in accordance with the schemes of GOI, State Government, Industrial Policy of the State and as per the local demand of industries. The Company after the receipt (1996) of mandate from the State Government for development of industrial infrastructure prepared its first Action Plan for land acquisition during 1997-2002. Against the action plan, the Company was to acquire 4,207 acres of land at 10[@] places, but it acquired only 2,765 acres (65 *per cent*) of land up to March 2002 *i.e.* within the target period and thereafter total acquisition was 3,859 acres (91.73 *per cent*) up to March 2007 at five places.

During 2002 to 2005, the Company did not prepare any detailed action plan for further acquisition of land. The Company, however, initiated (November 2002 to June 2005) land acquisition proceedings for 10,164 acres of land without fixing any time schedule during these years. Against this, the Company acquired 6,561.40 acres up to March 2007.

[@] Bahadurgarh, Barhi, Bawal phase-II, Jhajjar, Kharkhoda, Kundli, Manesar phase-II, Meham, Palwal, and Samalkha.

The Company finalised (July 2005) second action plan for acquisition of land during 2005-10 for acquisition of 16,900 acres of land at eleven[$] places. Out of this, the Company had acquired only 2,439.57 acres at two places (IMT, Manesar: 1,423.43 acres and Bawal Phase-II: 1,016.14 acres) up to March 2007.

The Company was having 17,496.80 acres of land valued at Rs. 2,136.32 crore till March 2007 for development of industrial estates (12,326.10 acres); Kundli-Manesar-Palwal (KMP) Expressway (3,291.50 acres); Special Economic Zone, Gurgaon (1,601 acres) and Leisure Park at Gurgaon (278.20 acres). During audit of the records relating to land acquisition following deficiencies were noticed:

Extra payment of interest in acquisition of land

2.1.10 To facilitate the acquisition of land by the State Government for public purposes, a preliminary notification is required to be published in the official Gazette under Section 4 (1) of the LA Act, 1894 followed by public notice of the substance of such notification to be given at convenient places in the said locality. Section 23 (1-A) of the Act *ibid*, further provides that in addition to the market value of land, the court in every case shall award an amount calculated at the rate of 12 *per cent* per annum on such market value for the period commencing on and from the last of the dates giving of public notice to the date of award or date of taking possession whichever is earlier.

Adoption of incorrect dates for computing payments had resulted in extra payment of Rs. 1.71 crore.

Audit observed that on acquisition (December 2003 to March 2006) of land measuring 4,268 acres at various places in Haryana, additional amount at the rate of 12 *per cent* per annum was paid from the dates of publication of notifications instead of the dates on which public notices were given in the locality. Adoption of incorrect dates for computing payments had resulted in extra payment of Rs. 1.71 crore.

The Management stated (July 2007) that payment was made as per the demand raised by Land Acquisition Collector (LAC). The reply is not acceptable as financial and accounting norms require checking correctness of demand before release of payment.

Avoidable payment of interest on enhanced compensation

2.1.11 As per awards of the Court (November 2002, February and August 2004) the Company was to pay interest under section 28 of the LA Act on the enhanced compensation at the rate of nine *per cent* per annum for the first year and 15 *per cent* per annum for the subsequent years from the date on which the Company took possession of land to the date of payment.

Audit scrutiny of the records of Industrial Model Town, Manesar revealed that in respect of 89 execution petitions (November 2002 to August 2004), the Hon'ble Courts enhanced the compensation but there were delays ranging between 195 and 908 days (after giving 15 days time for procedural

$ IMT, Manesar; Growth Centre, Bawal phase-II; Kundli Rai Complex; Bahadurgarh; IMT, Kharkhauda; SEZ, Kanina; New Gurgaon-Kanina Expressway; SEZ, Gurgaon phase-II; Transport Hub, Palwal; New Industrial Estate, Badli and Growth Centre, Saha phase-II.

formalities) in payment of enhanced compensation amounting to Rs. 10.14 crore. Due to delay in making payment, the Company was liable to pay extra interest of Rs. 30.84 lakh, calculated after allowing interest earned by the Company at the average rate of five *per cent* per annum on surplus short term funds. Though this amount is recoverable from allottees, the Company had not raised demand notices.

The Management stated (July 2007) that a reasonable time was taken in calculating the amount and if some interest was paid it was compensated by not paying it to creditor institutions. The reply is not tenable as the delay was abnormal ranging between 195 and 908 days and the excess payment of Rs 30.84 lakh had been worked out after allowing the benefit of interest earned.

During ARCPSE meeting, (August 2007) the Management assured to check the position of abnormal delay.

Extra expenditure in delayed deposit of compensation and unfruitful expenditure due to acquisition of forest land

2.1.12 The Company acquired (January 2006) 278.2 acres of land from village panchayat for development of leisure project near Gurgaon. LAC, Gurgaon had demanded (May 2004) Rs. 46.73 crore for acquisition of this land (date of award expected on 7 June 2004). The Company did not deposit the amount for want of economic/technical feasibility report, which was to be submitted by the consultant within two months. The LAC again asked (July 2004) the Company to deposit the demand money as the interest of Rs. 1.09 lakh per day was being added to the demand money. The Company received (February 2005) feasibility report and deposited (17 January 2006) Rs. 58.68 crore against the award (19 January 2006) of Rs. 55.66 crore. On being pointed out (October 2006) in Audit the excess payment of Rs. 3.02 crore was subsequently got refunded (December 2006).

Failure on the part of the Company in depositing the demand money in time resulted in additional payment of Rs. 8.93 crore (Rs. 55.66 crore–Rs. 46.73 crore) and net loss of Rs. 5.21 crore after allowing interest saving of Rs. 3.72 crore on account of delay in depositing the demand money of Rs. 46.76 crore. Besides, the Company was deprived of the intended benefits from the leisure project. The Company also suffered a further loss of interest of Rs. 19.37[@] lakh due to delay in getting refund of Rs. 3.02 crore.

Acquisition of forest land measuring 80.53 acre valued at Rs. 16.11 crore rendered the investment unfruitful.

Audit scrutiny further revealed that this land included forest land measuring 80.53 acres valued at Rs. 16.11 crore, which could not be used for non-forestery purpose as per the provisions of Punjab Land Preservation Act, 1900 and Forest Conservation Act, 1980. The Committee constituted by the State had also recommended (February 2005) against acquiring the forest land. Resultantly, the investment of Rs. 16.11 crore proved unfruitful. Management has not fixed the responsibility for the lapse (August 2007).

@ Calculated at the rate of 7 *per cent* per annum for 11 months.

The Management stated (July 2007) that acquisition of this land was a conscious decision of the committee constituted by the State Government to examine the feasibility of the project not only from economic point of view but also to improve the environment and to protect the land from degradation and encroachment. The contention of the Company does not hold good as it is not mandate of the Company to undertake such activity. Moreover, acquisition of forest land is against the provisions of the existing Forest Acts.

Acquisition of land for Information Technology (IT) Corridor in Panchkula

2.1.13 The Company deposited (August 2005) Rs. 25.86 crore being 25 *per cent* of total cost (Rs. 103.43 crore) of 97 acres land at the rate of Rs 1.07 crore per acre with Housing and Urban Development Authority (HUDA), Panchkula for setting up IT Parks. HUDA issued allotment letter in November 2005. In this case the Audit noticed the following deficiencies:

- While calculating the external development charges, HUDA applied floor area ratio (FAR) of 2.5 in respect of static components of cost (like flood protection, road development etc) instead of applicable FAR of 0.75. This resulted in over charging of Rs. 6.72 crore on 79.19 acres of land. Though, the Company had protested (August 2005) against the excess charges with HUDA but did not pursue the matter thereafter.

- In the meeting (June 2005) taken by the Chief Minister, Haryana with senior officers of various organisations, it was decided to take immediate steps for transfer of land to the Company. HUDA handed over (July 2006) possession of 79.19 acres of land valued at Rs. 84.44 crore against allotment of 97 acres for which Rs. 25.86 crore had been paid (August 2005). This resulted in delay in completion of the project, which was under progress.

- Out of 79.19 acres land handed over by HUDA, an area of 20 acres valuing Rs. 21.33 crore (5 acres under seasonal rivulet and 15 acres beyond the alignment of proposed protection bund) could not be utilised, thereby leaving an area of 59.19 acres only for development.

Blockage of funds due to improper planning in acquisition of land

2.1.14 The Company deposited (April 1997 to August 2006) Rs 1,159.88 crore with LACs, Gurgaon (Rs. 913.92 crore), Jhajjar (Rs. 200.67 crore) and Sonipat (Rs. 45.29 crore) for acquisition of land for developing industrial estates. Out of this, an amount of Rs. 152.42 crore remained undisbursed (Gurgaon: Rs. 147.80 crore, Sonipat: Rs. 4.59 crore, Jhajjar: Rs. 0.03 crore) as of March 2007 with the respective LACs. The Company had no details of land where the Courts had granted stay against dispossession so as to enable the Company to have refund from respective LACs in such cases.

Scrutiny by Audit revealed that the Board of the Company had approved (July 1996) the proposal for setting up phase-VII Udyog Vihar, Gurgaon for which site in village Mahmoodpur Jharsa and village Narsinghpur were selected. Prior to the Board's decision, HUDA had initiated the case for this site and acquisition papers were already prepared by LAC, Gurgaon. After lapse of almost six years the Company got issued (November 2002) notification of 389 acres land under Section 4 of the Act on the basis of notification papers prepared by LAC, Gurgaon for HUDA. As these papers were prepared before 1996, there were a number of cases where the State Government had granted change in land use and due to this some industrial units were functioning there.

Consequently, there were numerous objections against the acquisition of the land. Instead of assessing the availability and usefulness of the land afresh, the Company got the award announced (November 2005) for 250 acres of land for Rs. 73.66 crore, despite the fact that 93 Civil Writ Petitions were pending in the Court and in respect of 190 Kila numbers/Khasra numbers the Court had granted stay against dispossession. Out of 250 acres, the Company could get possession of only 85 acres land and Rs. 63.94 crore out of Rs. 73.66 crore remained undisbursed with the LAC as of March 2007. This area could also not be developed due to non availability of proper approach and contiguity. Thus, improper planning led to avoidable blockage of funds to the extent of Rs. 73.66 crore.

The Management stated (July 2007) that the process of acquisition of land was not to be reviewed by it but by the State Government. The reply is not acceptable, the company in accordance with commercial practices should have pursued early disbursement with LAC through the State Government as delays were increasing its interest liability.

Development of land

Lack of planning

2.1.15 Before floating an industrial estate, the Company is required to provide four basic facilities viz. roads, water supply, sewerage and electrification. Audit observed that the Company does not prepare any time schedule for development of a particular estate. In absence thereof, optimum use of financial, material, human and other resources could not be verified in audit.

Unbalanced industrial development

Out of a total area of 11,331.83 acres developed/being developed up to March 2007 an area of 10,123.62 acres (89.33 *per cent*) fell within NCR resulting in unbalanced industrial growth.

2.1.16 Audit scrutiny of records revealed that out of a total area of 11,331.83 acres developed/being developed up to March 2007 an area of 10,123.62 acres (89.33 *per cent*) fell within NCR. The area of NCR constituted only 30 *per cent* of the total area of the State. This indicates that areas outside the NCR were not paid due attention thereby impeding balanced industrial growth in the State.

The Management stated (July 2007) that the growth in NCR was due to interest shown by the entrepreneurs/industrialists. The fact, however, remained that it had hampered balanced industrial growth in the State.

During the ARCPSE meeting, the Management, while asserting that development depended on demand and supply, assured to pay due attention towards balanced industrial growth in the State.

Non coordination of construction of substation and LILO

2.1.17 Substation of 132/11 KV at Industrial Estate, Rai was to be fed from Loop in Loop out (LILO) of Sonipat-Rai 132 KV line to be constructed by Haryana Vidyut Parsaran Nigam Limited (HVPNL) on deposit work basis. Both the above works were to be synchronised. Audit observed that though the Company awarded (September 2004) the work of construction of 132/11KV substation at Industrial Estate, Rai to 'Alstom Limited' with scheduled completion period of 12 months, the matter for construction of LILO of Sonipat-Rai with HVPNL was substantially delayed (April 2005) and was not pursued at higher level of management. Finally, HVPNL approved (December 2005) the construction of LILO after almost 14 months from the date of awarding the work of construction of substation. Resultantly, sub station at Rai remained incomplete (August 2007) even after spending Rs. 2.55 crore due to non availability of feeding arrangement.

Thus, non-coordination of the work relating to substation with LILO had resulted not only in avoidable blocking of funds but also deprived the allottees of adequate power supply.

The Management stated (July 2007) that the delay was on the part of HVPNL. The reply is not tenable as being nodal agency, the Company should have pursued the matter at higher level to coordinate the two works.

Establishment of growth centres

2.1.18 The Union Ministry of Industries, Department of Industrial Policy and Promotion (DIPP) decided (June 1988) to set up two Growth Centres (GCs) in the State. These GCs were to act as magnets for attracting industries to backward areas with infrastructure facilities like power, water, telecommunication, banking etc. The DIPP approved Bawal (March 1992) and Saha (October 1997) as GCs. The physical and financial progress of these GCs up to March 2007 is as below:

Growth centre Saha

2.1.19 DIPP approved (October 1997) the GC, Saha for Rs. 81.19 crore. The project was to be financed by providing Central/State Government grants (Rs. 15 crore), loan (Rs. 14.75 crore) and Company's funds (Rs. 51.44 crore). The Company had spent Rs. 17.62 crore so far (March 2007) on acquisition of land (Rs. 9.27 crore) and development (Rs. 8.35 crore) of this GC and received grants of Rs. 12.96 crore - DIPP (Rs. 8.50 crore) and State Government (Rs. 4.46 crore). The progress of this growth centre was very slow as discussed below:

- As per the project report, an approximate area of 1,000 acres of land was to be developed in two phases (phase-I: 410 acres and phase-II:

600 acres) within a period of five years up to October 2002. The Company, however, could acquire only 410.25 acres of land in 1999 for phase-I and for phase-II proceedings for acquisition were started as late as in August 2005 against the stipulated month of December 1997.

- The Company could develop only 582 plots (243 industrial and 339 residential) during 2003-05 against 738 carved out plots and balance 156 plots could not be developed due to land being under litigation. The Company allotted 187 plots up to March 2007. As per the terms of allotment, the stipulated period for start of production was three years. The progress towards implementation of the projects by allottees was quite dismal as only 28 allottees could implement their project up to March 2007 despite the fact that 99 plots had been allotted prior to 2003-04. No residential plot could be allotted due to slow industrialisation in the area.

Employment to 50 persons only could be provided against 26,000 as envisaged in the project report even after a lapse of more than nine years.

- The project report of GC Saha envisaged direct employment to 26,000 persons. However, even after a lapse of more than nine years, direct employment to 50 persons only could be provided (March 2007) thereby defeating the basic objective of providing infrastructural facilities in backward areas of the State to attract industries and generate employment opportunities.

The Management stated (July 2007) that the State had to compete with neighbouring States enjoying incentives given by GOI. The demand had, however, now picked up due to sealing of small units running in residential areas. The fact remained that even after existence of GC, Saha for over nine years, the process of industrialisation and employment generation was not satisfactory.

Growth centre Bawal

2.1.20 DIPP approved (March 1992) the GC, Bawal for Rs. 38.86 crore. The project was to be financed by providing Central/ State Government grants (Rs. 15 crore), loans (Rs. 5.60 crore) and Company funds (Rs. 18.26 crore). The Company had spent Rs. 171.47 crore till March 2007 on development of this GC and received grants of Rs. 15 crore from DIPP (Rs. 10 crore) and State Government (Rs. 5 crore).

- The Company developed (2000-01) 585 plots out of which it allotted 516 plots up to March 2007. Production started only on 168 plots till March 2007 though 257 plots had been allotted prior to 2003-04. The process of slow industrialisation in a period of 15 years since inception of the GC was indicative of the fact that selection of the allottees was deficient.

- The project report envisaged direct employment to 35000 persons on completion of the project in March 2002. As against this projection, direct employment to 7000 persons could be provided (March 2007), thereby defeating the basic objective of generating employment opportunities.

The Management stated (July 2007) that earlier there was slow industrialisation but now it was moving up. The fact, however, remained that this growth centre had failed to achieve its basic objective of industrialisation and employment generation to full extent even after lapse of over 15 years.

Setting up of food parks

2.1.21 The Company established two food parks at Saha and Rai under the Food Processing Industrial Park scheme (2001) of Union Ministry of Food Processing Industry (MFPI) for development of common facilities such as analytical and quality control laboratories/cold storage/warehousing facilities, etc. The physical and financial progress of food parks up to March 2007 is given in the following table:

(Rupees in crore)

Financial pattern particulars	Food Park Saha	Food Park Rai
Approved Project Cost by MFPI	7.31	53.20
Grant in-aid sanctioned	2.93	4.00
Company's contribution	4.38	49.20
Financial Progress particulars		
Grant in-aid received	1.46	2.00
Expenditure incurred	11.49	27.70
Physical Progress particulars		
Land to be acquired (acre)	30	116
Land actually acquired (acre)	70	116
Plots to be carved out (nos)	56	208
Plots actually carved out (nos)	197	208
Plots developed (nos)	162	208
Plots allotted (nos)	106	136
Plots where units in production (nos)	7	11

It will be seen from above that although both the food parks were projected to be fully developed (December 2005) yet production was started (March 2007) in only 18 plots (7 at Saha and 11 plots at Rai) and construction was going on in 43 plots (3 plots at Saha and 40 plots at Rai) out of 405 plots (Saha: 197 and Rai: 208) carved out by the Company. Audit scrutiny further revealed the following deficiencies:

Food Park, Saha

- MFPI provides grant in-aid up to rupees four crore for setting up food park. It sanctioned (January 2002 and March 2003) Rs. 2.93 crore and did not sanction balance Rs.1.07 crore as the Company failed to bring proposal for cold storage deemed essential for the food park.

- Due to unilateral revision (September 2002) of project cost from Rs. 7.31 crore to Rs. 20.88 crore without approval of MFPI and slow progress in achievement of physical and financial targets, the central assistance of Rs. 1.47 crore out of Rs. 2.93 crore had not been released by the bank (March 2003) on the directions of the MFPI.

- The Company spent Rs. 34.32 lakh (up to September 2006) for construction of laboratory building but deferred the installation of laboratory equipments, thereby depriving the allottees of this crucial facility. Further, the Company failed to provide backward/forward linkages and other common facilities such as warehouse and cold storage, thereby resulting in poor response from entrepreneurs to set up agro-based industries in the park.

Food Park, Rai

- Out of rupees four crore sanctioned, MFPI released (March – April 2002) rupees two crore to the bank but due to slow progress, the bank released this money after five years (February 2007) on the directions of MFPI. The balance assistance of rupees two crore had not been released so far (July 2007). Even after spending Rs. 56.41 lakh up to December 2006 for construction of laboratory building, the Company deferred (April 2005) the installation of laboratory equipments, thereby depriving the allottees from this crucial facility.

The Management stated (July 2007) that the laboratory equipments would be installed in food parks, Saha and Rai after sufficient number of industrial units came up in these food parks. The action of the Company lacked justification in view of the fact that MFPI had sanctioned grant specifically for such type of common facilities and by providing these facilities the Company could have facilitated the entrepreneurs to implement the projects.

Fixation of price

2.1.22 The Company allots industrial plots on 'no profit no loss' basis. It was noticed that the Company had been working out allotment rates by aggregating the development expenditure, interest cost, land cost on estimated basis divided by the area to be allotted. At no stage had the Company ever compared the actual expenditure estate wise so as to ensure strict adherence of its declared policy of 'no profit no loss'. Following points relating to allotment rates were noticed in audit.

Overcharging from allottees of growth centres at Bawal and Saha

Charging of interest on the grant-in-aid resulted in inflation of cost by Rs. 5.04 crore and overcharging from the allottees to the extent of Rs. 4.40 crore.

2.1.23 Audit scrutiny in respect of price fixation of plots in GCs Bawal and Saha revealed that the Company, while determining the cost of plots per sqm, included interest on the entire amount of development expenditure despite the fact that the Company got grant-in-aid of Rs. 19.95 crore (Bawal: Rs.15.00 crore, Saha: Rs. 4.95 crore) from DIPP/State Government at the development stage itself. Charging of interest on the same resulted in inflation of cost by Rs. 5.04 crore and resultant overcharging from the allottees to the extent of Rs. 3.42 crore in case of Bawal and Rs. 0.98 crore in case of Saha on the plots sold up to August 2006 and October 2006 respectively.

The Management stated (July 2007) that at no point of time interest on equity had been directly loaded on the cost of plots. The reply is not acceptable as the development expenditure was worked out by loading interest component.

In fact the loading of interest on full cost was against the declared policy of 'no profit no loss'. This also acted as disincentive to the allottees.

Allotment of plots

2.1.24 The Company had not fixed any time frame for inviting applications for allotment after development and for processing of applications received. Out of 11,111 plots/sheds carved out on 8,407.11 acres of land up to March 2007, 1,029 plots/sheds (9.26 *per cent*) valuing Rs. 244.11 crore were lying vacant. The allotment of remaining allotable plots was under process. The Company had also not fixed year wise physical targets for allotment of plots/sheds in the absence of which the performance of estate division of the Company could not be evaluated.

Irregular allotment and non-auction of commercial plot at Gurgaon

2.1.25 The Company invited (January 2000) joint venture (JV) partners to develop a recreational park (a commercial activity) on four acres of land in phase-III of Gurgaon through open advertisements. Against the average auction price of Rs. 9,023 per sqm for industrial plots in this area (August 1996 to May 1999), the Company offered the rate of Rs. 5,000 per sqm for the JV. It selected Leisure City India Private Limited for JV and signed (June 2000) MOU. The Letter of intent (30 November 2000), *inter alia*, provided that the project would be implemented by Special Purpose Vehicle[@] (SPV) viz. Gurgaon Recreation Park Limited and the Company would subscribe equity share capital not exceeding 15 *per cent* in the said SPV. The physical possession of land would be handed over after receipt of 25 *per cent* of the total price of land. The balance 75 *per cent* would be paid either in lump sum within 60 days from the date of issue of regular letter of allotment (RLA) or in six equated half yearly instalments with interest at the rate of 18 *per cent* per annum. The RLA would be issued subject to necessary approval/clearance from State/ Central Government agencies.

The collaborators deposited (January 2001) Rs. 80 lakh (10 *per cent*) and Rs 1.20 crore (15 *per cent* in May 2003). The SPV had failed to obtain no objection certificate (NOC) from National Highway Authority of India (NHAI) for road connectivity within 30 days from the date of issue of Company's letter (September 2003) but the Company signed (April 2004) the financial collaboration agreement and handed over (26 July 2004) the physical possession of site.

The SPV deposited (January 2005/February 2005) Rs. 6.52 crore (balance 75 *per cent*) by bank drafts despite the fact that the Company had not issued any RLA. The Company neither returned these bank drafts to the SPV nor encashed them on the plea that the implementation of the project was under review. The Advocate General suggested (May 2005) cancellation of plot due to non obtaining of NOC from NHAI. The Legal Remembrancer also held (June 2005) that the plot should have been auctioned even for joint venture

---

[@] A company floated for specific project.

estates instead of quoting fixed rate of Rs. 5,000 per sqm while inviting tenders. He also suggested to reappraise the project to determine its viability. Instead of auctioning this land at prevailing rate of Rs. 1.50 lakh per sqm being the reserve price fixed for auction of Convention Centre–cum-Commercial Complex, Gurgaon, the Company decided (May/August 2006) to implement the project with some modifications. Accordingly, the Company signed (September 2006) supplementary agreement containing certain benefits to the Company viz. allotment of sweat equity equivalent to 15 *per cent* of its share capital and transfer of 25 *per cent* additional FAR in the shape of constructed property free of cost to the Company. But as compared to prevailing land rates these benefits were meagre. The Company accepted (September 2006) fresh drafts for Rs. 6.52 crore. There was no headway towards implementation of the project (June 2007).

Non cancellation of allotment on failure of the allottee to fulfil terms and conditions of allotment and non auctioning at the prevailing rates had resulted in loss of Rs. 236.89 crore.

Thus, irregular allotment of commercial site to the SPV, non cancellation of allotment on failure of the allottee to fulfil terms and conditions of allotment and non auctioning at the prevailing rates had resulted in loss of Rs. 236.89 crore (16,337 sqm at the rate of Rs. 1.45 lakh per sqm).

The Management stated (July 2007) that selection was made on competitive basis and site allotted at prevailing price at that time. The matter regarding obtaining of clearance from NHAI was being pursued. The contention of the Management is not acceptable as it had invited bids at fixed price instead of putting the site to open auction. Legal Remembrancer of the State had also opined that the site should have been auctioned.

Management of estate operations

Absence of facilities and non redressal of allottees' grievances

2.1.26 Scrutiny of the records revealed non-provision of certain facilities and non redressal of problems being faced by allottees as under:

- With a view to provide connectivity to residential and industrial zone at IMT Manesar for avoiding traffic congestion/accidents a flyover across NH-8 was yet to be constructed. Despite deposit (November 2000) of Rs. 10 lakh with NHAI towards fees of consultants, the project could not materialise due to failure of the Company to provide clearance for site.
- Roads in Industrial Estate, Rai, especially in block D, were in raw condition (without resurfacing) since 2002.
- Non-provision of Common Effluent Treatment Plant (CETP) at Manakpur.
- Non-provision of disposal of sewage at GC, Saha, Industrial Estate, Rai and Food Park, Saha.

- With a view to control discharge of storm water and sewerage effluent from DLF area coming into the *Nallah,* the Company awarded (February 2004), the work of construction of *Pucca* storm water drain in Udyog Vihar (UV), Gurgaon between sector 18-19 from NH-8 to old Delhi Road, Gurgaon UV phase IV and V at a cost of Rs. 1.04 crore. Since the site in phase V of UV, Gurgaon was full of sewerage effluent generated due to non stoppage of unauthorised sewerage connection of allottees, the Contactor had to abandon the work in July 2004. The expenditure of Rs. 14 lakh incurred by the Company had, thus, proved to be infructuous as the work as per revised (July 2006) design with estimated cost of Rs. 4.32 crore was yet to be awarded (June 2007). The problem of sewage was still persisting even after a lapse of 16 years since inception of phase IV and V of UV, Gurgaon.

- No truck terminal was created at Bawal and Kundli to facilitate smooth transportation of raw material and finished goods.

- No provision for solid waste management at any of the 43 industrial estates of the Company.

- No ESI dispensary existed at IMT, Manesar and GC, Saha.

- The arrangements for water supply to industrial estates were inadequate. Resultantly, 1,114 allottees had bored tubewells unauthorisedly in 12 industrial estates.

- In a meeting (April 1998) under the Chairmanship of Commissioner and Secretary to Government of Haryana, Irrigation Department, it was agreed to allot 10 cusec of water for IMT Manesar to be drawn from Bassai water supply. The Company acquired (December 2002) approximately 54 acres land at a cost of Rs. 3.88 crore and also deposited (May 2003) an amount of rupees one crore with Irrigation Department for survey and further spent Rs. 9.62 crore on related developmental works up to January 2007. Despite incurring huge expenditure of Rs. 14.50 crore, the channel had not become operational due to non-release of water by Irrigation Department.

Outstanding recovery in respect of maintenance

2.1.27 As per policy of the Company, soon after expiry of five years from the date of completion of the project, the Industrial Estates are to be transferred to the Municipality of that area for maintenance purpose. The Company had accordingly booked maintenance charges for five years in the allotment cost. Industrial Estate, Gurgaon had since been completed and five years lapsed in 1982-83 but it had not been transferred to the Municipality. The Company had been incurring huge expenditure on the maintenance of industrial area even after the expiry of five years, which was to be recovered per sqm basis from the allottees in terms of Regular Letter of Allotment. Scrutiny of records revealed that an amount of Rs. 2.16 crore on account of maintenance charges was outstanding as on 31 December 2006 against the allottees. Out of this, an amount of Rs. 67.23* lakh was outstanding against 110 allottees of Phase-I to V, Udyog Vihar, and Industrial Estate, Gurgaon since 1990.

An amount of Rs. 1.34 crore on account of water charges (Rs. 63.36 lakh in nine estates), sewerage and STP charges (Rs. 70.76 lakh in three estates) was outstanding for periods ranging between one and nine years. Out of the total outstanding water charges of Rs 63.36 lakh, an amount of Rs 54.12 lakh related to Industrial Model Town, Manesar, out of which Rs 37.94 lakh was outstanding against 51 allottees whose water supply had been disconnected. No concrete steps had been taken to recover the remaining outstanding amount.

The Management stated (July 2007) that I.E., Gurgon could not be transferred as it was outside the Municipal limits and action was being taken to recover outstanding dues from allottees from time to time. An amount of Rs. 63.57 lakh on account of STP charges of IE, Kundli was under litigation. The reply was not tenable as the long outstanding dues indicate lack of required pursuance.

Scheme for providing help to landowners whose land had been acquired

2.1.28 With a view to mitigate the sufferings of landowners and agricultural labourers who become unemployed due to acquisition of land, the Board approved (March 1995) a scheme for providing help to them. As per the scheme one *per cent* of the cost of acquisition of land was to be incurred on skill development by providing training to villagers and one *per cent* of the total project cost was to be kept apart in Village Amenities Fund for taking up developmental works of public benefits such as roads, drainage etc. in the affected villages. Audit scrutiny revealed that the Company had not made significant contribution in this regard. The following table depicts the detail of different projects implemented/being implemented vis-à-vis expenditure

* Industrial Estates Gurgaon: 10 allottees: Rs 9.78 lakh.
Phase I to V Udyog Vihar: 100 allottees: Rs 57.45 lakh.

incurred up to December 2006 against the respective project.

(Rupees in lakh)

Industrial estate	Area (in acres)	Cost of land	Project cost	One *per cent* of land cost for skill development / training	One *per cent* of project cost for village development	Expenditure on skill development/ training	Expenditure on village development
Bawal	1168.00	9178.22	18208.84	91.78	182.09	2.12	43.68
Kundli	634.24	2378.45	18046.16	23.78	180.46	Nil	66.29
Manesar	3180.79	23110.65	81287.00	231.11	812.87	Nil	140.03*
Rai	559.50	2938.87	13903.28	29.39	139.03	Nil	33.24
Bahadurgarh	777.83	6078.46	12625.00	60.78	126.25	Nil	-
Karnal	151.68	1322.01	2244.57	13.22	22.45	Nil	-
Barwala	103.00	516.80	1366.40	5.17	13.67	Nil	-
Sirsa	74.53	985.64	1112.35	9.86	11.12	Nil	-
Manakpur	134.69	510.19	2024.89	5.10	20.25	Nil	-
Barhi	605.78	3476.67	9128.17	34.77	91.28	Nil	-
Saha	415.60	1207.09	6872.33	12.07	68.72	Nil	9.49
Total	**7805.64**	**51703.05**	**166818.99**	**517.03**	**1668.19**	**2.12**	**292.73**

The Company failed miserably to implement the above schemes as it incurred only Rs. 2.12 lakh (0.41 *per cent*) against requirement of Rs. 5.17 crore under skill development/ training scheme and only Rs. 2.93 crore (17.56 *per cent*) against requirement of Rs. 16.68 crore under Village Development Scheme though the latter amount was charged to the allottees. It is pertinent to mention here that the above expenditure of Rs. 2.93 crore included a sum of Rs. 1.40 crore relating to Manesar, which was incurred in connection with the development of villages under the programme "*Sarkar Apke Dawar*" announced by the Chief Minister, Haryana, which did not fall under the purview of Village Development Scheme. Thus, the Company failed to discharge its social responsibility.

Actual expenditure incurred on skill development/training scheme and village development scheme constituted 0.41 *per cent* and 17.56 *per cent* respectively of available funds, thereby failing to discharge social responsibility by the Company.

The Management stated (July 2007) that no demand from village panchayat for providing more facilities was pending. The reply is not tenable since the expenditure incurred is negligible, strenuous efforts should have been made to identify the developmental works/welfare schemes for the benefit of village/villagers in consultation with the Deputy Commissioner of the concerned District.

Status of industrialisation

2.1.29 Out of 10,082 plots/sheds allotted up to March 2007, only 4,081 plots/ sheds (40 *per cent*) were in production, indicating slow pace of industrialisation.

P.K. Bhasin & Associates (a firm of Chartered Accountants) engaged by the Company for survey of industrial estates observed that out of total 9046 plots of 24 industrial estates, unauthorised transferees were carrying activities in 771 plots. Out of these, 554 (72 *per cent)* related to Gurgaon, a high potential zone having prime location. 796 allottees had no proof of having started the

* Up to January 2006.

production. Further, 85 allottees were carrying out non-industrial activities viz sale outlet of auto, office of financial services and godowns etc. which indicated that the Company's field staff was not reporting these cases timely for resumption/cancellation. The Company had, however, not carried out any evaluation study or impact assessment regarding implementation of industrial estates so far.

During ARCPSE meeting, the Management assured to carry out the evaluation study at macro level to know the overall impact of industrialisation.

Internal control

2.1.30 Audit scrutiny revealed the following deficiencies in the internal control system:

- The Company was maintaining its accounts on cash basis instead of accrual basis thus violating the provisions of the Companies Act 1956.
- Year wise breakup of overdue amount recoverable from allottees had not been maintained.
- The system to ensure timely transfer of funds by the various industrial estates to head office was lacking as the instructions issued (December 1996) by head office to field offices in this regard were not being followed. A test check of seven bank accounts of four field offices revealed that funds ranging from Rs. 35.86 lakh to Rs. 96 lakh had been retained in current accounts for periods ranging from 178 to 192 days.
- Though the Company had developed Management Information System, consolidated position of various works/projects of industrial estates had never been brought to the notice of Board.
- The annual budgets for the years 2001-07 were approved after one to nine months from the date of close of the financial year.
- Due to lack of coordination between Planning and Estate Division the allotment committee had made double allotments in 11 cases during May and December 2004.
- Though the Company prepared (1998-99) an IT plan which included inter and intranet facilities, Local Area Network (LAN) facilities at corporate office, online linkages with field offices and development of website etc., it had not established any inter, intranet facilities and online linkages with field offices. As the industrial activity of the Company was widely scattered all over the State, linking with field office was indispensable not only for overall monitoring but also for process optimisation and client facilitation etc. The Management stated (July 2007) that connectivity work was under implementation.

Conclusion

The performance of the Company with regard to setting up of industrial estates was deficient as the Company had not fixed any physical targets for development of industrial estates in a fixed time frame. The rates for allotment of industrial plots were fixed on the estimated cost basis without recourse to actual cost. While making payment of compensation for acquisition of land, the Company had not complied with the provisions of Land Acquisition Act, 1894 with regard to payment of interest. The system for selection/identification of land for acquisition was flawed, which had resulted in blocking up of huge funds. Bulk of the area developed/being developed fell within National Capital Region (NCR) thereby ignoring other regions thus hampering balanced industrial development of the State. The Company had not maintained year wise break-up of overdue amount recoverable from allottees and had not maintained accounts on accrual basis.

Recommendations

The Company may consider:

- redefining system and procedure for acquisition of land to avoid blocking of funds and ensuring speedy industrialisation.
- strict adherence to relevant provisions of the Land Acquisition Act, to avoid excess payments.
- fixing of physical targets for development of a particular industrial estate within a fixed time frame.
- speedy and aggressive commercial practices to accelerate industrialisation and generation of employment as envisaged in the growth centres.
- expediting the implementation of IT Plan for overall monitoring, process optimisation and client facilitation.
- overdue amounts recoverable from allottees should be updated quarterly and recoveries effected on priority.

The matter was referred to the Government in May 2007; the reply had not been received (September 2007).

Haryana Backward Classes and Economically Weaker Sections Kalyan Nigam Limited

2.2 Disbursement, utilisation and recovery of financial assistance

Highlights

Even after over 26 years of its inception the Company's coverage of backward classes, minorities and handicapped persons was only 5, 0.28 and 0.35 *per cent* respectively.

(Paragraphs 2.2.1, 2.2.11, 2.2.12 and 2.2.14)

The Company had neither evolved any transparent system of identification of targeted groups within the backward classes, minorities and handicapped persons nor did it fix any time limit for sanction and disbursement of loans.

(Paragraph 2.2.9)

Recovery performance was dismal at 16 to 24 *per cent* of the total amount recoverable in respect of backward classes during 2002-07. Consequently, recycling of funds was adversely affected which in turn affected wider coverage of beneficiaries.

(Paragraph 2.2.18)

The Company failed to take any action against defaulters/sureties even in loan cases where the repayment period had expired. The Company was not regular in repayment of loan instalments to National Financial Corporations. As a result of default it had to pay penal interest of Rs 3.02 crore.

(Paragraph 2.2.21)

During 2002-07, the overdue amount from minorities and handicapped persons increased from Rs. 76.92 lakh to Rs. 3.24 crore and Rs. 6.61 lakh to Rs. 94.61 lakh respectively.

(Paragraphs 2.2.19 and 2.2.20)

Post disbursement inspections were not done to monitor the ultimate impact on the beneficiaries.

(Paragraph 2.2.16)

Introduction

2.2.1 Haryana Backward Classes and Economically Weaker Sections Kalyan Nigam Limited (Company) was incorporated (December 1980) to provide financial assistance to the members of Backward Classes (BCs) in the State. The main objectives of the Company are to undertake the task of socio economic and educational upliftment and to advance loans on easy terms to such members of BCs who want to start their profession/business. Up to the year 1993 the Company disbursed financial assistance to BCs under bank tie up scheme.

The State Government designated it as a State Channelising Agency (SCA) of National Backward Classes Finance and Development Corporation (NBCFDC), National Minorities Development and Finance Corporation (NMDFC) and National Handicapped Finance and Development Corporation (NHFDC) in April 1993, May 1995 and July 1997 for providing assistance to members of BCs, minorities and handicapped persons respectively. As per 2001 census, the State had 11.40 lakh BC families, 24.33 lakh minority population and 4.55 lakh handicapped persons out of which the Company had extended financial assistance to 5 *per cent*, 0.28 *per cent* and 0.35 *per cent* of the respective population up to 2006-07.

The management of the Company is vested in a Board of Directors (BOD) comprising 15 directors including a Chairman and a Managing Director (MD) appointed by the State Government. The MD is the Chief Executive of the Company. As on 31 March 2007 the Company had 19 district offices each headed by a District Manager.

Scope of Audit

2.2.2 The present review conducted during November 2006 to March 2007 covers the performance of the Company with regard to disbursement, utilisation and recovery of financial assistance during 2002-07. Besides examining the records maintained at the Head office (HO) of the Company, Audit also test checked the records of eight* out of 19 district offices selected using random sampling technique. The sample constitutes 40 *per cent* of the total number of beneficiaries and of total financial assistance provided.

Audit objectives

2.2.3 The audit objectives were to ascertain whether:

- the Company planned and executed its activities in an effective and efficient manner and periodically reviewed the impact of its activities and took remedial measures wherever required;

---

* Ambala, Gurgaon, Hissar, Jind, Kaithal, Karnal, Panipat and Yamuna Nagar.

- the financial assistance provided under the schemes was in consonance with the guidelines issued by the State/Central Government;
- the targets set for disbursement of loans were achieved and there were no delays in processing the cases at various stages of disbursement of loans;
- the monitoring system evolved by the Company was qualitatively adequate and effective enough to ensure achieving the desired objectives in an efficient and effective manner;
- timely payment was made to financial institutions to avoid levy of penal interest; and
- the assistance ultimately resulted in gainful employment/upliftment/betterment of the targeted groups as envisaged.

Audit criteria

2.2.4 The following audit criteria were adopted:

- physical and financial targets;
- prescribed norms of financial assistance and appraisals;
- guidelines issued by Government of India (GOI)/State Government/financial institutions;
- terms and conditions of agreements executed with beneficiaries;
- prescribed norms for utilisation of funds; and
- terms and conditions for repayment to National Financial Corporations (NFCs).

Audit methodology

2.2.5 Audit followed the following mix of methodologies:

- review of Memorandum and Articles of Association of the Company, agenda and minutes of the meetings of BOD, guidelines issued by GOI/State Government, NBCFDC, NMDFC, NHFDC and agreements executed with beneficiaries;
- analysis of selection procedure of beneficiaries;

- analysis of monthly progress reports/annual action plans, annual budgets and financial statements of the Company; and
- interaction with the management at various levels.

Audit findings

2.2.6 The audit findings were reported (April 2007) to the Government/Management and discussed (29 June 2007) in the meeting of the Audit Review Committee for State Public Sector Enterprises (ARCPSE), where representatives of the State Government and the Company were present. Views of the Government/Management were considered while finalising the review. The audit findings are discussed in the succeeding paragraphs.

Arrears in finalisation of accounts

2.2.7 The Company's accounts for the year 2002-03 onwards are in arrears. The accumulated loss of the Company as on 31 March 2006 was Rs. 7.52 crore (tentative) which was 67.38 *per cent* of its paid up capital.

Though computers were purchased (September 2000) for computerisation of accounts in eight districts, these had not been installed so far (June 2007).

The Management stated (June 2007) that it had requested the Government to provide funds for appointing qualified staff on contract basis to expedite the process of finalisation of accounts. The Company had, however, not made any efforts to train the available staff.

Implementation of schemes

2.2.8 The Company granted loans to BCs, minorities and handicapped persons under the schemes financed by NFCs. For raising loans from NFCs the Company had to provide guarantee of the State Government. In case of default in repayment of loans or non utilisation of funds in the stipulated period, penal interest is charged by the NFCs. The Company implemented six schemes for BCs, five for minorities and four for physically handicapped persons. The detail of schemes, eligibility criteria, maximum amount of loan, pattern of financing, rate of interest, recovery period are given in **Annexure 8**. Category wise performance has been discussed in succeeding paragraphs.

Identification and selection of beneficiaries

2.2.9 The NFCs had laid down the following guidelines for identification/selection of beneficiaries:

- the SCA would give publicity of various programmes through press advertisement, holding awareness camps, public announcements, personal contacts etc. for inviting applications from prospective beneficiaries;

- such proposals would be taken up which generate enough income for the beneficiaries to push them above poverty line;
- beneficiaries would be invited for financial assistance for the activities based on their experience, skill and demand;
- the SCA would shortlist the eligible beneficiaries based on clearly laid out transparent criteria and physical verification;
- the selected beneficiaries would be advised for preparation of necessary documents for availing the loan; and
- the assets purchased by loanees would be insured every year till full recovery of loan.

Audit noticed the following deficiencies in identification and selection of beneficiaries:

The Company had neither evolved any transparent system of identification of targeted groups nor did it fix any time limit for sanction and disbursement of loans.

- neither were any district level data/survey reports of targeted families available with the Company nor did the Company ever conduct any survey/study to identify the targeted groups within the BCs, minorities and handicapped persons for upliftment so as to plan for covering all the eligible persons in a phased manner;
- selection of loanees lacked transparency as records relating to applications received but rejected were not maintained and the beneficiaries were selected by the district managers by pick and choose method in contravention to the laid down guidelines;
- the Company had not fixed any time limit for sanction and disbursement of loans;
- dates of submission of applications and sanction of loan were not recorded in the application forms. In the absence of complete records, the overall extent of delay could not be analysed in audit; and
- the Company had not evolved any system of identification of targeted beneficiaries by organising camps or through media. The loanees were mainly identified on the basis of personal contacts, thus denying equal opportunities to all entitled beneficiaries.

The Management stated (June 2007) that if the schemes were given wide publicity through media or by organising camps the response of the target group would be much higher and it might not be feasible for the Company to entertain all applicants. The reply is self defeating and not tenable. Further, the system lacked transparency and equal opportunity to the target groups and was open to personal bias and corrupt practices. The Management should have devised some way of prioritising and screening so that the most deserving of the entire targeted population received the assistance and at the same time made efforts to obtain more funds for longer coverage.

Non passing of interest rebate to beneficiaries

2.2.10 The Company was charging interest at six *per cent* per annum on the loans disbursed in case of backward classes and minorities. In December 2005, the State Government reduced the rate of interest to five *per cent* and released (March 2006 and March 2007) Rs. 25.81 lakh to the Company as subsidy in lieu of reimbursement for reduction in rates. The Company, however, had not passed this benefit to the beneficiaries so far (March 2007).

The Management stated (June 2007) that instructions to this effect had been issued to field offices.

Targets and achievements

Backward classes

2.2.11 The Company fixed annual targets for advancing loans in consultation with NBCFDC. The following table shows the physical and financial targets vis-à-vis achievements during 2002-07.

Year	Targets		Achievements		Percentage of shortfall	
	Physical (Number)	Financial (Rs. in lakh)	Physical (Number)	Financial (Rs. in lakh)	Physical (Number)	Financial (Rs. in lakh)
2002-03	1600	400	474	117.65	70	71
2003-04	1600	400	940	235.25	41	41
2004-05	1275	340	726	174.90	43	49
2005-06	1300	340	754	199.96	42	41
2006-07	1180	340	1747	472.94	-	-
Total	**6955**	**1820**	**4641**	**1200.70**		

The Company could achieve neither physical nor financial targets of advancing loans during 2002-06.

There was no shortfall in financial target during 2006-07 whereas in the previous four years ending March 2006 the shortfall ranged between 41 to 71 *per cent*. The shortfall was attributed to poor recovery resulting in non recycling of funds and less receipt of financial assistance from NBCFDC and State Government. The achievement during 2006-07 was high due to additional loan of Rs. 3.63 crore received by the Company for disbursement under Micro Financing Scheme.

The Management stated (June 2007) that irregular flow of funds and that too not according to the proposed plan resulted in shortfall in the achievements. The reply is not tenable as because of poor recovery performance (as mentioned in paragraph 2.2.18) the recycling of funds was not satisfactory. Further, the Company also failed to obtain the targeted financial assistance from NBCFDC.

The coverage of backward classes was only five *per cent* since inception of the Company.

It was further noticed that the Company disbursed financial assistance of Rs. 40.54 crore to 60,267 families up to 2006-07 out of estimated 11.40 lakh families of BCs as per 2001 census in the State. Thus, coverage of the BCs was only five *per cent* since inception of the Company.

Minority communities

2.2.12 The Company fixed annual targets for advancing loans to the beneficiaries in consultation with NMDFC. The table below shows the targets vis-à-vis achievements during 2002-07.

Year	Targets		Achievements		Percentage of shortfall	
	Physical (Number)	Financial (Rs. in lakh)	Physical (Number)	Financial (Rs. in lakh)	Physical (Number)	Financial (Rs. in lakh)
2002-03	500	250	492	211.60	2	15
2003-04	500	250	122	52.80	76	79
2004-05	352	210	427	188.72	Nil	10
2005-06	700	412	626	296.13	11	28
2006-07	940	488	1823	917.91	-	-
Total	**2992**	**1610**	**3490**	**1667.16**	-	-

There was no shortfall in financial target during 2006-07 whereas in the previous four years ending March 2006 the shortfall ranged between 10 to 79 *per cent*. During 2004-05 the shortfall would have been higher had the targets not been downwardly revised. The achievement during 2006-07 was high as the Company received additional loan of rupees one crore for special economic development programme from NMDFC.

The shortfall during 2002-06 was due to poor recovery performance as discussed in para 2.2.19 resulting in non recycling of funds and failure of the Company to obtain targeted financial assistance from NMDFC.

It was further noticed that:

- the Company had granted loans mainly for self employment projects under term loan scheme, while financing under other schemes (micro financing, educational loan, margin money cum subsidy loan scheme) was ignored. The Management stated (June 2007) that from the year 2007-08, it has planned to launch micro financing in a big way;

The Company did not avail grants available from NMDFC for organising vocational training/marketing exhibition for minority beneficiaries.

- the Company had not availed separate grants available from NMDFC for organising vocational training/marketing exhibition for minority beneficiaries.

The Management stated (June 2007) that vocational training schemes were being taken up in 2007-08.

Audit analysis revealed that as against the minority population of 24.33 lakh in the State as per 2001 census the Company disbursed loans of Rs. 27.38 crore to 6,852 persons (0.28 *per cent*) only up to 2006-07.

Special economic development programme for minorities

2.2.13 To ameliorate the educational and economic backwardness of the minorities of the country, GOI identified 41 minority concentration districts and envisaged area based approach for tackling the problem of their development. In Haryana, Gurgaon was identified as minority concentration district and Multi Sectoral Plan (MSP) for upliftment of minorities was prepared (May, 1999) with the help of Haryana Delhi Industrial Consultants

Limited, New Delhi (a Joint Venture of Financial Institutions and banks). The MSP included traditional activities prevalent in the area like furniture, chengari making, dari making, muda making, brooms etc. For the implementation of MSP, the funds were channelised through the Company. The NMDFC released rupees one crore in February 2005 to the Company. As per the guidelines of the NMDFC the amount of rupees one crore was to be utilised in six months, failing which a higher rate at 8.5 *per cent* against normal interest rate of 3.5 *per cent* was to be charged. As the Company could implement the scheme in 16 months it had to pay extra interest of Rs. 5.77 lakh.

It was further noticed that:

- as against 20 *per cent* (Rs. 20 lakh) utilisation of funds earmarked for transport sector, only one case of auto loan (Rs. 2.50 lakh) was financed.

The Management stated (June 2007) that funds were utilised as per the demand of the loan applicants. The reply is not tenable as no records indicating number of applications received were maintained so as to assess the demand.

The Company did not undertake training programme for skill development of beneficiaries.

- no training programme for skill development of beneficiaries was undertaken as envisaged in MSP; and

- quarterly review by the district level committees constituted by the State Government for the implementation of special economic development programme for minorities as envisaged in the scheme was not undertaken.

Handicapped persons

2.2.14 The Company fixed annual targets for advancing loans to the beneficiaries in consultation with NHFDC. The table below shows the targets vis-à-vis achievements of the scheme for handicapped persons during 2002-07.

The Company could neither achieve physical nor financial targets for advancing loans to handicapped persons.

Year	Targets	Funds received	Achievements	Funds disbursed	Percentage of shortfall	
	Physical (Number)	(Rs. in lakh)	Physical (Number)	(Rs. in lakh)	Physical (Number)	Financial (Rs. in lakh)
2002-03	400	243.63	282	125.14	30	49
2003-04	400	211.22	270	125.80	33	40
2004-05	400	207.40	210	121.54	48	41
2005-06	800	241.52	193	97.73	76	60
2006-07	800	275.00	257	133.68	68	51
Total	**2,800**	**1,178.77**	**1,212**	**603.89**		

The Company could neither achieve physical nor financial targets during 2002-07 despite availability of adequate funds. During 2002-07 the shortfall in physical and financial targets ranged from 30 to 76 *per cent* and 40 to 60 *per cent* respectively. The Company also refunded Rs. 3.52 crore during 2002-07 leaving a balance of Rs. 2.23 crore with it, as the applicants did not complete the formalities like arrangement of sureties and opening of bank account for availing loan.

The Management stated (June 2007) that the achievement of targets depended on release of funds by NHFDC and completion of loan formalities by the disabled persons. The reply is not tenable as the Company had adequate funds and there were abnormal delays as discussed below in sanction/disbursement of loans.

It was further noticed that:

- as per guidelines of NFC, the funds were to be disbursed to loanees by the Company within three months of their receipt from NFC. The Company did not adhere to the schedule of three months for sanction and disbursement of loans after receiving the funds from NFC. In 31 cases out of 214 cases of handicapped persons where date of submission of application was recorded, it was noticed that time taken for sanction/disbursement of loan ranged between 12 and 61 months.

The Management stated (June 2007) that utilisation of funds within the stipulated period of 90 days was being enforced; but the beneficiaries took much time in completing the loan formalities. The reply is not tenable as the Management should have got the formalities completed while recommending the loan cases to NFC.

- disbursement was made mainly for self employment projects under term loan scheme while other schemes viz. educational loan, micro financing, parent association of mentally retarded persons were ignored;

- no loan was disbursed to handicapped persons under any scheme in Kaithal district during 2003-07 and in Kurukshetra district during 2004-07 due to non identification of beneficiaries;

The Company could disburse loans to 0.35 *per cent* of the handicapped population up to 2006-07.

- as against the handicapped population of 4.55 lakh in the State, as per 2001 census, the Company could disburse loans to 1,856 persons (0.35 *per cent*) only up to 2006-07; and

- although NHFDC offered grants for providing technical training in the field of traditional and technical occupations and entrepreneurship, yet the Company had not undertaken these activities.

During ARCPSE meeting the Management assured that steps were being taken to start training programme for the benefit of beneficiaries.

Non implementation of the recommendations of Indian Institute of Pubic Opinion

2.2.15 The major findings and suggestions of the evaluation on NBCFDC conducted by GOI through Indian Institute of Public Opinion (IIPO), New Delhi were forwarded (August 1999) to the Company for taking appropriate steps for improving efficiency and effectiveness of NBCFDC schemes at grass root level. The suggestions included:

- wide publicity of programmes;
- proper monitoring for better implementation of schemes;
- training arrangements with small industries/service institutes;
- marketing of the products of beneficiaries; and
- raising the upper limit of loans.

It was noticed that the Company had not implemented these suggestions even after lapse of over seven years.

The Management stated (June 2007) that it was receiving large number of applications and it was difficult to provide financial assistance to all and monitoring cell has not been established due to shortage of staff. The reply is not tenable. Publicity is essential to bring in the lower strata of the targeted group under the coverage of the scheme. Further, in the absence of a monitoring cell, it could not be ensured whether benefits reached the deprived among the targeted group.

Post-disbursement monitoring of financial assistance

Post disbursement inspections to monitor the ultimate impact on the beneficiaries were not done.

2.2.16 Post-disbursement monitoring of the beneficiaries is necessary to ensure that the funds granted were used for specified purposes only and to assess the ultimate impact on the beneficiaries. Audit noticed the following deficiencies in post disbursement monitoring:

- the Company did not maintain any data base of addresses of the beneficiaries, guarantors etc.;
- the Company officials did not regularly inspect the premises of the beneficiaries to ascertain the physical and financial performance of the business for which assistance was sanctioned;
- proof of purchase of assets was not available in many cases; and
- the Company was getting the insurance of the assets purchased by the loanees during first year only in deviation to the guidelines of NFCs.

During the ARCPSE meeting the management assured to review the practice.

- no procedure was evolved for post disbursement inspection of the premises of beneficiaries before the first installment became due for repayment.

The Management stated (June 2007) that post disbursement inspection could not be carried out due to shortage of staff. Fact remains that post disbursement inspection required as per NFCs instructions was not being done.

Recovery performance

2.2.17 The Company gets 90 *per cent* of the loan sanctioned to eligible categories from the concerned NFCs at concessional rate of interest and gets interest margin of about three *per cent* from the beneficiaries. It provides 5 to 10 *per cent* as margin money. The Company can be financially viable only if the recovery from the beneficiaries is ensured so as to broaden its activities by recycling the funds and to make regular payments to the funding NFCs to avoid penal interest. Recovery performance, however, was very poor under all the three categories as discussed in the succeeding paragraphs.

Audit noticed the following common deficiencies in recovery from all the three categories of beneficiaries:

- the Company had obtained post dated cheques from the loanees at the time of disbursement of loans but these cheques were never presented for payment in case of default;

The company had not taken action against sureties in case of non-payment of loans by the beneficiaries.

- no action had ever been taken against sureties (who are Government servants) in case of non payment of loans by the beneficiaries. The Management stated (June 2007) that the Drawing and Disbursing officers of the sureties are being approached for recoveries;

- the loanees' ledgers were not properly maintained as complete address of the loanees and sureties were not mentioned in the ledgers and interest due from chronic defaulters was not worked out;

- the recovery notices/reminders were not issued regularly;

- there was no system of test checking of correctness of interest worked out/ recovered by the district offices. As such, discrepancies in the amount recovered from loanees could not be ruled out. The management attributed (June 2007) shortage of staff as the reason for non checking.

- for computerisation of accounts and proper monitoring, computers valuing Rs. 6.18 lakh had been installed in eight districts but not put to use so far (June 2007) for want of trained staff. Resultantly the books of accounts were not complete and accounts of the Company were in arrears.

Recovery performance in individual categories is discussed in succeeding paragraphs.

Backward classes

2.2.18 The loans were required to be recovered in 32 quarterly instalments. The table below indicates the recovery performance of the Company in respect of loans disbursed to backward classes during 2002-07.

(Rupees in lakh)

Year	Amount recoverable at the beginning of the year	Amount due during the year	Total amount recoverable	Recovery made during the year	Overdue amount at the close of the year	Percentage of recovery to recoverable amount
2002-03	603.06	198.44	801.50	170.37	631.13	21
2003-04	631.13	171.40	802.53	193.88	608.65	24
2004-05	608.65	162.56	771.21	128.41	642.80	17
2005-06	642.80	160.94	803.74	178.52	625.22	22
2006-07	625.22	368.14	993.36	159.87	833.49	16

It would be seen from the above table that the recovery during the last five years ranged between 16 and 24 *per cent* of the due amount. As a result, the Company failed to recycle the funds which adversely affected wider coverage of beneficiaries.

Scrutiny of records further revealed that:

- out of 493 cases of disbursement of financial assistance test checked in audit, 81 beneficiaries (16.43 *per cent*) with payable amount of Rs. 22.90 lakh (principal) failed to repay even a single instalment while the remaining were irregular in payment; and

The overdue amount included Rs. 2.37 crore recoverable from beneficiaries where the repayment period had expired.

- the overdue amount of Rs. 8.33 crore as on 31 March 2007 included Rs. 2.37 crore recoverable from the beneficiaries where the repayment period had expired. No action had been taken by the Management against these chronic defaulters.

The Management stated (June 2007) that it dealt with underprivileged people of the society and it was extremely difficult to recover loan from the poor beneficiaries. The reply is not tenable. The fact is that the Company disburses loans which have to be recovered. The Company also must ensure proper selection of beneficiaries. Further, the Company had not set up recovery cell at HO as well as district offices to closely monitor the recoveries from the beneficiaries.

- The Company received (2005-06) reimbursement of Rs. 1.62 crore from the State Government for the loans waived during 1988. The Company, however, had not claimed interest of Rs. 1.85 crore.* The Management stated (June 2007) that the claim was being lodged.

* calculated at the simple rate of 6 *per cent* per annum.

Minorities

2.2.19 The loans were required to be recovered in 32 quarterly instalments. The table below indicates the recovery performance of the Company in respect of minorities during 2002-07.

(Rupees in lakh)

Year	Amount recoverable at the beginning of the year	Amount due during the year	Total amount recoverable	Recovery made during the year	Overdue amount at the close of the year	Percentage of recovery to recoverable amount
2002-03	15.66	196.35	212.01	135.09	76.92	64
2003-04	76.92	169.47	246.39	137.98	108.41	56
2004-05	108.41	158.03	266.44	116.62	149.82	44
2005-06	149.82	138.13	287.95	160.26	127.69	56
2006-07	127.69	351.07	478.76	154.74	324.02	32

Overdue amount increased from Rs. 76.92 lakh to Rs. 3.24 crore during 2002-07 for which no analysis was carried out by the Company.

It would be seen from the above table that percentage of recovery which was 64 during 2002-03 decreased to 32 in 2006-07. The overdue amount has also increased by more than four times from Rs. 76.92 lakh in 2002-03 to Rs. 324.02 lakh in 2006-07. The reasons for decline in recovery rate were not analysed by the Company.

Scrutiny of 424 defaulter cases in Audit revealed that 74 loanees with payable amount of Rs. 30.03 lakh failed to repay even a single instalment. The Company had not taken any action against chronic defaulters (June 2007).

The Management stated (June 2007) that action against defaulters was being taken. The reply is not tenable. The fact is that the Company's approach has been casual in this regard as the number of defaulters have substantially increased. Had immediate legal action as required under guidelines been taken the borrowers would have been regular and alert in repayments.

Handicapped persons

2.2.20 The loan was required to be recovered in 10 years in monthly instalments. The table below indicates the recovery performance of the Company in respect of handicapped persons during 2002-07.

(Rupees in lakh)

Year	Amount recoverable at the beginning of the year	Amount due during the year	Total amount recoverable	Recovery made during the year	Overdue amount at the close of the year	Percentage of recovery to recoverable amount
2002-03	3.16	40.30	43.46	36.85	6.61	85
2003-04	6.61	53.14	59.75	54.03	5.72	90
2004-05	5.72	71.12	76.84	61.79	15.05	80
2005-06	15.05	73.55	88.60	73.17	15.43	83
2006-07	15.43	154.40	169.83	75.22	94.61	44

Overdue amount increased from Rs. 6.61 lakh to Rs. 94.61 lakh during 2002-07.

The percentage of recovery which ranged between 80 and 90 up to 2005-06 had come down to 44 during 2006-07. The overdue amount also increased by more than 14 times from Rs. 6.61 lakh in 2002-03 to Rs. 94.61 lakh in 2006-07. In a test check of 214 defaulter cases, Audit noticed that 45 loanees with payable amount of Rs. 21.65 lakh failed to repay even a single instalment. The position of recovery was poor in Gurgaon district where 22 out of 44 loanees with payable amount of Rs. 7.20 lakh had not paid even a single instalment.

Repayment of loans

Internal resource generation

2.2.21 Prior to the year 1988-89 the Company was meeting its administrative expenses mainly from its share capital. The State Government started the reimbursement of administrative expenses as subsidy to the Company at the rate of four *per cent* of paid up capital from 1988-89 onwards. The actual expenditure, however, was more than the subsidy received from the State Government. This was despite the fact that the lending interest rate of the Company was more than double the borrowing interest rate from NFCs. The Company covered shortfall by diverting the amount recovered from the beneficiaries which was required to be paid to the NFCs as repayment of loan instalments. This resulted in delay/ less repayment of principal and interest to NFCs. During 2001-06, the Company incurred administrative expenditure of Rs. 5.17 crore against which administrative subsidy of Rs. 2.38 crore was received from the State Government and the shortfall of Rs. 2.79 crore was met from the amount recovered from loanees. The State Government had started reimbursement of lump sum amount of rupees one crore from 2005-06. Thus, even after 26 years of its existence, the Company could not generate internal resources to discharge its liabilities and was dependent on the State Government for meeting its administrative expenses. The repayment capacity of the Company to the loans taken from NFCs was thus severely affected. Overdue loans payable to the NFCs are detailed below

(Rupees in crore)

Sl. No.	Name of NFC	Loan received up to March 2007	Repayment due to NFC	Repayment made	Overdue amount
1	NBCFDC	33.08	25.29	22.43	2.86
2	NMDFC	23.32	12.32	9.83	2.49
3	NHFDC	17.00	4.61	2.85	1.76
	Total	**73.40**	**42.22**	**35.11**	**7.11**

The Company paid penal interest of Rs. 3.02 crores due to default in repayment of loan instalments.

- The Company was not regular in repayment of the loan instalments. As a result of default, the NBCFDC had recovered penal interest of Rs. 2.67 crore up to March 2007;
- The Company had not reconciled its accounts with NBCFDC; and
- In case of NMDFC the overdue loan amount is 20 *per cent* of the amount due (Rs. 12.32 crore) as on 31 March 2007. The Company had

paid penal interest of Rs. 35.14 lakh to NMDFC up to March 2007 due to delay in repayment of loans.

The Management stated (June 2007) that it had requested NMDFC to waive the penal interest. The NMDFC had not responded so far (July 2007).

- In the case of NHFDC, the overdue amount (Rs. 1.76 crore) was 38 *per cent* of the amount due (Rs. 4.61 crore) as on 31 March 2007.

The Company refunded Rs. 5.87 crore to NHFDC due to non completion of formalities by the beneficiaries.

- NHFDC released loan amount to the individual beneficiaries recommended by the Company. Resultantly, in the event of non acceptance by the beneficiaries, the loan amount had to be refunded to NHFDC. Audit noticed that during 1998-07 the Company refunded Rs. 5.87 crore (including Rs. 2.35 crore refunded during 1998-02) to NHFDC, due to non completion of formalities by the beneficiaries. This was 35 *per cent* of the total loan amount of Rs. 17 crore received from NHFDC which reflected faulty selection of beneficiaries. The upliftment of genuine beneficiaries was thus hampered.

Corporate governance

2.2.22 Since inception (December 1980) of the Company, 40 MDs had been changed including seven changed during 2002-07. The average tenure of each MD was around seven months. Frequent changes impeded the performance of the Company. The Company had not appointed full time Company Secretary since inception (1980) though required under the Companies Act, 1956.

During ARCPSE meeting the Company assured that steps were being taken for appointment of whole time Company Secretary.

Internal audit/Internal control

Internal audit

2.2.23 Despite being in existence since 1980, the Company did not prepare any Audit/Accounting Manual. Adequate internal control/audit system did not exist in the Company. The Company had never conducted/arranged internal audit of its district offices where records relating to disbursement, utilisation and recovery of loans were maintained.

Internal control

Following deficiencies were noticed in internal control system:

- there was no segregation of duties in the field offices - same person was performing the duties of accountant, cashier and field officer which was fraught with the risk of embezzlement/misappropriation.

The Management stated (June 2007) that segregation of duties was not possible for want of staff. The reply is not tenable as the deficient system did not ensure the basic internal controls.

- the loanee files were not properly maintained as date of receipt of application, date of sanction of loan was not recorded, copies of the insurance cover/recovery notices were not placed in the files;
- no register/record of application forms sold, received and rejected was maintained;
- there was no system of conducting reconciliation of accounts between field offices and HO;
- accounts were not finalised annually and were in arrear since 2002-03. This was fraught with the risk of embezzlement/misappropriation, if any, remaining undetected;
- the Company had never reconciled its accounts with NFCs to verify the amount due, recovered and outstanding; and
- database to prepare Management Information System had not been developed and some of the important records viz. data of loanees, chronic defaulters, targeted population were not maintained.

The Company stated (May 2007) that due to financial constraints and shortage of staff there was no internal audit wing and segregation of duties was not possible.

Conclusion

The performance of the Company as a channelising agency of backward classes, minorities and handicapped persons with regard to their socio economic upliftment was found to be dismal as it could cover only a small fraction of the targeted population. In the absence of the monitoring cell benefits reaching the deprived among the targeted group is not ensured. The loans disbursed were inadequate and given for limited sectors. The system of selection of handicapped persons was defective as a large number of beneficiaries refused to avail the loans at final stage. The recovery performance was not satisfactory. The Company had not evolved any system to take legal action against defaulters. The Company was not regular in repayment of loans to NFCs resulting in payment of penal interest. The internal audit and internal control system of the Company was deficient. The records maintained at field offices were incomplete. Post disbursement inspections were not done to monitor the ultimate impact on the beneficiaries. Thus, the Company failed to achieve its objects of uplifting the financial position of the targeted population.

Recommendations

- The system of identification of beneficiaries and post disbursement inspection needs to be efficient and effective. Record of application forms sold, received and rejected should be maintained for proper monitoring of various schemes;

- The recovery mechanism needs redefining to be strengthen monitoring and to ensure speedy recycling of funds for coverage of larger number of beneficiaries. Effective action should be taken against chronic defaulters otherwise the list is going to get longer;

- Repayment of loans to NFCs should be regular to avoid payment of penal interest;

- More sectors like education loans should be identified and encouraged for disbursement;

- The Company should conduct training courses for the benefit of beneficiaries so that they know their rights and duties; and

- The Company should keep updated records, conduct internal audit of its district offices and strengthen its internal control system.

The matter was referred to the Government in April 2007; the reply had not been received (September 2007).

Dakshin Haryana Bijli Vitran Nigam Limited

2.3 Tariff, Billing and Collection of Revenue

Highlights

The Company sustained loss of revenue aggregating Rs. 3563.83 crore during 2002-2007 on its failure to contain sub transmission and distribution losses to the prescribed norm of Central Electricity Authority due to un-metered supply, defective meters, deficient energy audit and non-installation of check meters.

(Paragraphs 2.3.8 and 2.3.10)

The Company could not cover revenue gap of Rs. 214.19 crore due to delay in filing/non-filing of annual revenue requirement applications with Haryana Electricity Regulatory Commission for revision of tariff.

(Paragraph 2.3.12)

Incorrect application of tariff in four sub-divisions of Gurgaon circle resulted in loss of revenue of Rs. 3.33 crore.

(Paragraph 2.3.23)

In contravention of rules of the Company, fresh connections were released in 535 defaulting premises without recovery of default amount of Rs. 2.06 crore.

(Paragraph 2.3.18)

Recoverables had increased from Rs. 818.88 crore to Rs. 1772.13 crore during 2002-06 as the collection efficiency of the Company decreased from 64 *per cent* in 2002-03 to 55 *per cent* in 2005-06.

(Paragraph 2.3.30)

The Company suffered interest loss of Rs. 2.28 crore due to non-recovery of consumption security of Rs. 260.92 crore from existing consumers as per directions of Haryana Electricity Regulatory Commission.

(Paragraph 2.3.14)

The Company suffered loss of interest of Rs. 1.68 crore due to delayed/non credit of remittances in Company's collection accounts by 10 out of 12 banks.

(Paragraph 2.3.34)

The Company incurred extra expenditure of Rs. 52.70 lakh on meter reading, bill generation and distribution work allotted to a firm without inviting tenders and carrying out cost benefit analysis.

(Paragraph 2.3.25)

Introduction

2.3.1 Dakshin Haryana Bijli Vitran Nigam Limited (Company) was incorporated (15 March 1999) for distribution of power in southern parts of the State. It is a subsidiary of Haryana Vidyut Prasaran Nigam Limited. The Company controls sub-transmission and distribution system up to 33 KV. Tariff is fixed by Haryana Electricity Regulatory Commission (HERC) based on Annual Revenue Requirement Reports submitted by the Company.

Tariff implementation, billing and collection of revenue for all categories of consumers is done by 113 sub-divisions under 24 operation divisions. The Director (Operation) of the Company is overall incharge of these sub-divisions/divisions and is assisted by two Chief Engineers in the field. Collection of revenue is done through departmental and non-departmental (banks) collection centres. Revenue collected by the sub-divisions is deposited in local banks for onward transmission to the banks at headquarters of the Company at Hisar.

Since its inception, the Company incurred loss of Rs. 179.93 crore, Rs. 191.70 crore, Rs. 75.40 crore, Rs. 200.45 crore and Rs. 17.41 crore during 1999-2000, 2000-01, 2001-02, 2004-05 and 2006-07 respectively. It, however, intermittently earned profit amounting to Rs. 21.33 crore, Rs. 43.14 crore and Rs. 18.43 crore during 2002-03, 2003-04 and 2005-06 respectively. As on 31 March 2007, its accumulated losses amounted to Rs. 639.66 crore.

This activity of the Company was last reviewed in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2000 (Commercial) - Government of Haryana. The Committee on Public Undertakings (COPU) discussed the review in July 2005 and March 2006 and its recommendations are contained in 52nd Report presented to the State Legislature on 24 March 2006. The Company was required to submit action taken notes within three months from the date of presentation of the Report, but it had not furnished the same to the COPU so far (August 2007).

Scope of Audit

2.3.2 The present review conducted during November 2006 to March 2007 covers performance of the Company with regard to tariff, billing, collection and accountal of revenue during 2002-07. Besides examining the records maintained at the Head office of the Company, Audit test checked records of 37 sub divisions under eight Operation divisions. Selection of divisions was made by adopting simple random sampling without replacement method.

Audit objectives

2.3.3 The Audit objectives were to ascertain whether:

- entire cost of providing electricity is being recovered by making timely proposals to HERC;
- tariff orders, sales circulars and sales instructions were issued in time and without any ambiguity to the field offices;
- tariff and related regulations were applied properly to assess the revenue correctly;
- the billing was done timely and correctly;
- collection of revenue was done and accounted for in an economic, efficient and effective manner; and
- adequate monitoring and internal controls were there for elimination of risk in measuring consumption, billing and collection.

Audit criteria

2.3.4 The following audit criteria were adopted:

- tariff orders, sales circulars and sales instructions;
- norms of distribution losses fixed by Central Electricity Authority (CEA);
- the Electricity Act, 2003;
- guidelines issued by the Company for prevention of thefts; and
- agreements with banks for collection and transfer of funds.

Audit methodology

2.3.5 Audit followed the following mix of methodologies:

- examination of tariff orders issued by HERC;
- analysis of basic data relating to purchase and sale of power, sub transmission and distribution losses, records pertaining to periodical checking of metering equipments and connections;
- examination of application of tariff to various categories of consumers with reference to sales circulars and instructions;
- scrutiny of records relating to billing, collection and accountal of revenue in selected sub divisions; and
- scrutiny of Metering & Protection and Vigilance checking reports.

Audit findings

2.3.6 The audit findings were reported (May 2007) to the Government/Management and were requested to intimate suitable date for the meeting of Audit Review Committee for State Public Sector Enterprises (ARCPSE) to discuss the audit findings. The ARCPSE meeting was not held in the absence of any response from the Government/Management. The reply of the Management, however, was received on 5 September 2007 and their views have been incorporated in the review. The audit findings are discussed in succeeding paragraphs.

Uneconomical operations

2.3.7 Cost incurred on purchase of power, revenue from sale of power, loss incurred and subsidy received from State Government to cover the loss during the last five years up to 2006-07 are given in **Annexure – 9**.

It would be seen (**Annexure – 9**) that the Company suffered loss aggregating Rs. 2,182.53 crore (excluding Government subsidy) from sale of power during the last five years up to 2006-07 against which the Company received a subsidy of Rs. 2,016.02 crore.

The Management stated (September 2007) that HERC decides the amount of subsidy to be paid by the Government after adjusting cross subsidies generated by other categories to put minimum burden on the Government. The fact however, remains that the Company's accumulated loss as on 31 March 2007 was Rs. 639.66 crore.

As analysed in audit, losses were mainly due to:

- excessive sub-transmission and distribution losses (Paragraph 2.3.8);
- non submission of proposals for increase in tariff despite increase in the cost of supply (Paragraph 2.3.12); and
- faulty implementation of tariff rates (Paragraph 2.3.23).

Excessive sub-transmission and distribution losses

2.3.8 Sub-transmission and distribution losses indicate the difference between energy received for sale and energy sold. This includes technical losses and losses due to theft of energy. Central Electricity Authority (CEA) had prescribed a norm of 11.5 *per cent* for technical losses.

Details of number of units received for sale, units sold, units lost and expenditure incurred on improvement and maintenance of distribution system during the five years up to 2006-07 are given in **Annexure-10**.

It would be seen (**Annexure-10**) that sub-transmission and distribution losses reduced from 35 (2002-03) to 30 *per cent* (2006-07). Reckoned with reference to the CEA norms, excess losses during 2002-07 worked out to 10,473.64 MUs valued at Rs. 2,933.21 crore. But for the failure of the Company to contain losses to the CEA norms, the Company would have enjoyed a profit of Rs. 2,705.08 crore instead of an accumulated loss of Rs. 228.13 crore during 2002-07. Audit observed that the Company had been booking excess consumption of energy for un-metered agriculture power consumers by taking excess running hours for tubewells than those approved by HERC. Due to excess booking of energy consumption, the sub-transmission and distribution losses depicted in the accounts were less. The actual losses as worked out by Audit ranged between 42 (2002-03) and 31 *per cent* (2006-07). Loss on account of energy consumption was booked in excess during 2002-07 worked out to 2,287.34 MUs valued at Rs 630.62 crore. Thus actual sub transmission and distribution losses worked out to Rs. 3,563.83 crore during 2002-07.

Distribution losses exceeded the norm of 11.5 *per cent* fixed by CEA and resulted in revenue loss of Rs. 3,563.83 crore.

The Management stated (September 2007) that HERC had been requested to allow higher consumption for unmetered consumers. Despite the Company incurring very high sub-transmission and distribution loss, it extended low priority for its reduction as the expenditure on improvement and maintenance of distribution system was only 3.9 to 8.2 *per cent* of total expenditure during 2002-07.

Supply to agriculture power consumers

2.3.9 Supply of energy to the agriculture power (AP) consumers in the State is provided at a cheaper rate for which the State Government provides revenue subsidy to the Company since its inception (1999).

The table given below indicates units sold and revenue assessed from AP metered and un-metered consumers, subsidy received, cost of units sold and loss sustained by the Company during the five years up to 2006-07:

Sl. No.	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07	Total
1	Units sold to AP metered consumers (MUs)	507.03	629.89	737.93	905.58	1010.16	
2	Units sold to AP un-metered consumers (MUs)	1674.87	1682.24	1621.68	1618.45	1516.89	
3	Total units (MUs)	2181.90	2312.13	2359.61	2524.03	2527.05	**11904.72**
4	Revenue assessed (AP metered consumers) (Rs in crore)	29.88	34.80	28.89	24.61	29.74	
5	Revenue assessed (AP un-metered consumers) (Rs in crore)	67.18	65.70	48.11	37.38	40.58	
6	Total revenue assessed (Rs. In crore)	97.06	100.50	77.00	61.99	70.32	
7	Subsidy received (Rs. In crore)	289.44	304.88	380.00	451.21	590.49	**2016.02**
8	Total revenue from sale of power to AP consumers (Rs in crore) (6+7)	386.50	405.38	457.00	513.20	660.81	**2422.89**
9.	Revenue per unit (Paise)	177.14	175.33	193.68	203.33	261.49	
10.	Average cost per unit	340.82	330.96	369.05	341.65	383.63	
11.	Loss per unit (Paise)	163.68	155.63	175.37	138.32	122.14	
12	Loss (Rs in crore) (3 x 11)	357.13	359.84	413.80	349.12	308.65	**1788.54**

From the above it would be seen that even after taking into account the revenue subsidy received from the State Government, the Company had to

Sale of power to agriculture consumers resulted in loss of Rs. 1788.54 crore.

sustain loss[*] of Rs. 1,788.54 crore on the sale of 11,904.72 MUs during 2002-03 to 2006-07 as the average cost per unit was more than the average revenue per unit. Contrary to the provisions of the Electricity Act 2003, 51 *per cent* (87,159 out of 1,71,625) AP consumers were getting un-metered supply as on 31 March 2007. Since bulk of the AP consumers were not provided with meters or wherever provided, these were not working in a number of cases, impact of losses due to un-metered supplies could not be verified in audit.

Management stated (September 2007) that the loss is due to non-accounting of cross subsidy available from remunerative tariff of other categories of consumers. Further the quantum and terms and conditions of subsidy are decided by HERC. The reply is not tenable in view of wide gap between the cost and revenue per unit despite subsidy from the Government and the resultant accumulated losses increasing from time to time.

Energy audit

2.3.10 Energy audit, recommended by CEA, aims at accounting for the energy received and sent out at each stage of transmission and distribution, so as to assess and control separately the technical losses (occurring due to inherent characteristics of the conductor and transformers used in the power distribution system) and commercial losses (caused by defective meters and pilferage of energy, etc.). Metering is the most crucial tool for energy audit. Audit observed that requisite attention was not given to metering aspect as discussed below:

- AP consumers consume a large chunk (30.9 to 38.4 *per cent* during 2002-07) of energy sold. As of 31 March 2007 energy consumed by 87,159 out of 1,71,625 tubewells was not metered and consumption thereof was assessed on running hours basis which was based on annual load factor. HERC observed (August 2002) that consumption by un-metered agriculture consumers was not realistic. HERC, therefore, directed the Company to put meters with maximum demand indicator (MDI) on all un-metered agriculture consumer installations for correctly assessing their energy consumption, preparing bills for subsidy and calculation of actual distribution losses. The directive had not been fully complied with so far (March 2007) as 51 *per cent* AP consumers had not yet been provided with the meters.

- While metering of consumption at consumer end was marked by a large number of meters remaining defective over years, feeder meters also were not yet (August 2007) provided on all the 11 KV feeders and these were not replaced promptly on becoming defective. Audit observed that out of 27[*] feeder meters declared (November 2002 to February 2006) slow or defective by Metering and Protection (M&P) Wing of the Company, seven meters in Gurgaon Circle were replaced (September 2006) and the balance remained unreplaced (March 2007).

[*] Gurgaon: 23 and Faridabad: 4

- Installation of check meters at the poles/supply points to LT consumers proved (May 2003) successful in prevention of theft and reduction of losses in a Bhiwani sub-division. The Management advised (May 2003) all the sub-divisions to follow suit. No action was, however, taken thereon by the sub-divisional officers. Evidently, the Management failed to ensure the implementation of its instructions.

The Company had not prescribed any ceiling for losses on its feeders. As per HERC directions (August 2001), the Company is preparing quarterly feeder wise loss report for feeders having distribution losses above 25 *per cent.* Audit noticed that during the quarter ended March 2006 distribution losses on 737 (46 *per cent*) out of 1,609 feeders were above 25 *per cent.* Similarly, 718 (43 *per cent*) out of 1,663 feeders recorded losses above 25 *per cent* for the quarter ended March 2007. Out of these 718 feeders, 409, 288 and 21 feeders had distribution losses between 25 and 40 *per cent*, 40 and 70 *per cent* and above 70 *per cent* respectively.

In Faridabad circle, losses on 10 urban feeders ranged between 27.45 and 65.95 *per cent* during 2005-06. The same feeders again recorded losses ranging between 25.34 and 67.14 *per cent* during 2006-07. The Company had not analysed the reasons for recurring and higher losses on these feeders to take remedial measures.

As the Company had not taken adequate and prompt preventive measures such as metering of AP consumers, installation of check meters at poles, analysis of higher losses on feeders etc., the transmission and distribution losses remained higher and uncontrolled.

Tariff proposals

2.3.11 As per HERC (Tariff) Regulations, 1999 and the Electricity Act, 2003, a licensee is required to submit Annual Revenue Requirement (ARR) for the next financial year, three months in advance, showing expected aggregate revenue, estimated cost of providing electricity and a proposal to deal with the revenue gap.

The tariff was last fixed by HERC and made applicable by the Company in September 2001.

Uncovered revenue gap

2.3.12 In the ARR application (December 2003) for the year 2004-05, the Company calculated a revenue gap of Rs 363.30 crore but did not file any proposal to tackle it. Resultantly, HERC rejected (March 2004) the application. A revised application (22 December 2004) was filed by the Company with uncovered revenue gap of Rs 259.93 crore. Against this gap, HERC assessed (April 2005) a revenue gap of Rs. 34.90 crore and allowed it as regulatory assets* since the year 2004-05 was already over.

* Is a fictitious asset which is to be written off over a period of five years.

Thus, due to delay and incomplete ARR application, the Company was unable to cover the revenue gap of Rs. 34.90 crore.

In the ARR for the financial year 2006-07 filed (November 2005) by the Company there was no revenue gap, as it had taken into account an expected subsidy of Rs. 568.74 crore from the State Government. HERC, however, based on information supplied by both the distribution companies[1], worked out (August 2006) the revenue gap of Rs. 1,917.91 crore. After taking into account the revenue subsidy (Rs. 1,464.88 crore) provided by the State Government in its budget for the year 2006-07, the uncovered revenue gap of the two distribution Companies was worked out by HERC to Rs. 453.03 crore. HERC asked (August 2006) the State Government to provide additional subsidy of Rs. 453.03 crore (DHBVNL: 179.29 crore). There was no response from the State Government. The Company had also not filed any application for revision of tariff with HERC to cover up its revenue gap of Rs. 179.29 crore.

The Company failed to cover revenue gap of Rs. 214.19 crore.

Thus, due to delay in filing/non filing of ARR applications with HERC for revision of tariff, the Company could not cover revenue gap of Rs. 214.19 crore during 2004-05 and 2006-07.

While admitting the facts the Management stated (September 2007) that the uncovered revenue gap for 2006-07 had been allowed by HERC to be recovered through fuel surcharge adjustment (FSA) with effect from December 2006. The reply is to be viewed in the light of the fact that the FSA was allowed for additional cost of energy and for further payment to the suppliers of power and this would not in any way bridge the gap.

Reduction in tariff for agricultural consumers

2.3.13 During Chief Ministers' Conference (October 1996 and December 1996) it was, *inter alia,* decided that the tariff for agriculture sector should not be less than 50 paise per unit and it should be brought up to 50 *per cent* of the average cost of supply within three years' time. In consonance with the decision of the conference ibid, the erstwhile Haryana State Electricity Board (Board)/Company revised the tariff upwards during 1998 and 2001. Agriculture tariff in force since September 2001, based on depth of water table, was 38 paise to 65 paise per unit for metered supply and Rs. 48 to Rs. 104 per Horse Power (HP) per month for un-metered supply.

The State Government approved (August 2004) uniform concessional rate of 25 paise per unit for metered AP connections and Rs. 35 per HP per month for un-metered AP connections. The reduction in tariff had decreased the revenue assessment of the Company by Rs. 30.08 crore during 2004-05 and annual reduction thereafter was estimated at Rs. 48.17 crore.

Thus, reduction in agriculture tariff in contravention of the decision in Chief Ministers' Conference not only put extra burden of Rs. 48.17 crore per annum

---

[1] UHBVNL and DHBVNL.

up to March, 2007 on the exchequer but the uniform rate also discriminated against the consumers of the areas where water table was deep.

Revision of consumption security

2.3.14 HERC notified (July 2005) that the licencee should recover consumption security* equivalent to consumption charges of four months in case of bi-monthly billing and two months in case of monthly billing cycle from all existing consumers to safeguard against any default in payment. Adequacy of the amount of security was to be reviewed once in three years based on the average consumption of the previous financial year. The notification provided that the first review of existing consumers would be carried out within a period of six months i.e. up to January 2006 and any deficit in the consumption security should be recovered in six instalments through energy bills. Security from the new consumers under various categories was to be recovered at the revised rates from 1 November 2005.

Audit scrutiny revealed that the Company revised the rates of consumption security for new consumers with effect from 25 November 2005 instead of 1 November 2005. Delayed implementation resulted in short recovery of Rs. 51.34 lakh based on connected load released during 1-24 November 2005. The Company had not carried out the required review of average consumption of the existing consumers for working out revised security requirements so far (March 2007). Recovery of additional security deposit was to start after preparation of consumption security registers by field offices and billing agencies. The security registers have not been prepared so far (March 2007). Based on consumption for the year 2004-05, the amount of additional security recoverable from existing consumers as worked out by Audit amounts to Rs. 260.92 crore. Non-recovery of additional security of Rs. 260.92 crore from the existing consumers not only violated the directions of HERC and increased the risk of bad debts in case of default in payment by consumers; this had also resulted in loss of interest of Rs. 2.28 crore@ up to March 2007 after giving margin of six months.

Non recovery of consumption security of Rs. 260.92 crore from existing consumers caused loss of interest of Rs. 2.28 crore.

Management stated (September 2007) that there was no loss as the security was not meant for earning interest and it was basically a safeguard against defaulters. The reply is not tenable as timely implementation of the directives would have not only generated additional funds but also ensured safety against defaulters and bad debts.

Release of connections

2.3.15 As per the provisions contained in the Electricity Act, 2003 and HERC notification (July 2005), the distribution licensee on receipt of an application from owner of any premises would release electricity connection within one

* Represents cash deposit obtained from consumers at the time of receipt of application for release of connection to safeguard against default in payments.

@ Calculated at 1.5 (7.5 *per cent* cash credit rate – 6 *per cent* payable to consumers) *per cent* per annum.

month of receipt of application complete in all respects. Where supply of electricity requires any extension of distribution system and the applicant opts for getting the work of such extension executed through the licencee, the licencee shall release the connection within 45 to 180 days depending upon the voltage level on which connection is required to be released.

Pending applications

2.3.16 As on 31 March 2007, 37,355 applications were pending for release of connections. Out of these, 19,026 (51 *per cent)* were for agriculture power, 14,540 (39 *per cent)* for domestic, 2,197 (6 *per cent)* for non-domestic and 822 (2 *per cent)* for LT industrial connections. Besides, applications for HT Industrial (342), Bulk Supply (47) and Public Water Works (377) connections were also pending. These applications were pending due to delay in processing (4,987), incomplete formalities (1,626), want of material (6,562) and work in progress (5,154). No reasons were available with the Company for the pendency of 19,026 agriculture connections. Load requirement of these pending connections was not indicated and age wise details of the pending applications were also not available.

Test-check of records of Operation Circle, Gurgaon revealed as under:

- Vipul Infrastructure, Mehrauli Road, Gurgaon was awaiting (March 2007) connection (Load: 1860 KW) for over 34 months after the applicant had submitted the requisite test-report in April 2004.
- Demand notices in 20 cases were not yet (March 2007) issued although applications (Load: 49000 KW) completed in all respects were received 8 to 53 months ago.
- Period of 3 to 46 months was taken in issuing demand notices to eight applicants who applied for load of 13000 KW between October 2002 and September 2006.

Delay in processing and non-release of connections had resulted not only in non-compliance of the statutory provisions, but also hampered the economic development of the State. The Company had also to forego revenue of Rs. 1.28 crore per month at minimum monthly return of Rs. 200 per KW on 63860 KW in respect of Operation Circle, Gurgaon.

Loss of potential revenue

2.3.17 As per present standard of living, most of the households in the villages cannot remain without electricity. The Chairman of the Company had observed (August 2005) that people in villages had switched from using traditional fuels to electric heating for cooking. He emphasised that there was an urgent need to launch a vigorous campaign by holding camps in villages and persuade all the disconnected consumers and those having no electric connection to have regular connections in rural areas.

Audit observed that in 891 villages in Operation Circle, Gurgaon, 33,528 out of 2,59,253 houses (as on 30 November 2006) had their electricity connections disconnected and in other 96,258 houses the electricity connections were never released/provided. The percentage in terms of houses to which electricity connections were not provided, in relation to total houses in the villages, worked out to about 50. The possibility of theft of energy is high in the localities where houses are not provided with connections. No efforts were, however, made to persuade these villages to have power connections.

The Company was exposed to revenue loss of Rs. 9.34 crore in respect of 891 villages in Gurgaon circle.

In view of the possibility of theft/unauthorised use of electricity in these cases, the Company is exposed to revenue loss of Rs. 9.34 crore per annum based on domestic tariff for rural areas (calculated at monthly minimum charges of Rs. 60 per month).

Management stated (September 2007) that it has started regularisation of kundi connections and connections were being provided at the consumers door step. The fact, however, remains that 50 *per cent* houses in the villages were without electricity connections.

Release of new connections in the premises of defaulting consumers

Company released fresh connections in defaulting premises without recovery of default amount of Rs. 2.06 crore.

2.3.18 According to the terms and conditions of supply of electricity, reconnection or new connection is not to be given to any premises where there are arrears due to the Company, unless these are cleared in advance alongwith interest. Circle level committees constituted (December 2005) by the Company reported (January – October 2006) that six* sub divisions of Gurgaon circle restored supply to 308 premises against whom arrears of revenue aggregating to Rs. 1.57 crore were outstanding. Similarly, connections were given by 9** sub divisions of Faridabad Circle to 227 consumers against whom an amount of Rs. 52 lakh was outstanding, out of which Rs. 2.71 lakh has been recovered.

The Company has taken no action against the delinquent officials for restoring supply to defaulting premises without recovery of arrears of revenue along with interest.

Non-clubbing of connections

2.3.19 Sales instructions/circulars issued from time to time by the Company provide that more than one industrial connection may not be issued in one premises as this leads to circumvention of the law and splitting up the load which causes loss of revenue to the Company. Connections having load of 70 KW and above are released on HT line and such connections, if fed through LT line, attract surcharge at the rate of 25 *per cent* of energy charges.

Audit noticed that five*** operation sub-divisions of Faridabad and Gurgaon circles of the Company released (February 1990 to October 2004) more than one connection in six cases on LT line, though their aggregate load was more

* Maruti, City I, Industrial Area, Udyog Vihar, Operation cum Construction (OCC) and New Colony Gurgaon.

** No. 1 to No. 5, Jawahar Colony, Mathura Road, West (Faridabad) and Industrial Area Ballabgarh.

*** No. 5, City I and West of Faridabad Circle and OCC and Badshahpur of Gurgaon Circle.

than 70 KW. As the individual connections were less than 70 KW, the sub divisions could not levy LT surcharge amounting to Rs. 64.98 lakh on these consumers.

The Management stated (September 2007) that the cases were under scrutiny and necessary action would be taken against the delinquents.

Short recovery of service connection charges

2.3.20 As per the schedule of tariff (2001), all the applicants seeking industrial, non-domestic and bulk supply connections are required to pay fixed service connection charges as per rates mentioned in the schedule of general and miscellaneous charges. The prevailing service connection charges are Rs. 750 per KW for non-domestic connections with load exceeding 3 KW and Rs. 500 per KW for bulk supply (BS) connections.

Operation cum Construction (OCC) and Maruti sub-divisions of Operation Circle, Gurgaon released (July 2002 to July 2005) 27 BS connections, instead of non-domestic connections, to non-residential commercial establishments (shopping malls and arcades, commercial complexes, commercial towers, clubs, etc.) and accepted service connection charges applicable to BS connections. Release of BS connections to commercial establishments had resulted in undue favour to these consumers and loss of Rs. 1.19 crore to the Company due to short recovery of fixed service connection charges.

Billing for power supplied

2.3.21 Reading of meters, taken monthly/bi-monthly by employees of the Company or by outside agencies, forms the basis of billing. Billing of domestic supply (DS) and non-domestic supply (NDS) consumers with connected load below 20 KW is done bi-monthly while consumers of all other categories are billed on monthly reading basis. Unmetered AP consumers are billed monthly on the basis of sanctioned load. Billing of all categories except BS and street light connections had been computerised. Test-check in audit revealed the following deficiencies in billing/application of tariff.

Meter reading and preparation of bills

2.3.22 In accordance with the standards of performance prescribed by HERC, billing mistakes i.e. incorrect bills should not exceed 0.1 *per cent* of the bills issued. Test check of records revealed that in city Sub-division I, Gurgaon, wrong billing in respect of two out of four groups of DS/NDS consumers in 980 (out of 43199) cases was corrected subsequently (January 2005 to January 2007). Billing error for both these groups worked out to 2.27 *per cent* of the bills issued. In Satrod and Barwala Sub divisions of Hisar circle, cases of incorrect billing worked out to one *per cent*.

Audit observed that incorrect billing in the above cases was the result of incorrect reading of meters, which indicated below-par quality of service to the consumers.

The Management stated (September 2007) that necessary directions had now been issued for improvement in billing work.

Incorrect application of tariff

Incorrect application of tariff resulted in loss of revenue of Rs. 3.33 crore.

2.3.23 As per schedule of tariff, NDS tariff is applicable to all non-residential premises such as business houses, cinemas, clubs, public offices and hotels etc. whereas bulk supply (BS) tariff is available for mixed or general load for military, railways, CPWD, hospitals and educational institutions etc. Industries having load above 70 KW are covered under HT Industrial Category. As per the tariff applicable since September 2001, HT Industrial and BS consumers are billed at Rs 4.09 per unit while non-domestic consumers are billed at Rs. 4.19 per unit. Test check (March 2007) of records of four sub divisions[$] of Gurgaon Circle revealed that the Company charged BS tariff from 27 consumers and HT Industrial Tariff from 10 consumers instead of NDS tariff which resulted in loss of Rs 3.06 crore[@]. On being pointed out in audit, category of six (out of 10) consumers was corrected (June/September 2006) without making good the loss already suffered. Further, in two cases connections released (October 1997 and March 2000) by OCC sub division under NDS category were correctly charged NDS tariff up to July and August 2003, respectively. BS tariff was, however, applied thereafter without assigning any reasons. Change of category had, thus, resulted in loss of revenue of Rs 27.26 lakh[#].

Low Consumption cases

2.3.24 Exception lists being generated (since January 2004) by the billing contractors include a list of low consumption cases i.e. consumers billed on minimum monthly charges (MMC). The sub divisional officer is required to make a careful scrutiny of such cases to ensure that low consumption is not due to theft of power and the position does not persist for long.

Audit scrutiny in Operation sub-division No.3 Faridabad, revealed low consumption of 56 (out of 1952) LT industrial consumers for more than six months as of December 2006. They were being billed on MMC basis but action to check these consumers for ascertaining the reasons for their low consumption and possible leakage of revenue was not taken. Probable loss of revenue in these cases worked out by Audit on the basis of their sanctioned load amounted to Rs 1.68 crore per annum.

Extra expenditure on meter reading, bill generation and bill distribution

2.3.25 In order to reduce billing time and curb malpractices, the Company awarded (January 2004) a pilot project of digital camera based meter reading, bill preparation, distribution and collection of cheques for two[*] sub-divisions to KLG Systels Limited, Gurgaon for six months at Rs. 11 per connection.

[$] Maruti, OCC, Udyog Vihar and Industrial Area.

[@] Loss worked out up to February 2007 (date of audit).

[#] Loss worked out up to February 2007 (date of audit).

[*] Maruti, Gurgaon and East Faridabad.

The contract was extended (March 2004) to other six* sub-divisions without carrying out any cost benefit analysis and invitation of tenders. The period of contract was further extended up to March 2006.

The Company incurred extra expenditure of Rs. 52.70 lakh on meter reading, bill generating and bill distribution work.

Audit observed that during the same period, the Company allotted the work of meter reading (manually), bill generation and bill distribution as individual activities in other places/circles at an aggregate rate of Rs. 2.69 per connection through competitive bidding. Further, against subsequent tender enquiry (October 2005), the lowest competitive rate offered for the same work (with camera based reading) was Rs. 4.82 per connection which was rejected without any basis on the plea that the rate offered was too low to carry out the work satisfactorily. Due to non-carrying out of cost benefit analysis and non-invitation of tenders, the Company incurred extra expenditure of Rs. 52.70 lakh on these activities up to March 2006 in comparison with the rates received in October 2005. The work of the firm was also not found satisfactory as internal auditors detected (April 2005) short recoveries of Rs. 1.97 crore due to wrong billing on account of excess/double posting of cash realisation, non-posting of advices of sundry charges and allowances, incorrect reading on change of meters, non-levy of surcharge, excess average adjustments and short carrying over of balances.

The Management stated (September 2007) that the pilot project was discontinued when the system was found not working according to expectations. The fact, however, remains that the project was discontinued after two years though the Chief Auditor of the Company had reported (April 2005) that the project had failed to achieve any improvement in billing.

Defective energy meters

2.3.26 As per the terms and conditions of supply of electricity, a correct meter would be installed and maintained by the Company at each point of supply to the consumers and would remain the property of the Company. HERC regulation (July 2004) on 'Standards of Performance' required that faulty meters should not exceed one *per cent* of the meters installed. The table below depicts defective meters noticed and meters replaced during the four years ending 2005-06:

Year	Total metered connections	Opening balance of defective meters	Defective meters noticed during year	Meters replaced	Cost of meters replaced (Rupees in crore)	Defective meters at year end	Percentage of defective meters	Average replacement period (months)
2002-03	1517993	141643	59620	97929	6.37	103334	6.8	13
2003-04	1577980	103334	65648	78651	5.11	90331	5.7	14
2004-05	1652019	90331	49157	61415	3.99	78073	4.7	15
2005-06	1717342	78073	83762	53829	3.77	108006	6.3	24
2006-07$								

From the above table it would be seen that the percentage of defective meters ranged between 4.7 and 6.8 during these years as a result 94,936 (average of four years) consumers were billed on average basis. Further, average replacement period ranged between 13 and 24 months during 2002-06. Sales

* City I and City II Ballabgarh, West Faridabad and No 4 Faridabad and City II and New colony Gurgaon.

$ Figures not available.

Manual of the Company do not permit to charge a consumer for more than six preceding months for the difference between average energy already billed and actual average consumption of new meter after replacement of defective meter. Thus, loss of revenue due to average billing in such cases for longer periods cannot be ruled out. Moreover, longer duration of defective meter tempts an unscrupulous consumer to indulge in wasteful consumption of electricity for which he had to pay nothing extra.

During test check of records of selected sub divisions it was noticed that burnt or dead/defective meters of 179 out of 7,405 (2.42 *per cent*) LT industrial consumers of eight sub-divisions* were lying unreplaced for periods ranging from 6 to 23 months and were being billed on average basis. Percentage of defective meters during the quarter January – March 2006 of domestic/non-domestic consumers in Satrod and Barwala Sub divisions of Hisar circle worked out to 6.92 (2,953 out of 42,696 consumers). In respect of AP (metered) consumers in Satrod, Barwala and Adampur Sub divisions, the percentage of defective meters worked out to 30, 17 and 20 during July 2006 to February 2007 respectively.

Thus, the standard fixed (July 2004) by HERC for performance of meters was not achieved.

The Management stated (September 2007) that all out efforts were being made to bring the percentage of defective meters within norm.

Periodical checking of connections

2.3.27 The Company had prescribed, for its field officers, a schedule to check the consumer premises to ensure that the consumer was complying with the terms and conditions of supply and that he was not indulging in prejudicial use/theft of energy or other malpractices. Number of consumer premises checked, cases of theft of energy detected and revenue realised during 2002-07 are shown in the table below:

Year	Number of connections			Cases of theft/metering defects detected			
	Due for checking by various officers	Actually checked (percent-age)	Shortfall (percent-age)	Number (percentage of connections checked)	Penalty imposed	Amount recovered	Loss of potential revenue due to shortfall in checking#
					(Rupees in crore)		
2002-03	510464	134922 (26)	375542 (74)	14771 (11)	16.21	7.48	21.30
2003-04	576176	135193 (24)	440983 (76)	16686 (12)	18.01	6.41	20.30
2004-05	604186	103104 (17)	501082 (83)	8442 (8)	15.66	5.53	27.00
2005-06	633131	167951 (27)	465180 (73)	34689 (21)	36.30	16.12	43.58
2006-07	695144	149799 (22)	545345 (78)	24596 (16)	25.65	10.07	35.70
Total					**111.83**	**45.61**	**147.88**

* Jawahar colony, East Faridabad, West Faridabad, Mathura Road, No. 3 Faridabad, Industrial Area Ballabhgarh, city-II Ballabhgarh and city-I Gurgaon.

\# (Amount recovered on account of theft of energy X Percentage of shortfall in checking) ÷ Percentage of connections checked.

As would be observed from the table, 8 to 21 *per cent* of consumer premises checked were found indulging in pilferage of power and the checking had yielded revenue of Rs. 45.61 crore up to March 2007 out of imposed penalty of Rs. 111.83 crore. Based on the average recovery output of these checkings, shortfall in checking of connections (ranging between 73 and 83 *per cent*) resulted in loss of potential revenue of Rs. 149.92 crore up to March 2007.

Shortfall in checking of connections resulted in loss of potential revenue of Rs. 149.92 crore.

The Management stated (September 2007) that it had decided to get the meters checked through outsourced agencies and there would be no pendency of checking.

A few cases of potential loss of revenue due to delayed/defective checking noticed during audit of selected sub divisions are discussed below:

Theft of energy

2.3.28 Test check of records of Udyog Vihar sub-division under Gurgaon Circle, revealed that contrary to the instructions (Meter Manual 1989) of the Company, LT line and distribution transformer were allowed to remain in the consumers' premises. During checking (October 2004) by the Company's Vigilance Wing, the four LT industrial connections in the premises were found indulging in theft of energy. Penalty aggregating Rs. 55.16 lakh was levied for the preceding six months as per codal provisions. The recovery was yet to be effected as the cases were pending in courts.

Audit noticed that the average consumption of these consumers was very low (1 to 79 hours during a month) during April 2002 to September 2004 indicating that the consumers were indulging in theft since April 2002. Due to non-shifting of LT line and distribution transformer outside the consumers' premises, the Company suffered revenue loss of Rs. 60.36 lakh based on sanctioned load of these consumers during April 2002 to March 2004 as penalty is not leviable for periods exceeding six months.

Similarly, nine industrial consumers in respect of Udyog Vihar, Gurgaon (eight) and Jawahar Colony, Faridabad (one) checked by the Vigilance Wing (May 2003 to November 2004) were found indulging in theft or unauthorised use of energy. They were charged penalty for preceding six months. Scrutiny of consumption data of these consumers revealed that their consumption was very low since January 2000. The sub-divisions took no steps to enquire into the reasons for their low consumption so as to take appropriate preventive measures. Thus, inaction on the part of the sub-divisions resulted in loss of revenue of Rs. 56.21 lakh (January 2000 to May 2004) based on probable consumption calculated on sanctioned load (excluding the period of six months already charged).

Short levy of penalty

2.3.29 The sales instructions (October 1998) of the Company provided that in case of theft of energy, penalty would be assessed maximum for preceding six months, if the actual period of theft could not be determined. Further, inspection for the purpose of meter reading for recording consumption would not be deemed to be the inspection for detecting theft.

Premises of an HT non domestic consumer* under Industrial Area Sub-Division, Gurgaon was checked (March 2004) by M&P and consumer was found indulging in theft of energy. A penalty of Rs. 2.75 lakh for theft of energy for a period of 23 days only from the date of last reading to the date of checking was assessed.

Audit observed (March 2006) that consumption of the consumer dipped from above 22,000 units per month up to October 2003 and ranged between 5,592 to 13,944 units during November 2003 to March 2004. After checking and change of meter the consumption again picked up above 20,000 units per month from April 2004. Keeping in view the reduction in consumption from November 2003 the penalty of Rs. 30.59 lakh should have been imposed for a period of five months from November 2003 to March 2004.

Incorrect assessment of penalty thus, resulted in loss of Rs. 27.84 lakh to the Company.

Collection of revenue

2.3.30 Collection and accounting of revenue is an important activity of a distribution Company. It is imperative for sound financial management to ensure that the revenue due to the Company is collected promptly and arrears are not allowed to accumulate.

Details of revenue assessed, its collection and outstandings at the end of the four years up to 2005-06 are given in **Annexure 11.**

From the annexure it would be seen that:

Despite waiver of surcharge/principal by the Company, the recoverables of the Company increased from Rs. 818.88 crore to Rs. 1772.13 crore.

- balance of revenue outstanding represented 6.7 to 10 months' collection period as against consumer security deposits limited to only two months' assessment.
- collection efficiency# had decreased from 64 *per cent* in 2002-03 to 55 *per cent* in 2005-06.
- recoverables had increased from Rs 818.88 crore to Rs. 1,772.13 crore during 2002-06 despite waivers of surcharge/principal outstanding against defaulters by the State Government.

---

* Narula Corner House Private Limited

\# This represents percentage of amount realised during the year to total amount due for collection.

Revenue in default

2.3.31 In accordance with the conditions of supply of energy, supply to the consumers' premises should be disconnected after the expiry of notice period of 15 days in the event of his failure to make payment by the due date. Category-wise position of arrears of revenue for the five years up to 2006-07 is tabulated in **Annexure - 12.**

Perusal of the annexure revealed that:

- amount in default had increased by 135 *per cent* in five years from Rs. 704.27 crore in 2002-03 to Rs. 1658.26 crore in 2006-07 as compared to 63 *per cent* increase in revenue (Rs. 1,688.08 crore to Rs. 2,746.80 crore) during the same period. Increase in the defaulted amount was attributable to lack of timely action for recovery.

- amount in default against domestic/non domestic and AP consumers had increased from Rs. 493.89 crore in 2002-03 to Rs. 1,205.61 crore in 2006-07 whereas the number of defaulting consumers had increased from 5,51,066 in 2002-03 to 7,98,959 in 2006-07. The steep increase of 144 *per cent* in defaulting amount and 45 *per cent* increase in number of defaulting consumers was an indicator of increasing tendency of consumers to resort to default hoping for waiver schemes* in future.

- the number of defaulting consumers not yet disconnected had increased from 3,65,867 in 2002-03 to 5,54,689 in 2006-07. The percentage of defaulting connected consumers to total consumers ranged between 23 (2002-03) and 31 (2006-07).

Test check of records in the selected sub divisions revealed as under:

Amount in default against temporary supply consumers

2.3.32 Sales instructions of the Company require sufficiency of the security to cover the dues in case of temporary connections.

Test check of records of five** sub divisions, revealed that Rs. 57 lakh was recoverable (March 2007) from 472 temporary consumers disconnected during 1999-2005 after adjustment of the securities. As all the connections already stood disconnected, chances of recovery were remote.

Acceptance of part payments

2.3.33 As per the Company's Sales Manual acceptance of part payment of energy bills was not permissible. Audit scrutiny revealed that partial payments

---

* 'Final surcharge waiver scheme' for domestic, non domestic and agriculture consumers of rural areas was launched in April/May 2002, wherein 75 *per cent* of the defaulting amount was waived off by the Company.

** OCC, Industrial Area and Maruti of Gurgaon Circle, No. 3 Faridabad and Satrod, Hisar.

were being accepted in contravention of the instructions. This could lead to accumulation of arrears of dues resulting in ultimate disconnection and the revenue becoming irrecoverable. Test Check in audit revealed (February 2007) that an LT consumer made part payment (July 2003) of Rs. 2.91 lakh (against energy bill of Rs. 3.51 lakh) and Rs. 2.47 lakh (against energy bill of Rs. 6.51 lakh) in October 2003 through cheques. The first cheque was dishonoured but action against the consumer under Section 138 of the Negotiable Instruments Act, 1881 was not taken. The consumer did not make payment of his energy bills during August 2003, September 2003 and from November 2003 to August 2005. Supply to his premises was disconnected (August 2005) when the defaulting amount had accumulated to Rs. 20.43 lakh. After levying surcharge for six months defaulting amount accumulated to Rs. 24.33 lakh in March 2006 which had not yet been recovered (March 2007). Non compliance of the instructions, thus, facilitated accumulation of defaulting amount to the tune of Rs. 24.33 lakh. Action to recover the amount, as arrears of land revenue, had not been taken so far (March 2007).

Delay in credit of remittances in Company's account

2.3.34 The Company had arrangements with 12 public/private sector banks for collection of its revenue. Revenue receipts from consumers are remitted by the sub divisions into the designated branch of a collecting bank which accounts for and transmits the same to its main branch at Hisar (at the Headquarters of the Company). As per the terms of the agreement with these banks, the collecting branch of the bank shall transmit the amount deposited by the sub division on the same or the next working day to its main branch and the main branch shall transfer that amount the same day to the Company's main collection account.

The Company suffered loss of interest of Rs. 1.68 crore due to delayed/non-credit of remittances in company's collection account.

Audit observed that collecting branches of 10 out of 12 banks did not transfer these receipts to the account of the Company within the prescribed time causing thereby loss of interest of Rs. 1.68 crore as discussed below:

- There were delays ranging between 11 and 99 days in accountal of remittances (above Rs. 10,000 in each case) aggregating Rs. 21.85 crore (made by the depositing officers) by the collecting branches of the banks and Rs. 204.86 crore (transferred by collecting branches) were credited by their main branches during 2005-06 with delays ranging between 11 and 60 days. Loss of interest caused by these delays at cash credit rate worked out to Rs. 60.68 lakh, after allowing a margin of seven days.

- As per reconciliation statement for the period ending September 2006, revenue aggregating Rs. 80.65 crore deposited by the field offices of the Company was awaiting to be credited to the Company's main collection accounts at Hisar. Of this, Rs. 8.74 crore relating to the period from December 2001 to October 2005 had been credited to the Company's account after a delay of 28-1315 days entailing loss of interest of Rs. 58.94 lakh up to August 2007.

- Reports generated by the Company did not take notice of delays caused by collecting branches in transmitting the collections to their main branches. Often, the amounts were transmitted once a week or at fortnightly intervals causing huge un-noticed loss of interest. In case of 7 collecting branches test-checked in audit, the loss of interest on account of daily cash balances retained by these branches worked out to Rs. 48.57 lakh during April - September 2006.

Agreement with the banks provided for recovery of interest at Prime Lending Rate on the delayed transfer of funds. The Company, however, did not take up the matter with the banks and continued to suffer loss of interest.

Admitting that the delay in transfer of funds was primarily due to inherent weakness of the banking system, the Company stated (September 2007) that it was not practically possible to bring the balances to zero and Rs. 75 crore to Rs. 100 crore were likely to remain in the balance for seven days. The reply shows hesitation of the Company in remedial measures without considering the agreements with the banks which provided for transfer of funds on the same or the next working day.

Internal control and internal audit

2.3.35 Internal control is a management tool used to provide a reasonable assurance that the objectives of the management are being achieved in an efficient, effective and orderly manner.

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

- maximum demand indicator meters were not provided on the flat rate agriculture tubewells to detect unauthorised extension of load and to correctly assess the consumption of energy by these consumers. This might lead to prejudicial use of energy by consumers.

- the sub-divisions had not maintained records to monitor the replacement of defective energy meters showing the dates when meters became defective and replacement thereof.

- sundry charges and allowances registers were not maintained properly in the sub divisions. In a number of cases items were not authenticated by the Sub Divisional Officer incharge; month of posting of the item was not indicated and monthwise abstracts of sundry charges and allowances were not prepared, which might affect posting and recovery of sundry charges and allowances. This could lead to fraud and embezzlement.

- register of theft of energy had not been maintained properly by sub-divisions to monitor the progress of recovery in theft cases as action taken against the consumers was not reflected.

- ledgers of permanent defaulters were not maintained properly as these did not record permanent disconnection order number (PDCO) and date, month of transfer of account in defaulters' ledger alongwith reference to item of sundry charges and allowance register and action taken to recover the amount in default.

- registers to monitor cases referred to revenue authorities for recovery had not been maintained by the sub-divisions to watch recoveries.

Internal Audit Reports were not placed before the Board of Directors (BOD) for consideration. The statutory auditors in their reports on the accounts for the years 2002-03 to 2005-06 had pointed out that the internal audit was not commensurate with the size of the Company and nature of its business.

Conclusion

The performance of the Company with regard to tariff, billing and collection of revenue was found to be deficient as the Company sustained huge losses due to its failure to contain sub-transmission and distribution losses to the prescribed norms of Central Electricity Authority, lack of submission of proposal to Haryana Electricity Regulatory Commission for increase in tariff to cover up the revenue gap, unmetered supply, defective meters, deficient energy audit, non recovery of revised consumption security and incorrect billing. Laxity in prompt recovery of its dues resulted in heavy accumulation of outstandings. Delay in transfer of funds from collecting branches of the banks caused delay in inflow of funds and loss of interest to the Company.

Recommendations

The Company may consider:

- **declaring divisions as profit centres for accountability and identifying unremunerative operations ;**

- **conducting energy audit regularly to identify leakages of power and taking prompt remedial measures;**

- **strengthening vigilance measures against weak areas identified as an outcome of energy audit;**

- approaching HERC for timely implementation of revision of tariff and recovery of the revenue gap; and

- ensuring prompt credit of remittances and their transfer by the banks.

The matter was referred to the Government in May 2007; the reply had not been received (September 2007).

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

2.4 Implementation of Accelerated Power Development and Reforms Programme

Highlights

Detailed project reports of Tohana and Fatehabad towns for implementation of Accelerated Power Development and Reforms Programme did not target the densely electrified zones in urban and industrial areas .

(Paragraphs 2.4.8 and 2.4.9)

None of the 18 projects undertaken by the distribution Utilities under the Accelerated Power Development and Reforms Programme could be completed by the projected date, i.e. May 2004. The Utilities could utilise funds to the extent of 66.40 *per cent* upto March 2007. Failure to utilise full project cost resulted in non availing of central assistance to the extent of Rs. 46.99 crore.

(Paragraphs 2.4.11 and 2.4.16)

Utilisation of funds reported to Government of India was inflated by Rs. 125.86 crore due to inclusion of inadmissible/excess expenditure.

(Paragraphs 2.4.23 to 2.4.26)

The Utilities failed to achieve the target of 15 *per cent* AT&C losses which ranged between 23.92 *per cent* to 58.33 *per cent* except Hissar town during 2006-07. This also impacted the cash losses and the Utilities could not get incentive component as available under the APDRP.

(Paragraph 2.4.33)

Introduction

2.4.1 Union Ministry of Power (MoP) identified Distribution reforms as a key area in power sector and launched Accelerated Power Development Programme (APDP) during the year 2000-01 to bring about efficiency and commercial viability in the working of power Utilities. APDP was rechristened as Accelerated Power Development & Reforms Programme (APDRP) during 2002-03.

APDRP focuses on upgradation of sub-transmission and distribution network in densely electrified zones in the urban and industrial areas and improvement in commercial viability of State Electricity Boards/Power Utilities. Its financing has following two components:

- Investment component for strengthening and upgradation of the sub-transmission and distribution system. Under this component, MoP is to provide funds to the extent of 50 *per cent* of project cost in the form of grant (25 *per cent*) and loan (25 *per cent*) and for balance 50 *per cent,* the Utilities will tie up for counterpart funding with financial institutions (FIs).

- Incentive component to encourage/motivate Utilities to reduce cash losses. Under this component, the MoP will provide incentive upto 50 *per cent* of actual cash loss reduction by power Utilities by taking 2000-01 as base year for calculation of cash loss reduction.

The main objectives of APDRP are to reduce Aggregate Technical and Commercial (AT&C) losses below 15 *per cent,* bring about commercial viability of power sector, reduce outages/interruptions and increase consumer satisfaction.

In Haryana, APDRP is being implemented by Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL).

Scope of Audit

2.4.2 The present performance audit conducted during July 2006 to March 2007 to evaluate the implementation of APDRP during 2002-07 covers nine projects (UHBVNL-three[*] and DHBVNL-six[#]) with estimated cost Rs. 351.80 crore out of 18 projects (estimated cost Rs. 431.95 crore). Selection of seven projects was made by adopting simple random sampling without replacement method and two[$] projects on cost criterion.

Audit objectives

2.4.3 The audit objectives were to ascertain whether:

- the projects were carefully designed with adequate planning and were efficiently implemented;

- the funding requirement was realistically assessed, the means for providing the same were clearly identified and the funds were sanctioned and released in time by the Government;

- the funds were used efficiently, economically and effectively;

- the extent of increase in revenue collection was commensurate with the expectations from the programme;

---

* UHBVNL- Karnal circle, Sonipat circle and Yamuna Nagar-Jagadhri town.

\# DHBVNL- Faridabad Circle, Fatehabad Town, Hansi Town, Hisar Circle, Hisar-II, and Tohana Town.

$ Faridabad and Sonipat.

- there was an effective monitoring system at the board level; and
- the intended objectives of APDRP have been achieved as per the benchmarks and time frame specified in the Memorandum of Understanding (MoU) and Memorandum of Agreement (MoA).

Audit criteria

2.4.4 The implementation of APDRP was assessed with reference to:

- the guidelines of MoP/State Government/Central Electricity Authority (CEA);
- the terms & conditions of MoU and MoA signed between the Company and the MoP;
- the guidelines issued by MoP for preparation of detailed project reports (DPRs);
- the parameters contained in the detailed project reports (DPRs); and
- the targets fixed for various parameters to achieve objectives of APDRP.

Audit methodology

2.4.5 Audit followed the following mix of methodologies:

- examination of Government guidelines, agenda papers and decisions taken in Board of Directors (BODs)/Whole Time Directors meetings;
- examination of records relating to preparation/approval of DPRs, execution of projects, progress reports, monitoring and evaluation of schemes at Head Office of the Utilities and field offices;
- examination of records relating to sanction/drawal of counterpart funding; and
- analysis of data relating to achievement of objects/targets of APDRP.

Audit findings

2.4.6 The audit findings were reported (May 2007) to the Government/Management and discussed in the meeting (12 July 2007) of the Audit Review Committee for State Public Sector Enterprises (ARCPSE), where representatives of the power Utilities were present. Views of the Management were considered while finalising the review.

The implementation of APDRP in Haryana was found to be ineffective as objectives of the APDRP have not been achieved even after investment of Rs. 286.80 crore upto March 2007 as discussed in the succeeding paragraphs.

Project formulation and planning

2.4.7 On the basis of available technical and commercial data, UHBVNL and DHBVNL in consultation with National Thermal Power Corporation (NTPC) being advisor-cum-consultant, formulated (July/November 2002, May 2003) DPRs for 18 projects covering four circles and 14 towns at a project cost of Rs. 454.31 crore (UHBVNL: Rs. 204.29 crore; DHBVNL: Rs. 250.02 crore) which were sanctioned (August 2002 to June 2003) by the Steering Committee set up by MoP. Due to withdrawal of consultancy charges, the outlay was reduced (October 2005) to Rs. 431.95 crore (loan: Rs. 323.96 crore and grant: Rs. 107.99 crore).

The works under these projects were categorised into category 'A' (priority works targeted to reduce commercial losses*) and category 'B' (system strengthening works targeted to reduce technical losses**). Category 'A' included installation of consumer meters (single phase and three phase), feeder meters, distribution transformer meters, renovation and modernisation of distribution transformers, development of information technology including automation in billing and sub-station. Category 'B' included augmentation, renovation and modernisation of sub-stations, construction of new sub-stations, new lines/changing conductor of existing lines, renovation of existing and addition of new distribution transformers and provision of capacitors.

DPRs envisaged annual financial benefits of Rs. 182.80 crore on account of saving of 623.80 MUs of energy on completion of these projects. For execution of these projects the distribution Utilities entered into a MoA with MoP in December 2002.

Deficient DPRs

2.4.8 APDRP focuses on up-gradation of sub-transmission and distribution network in densely electrified zones in urban and industrial areas. The guidelines for formulation of DPRs on strengthening and improvement of sub-transmission and distribution network provide for physical survey, collection, study and analysis of commercial and technical data of power distribution network of the area to be covered under the projects. DPRs were deficient as brought out in succeeding paragraphs:

* Commercial losses occur on account of non-metering of actual consumption due to theft/defective meters.

** Every element in a power system offers resistance to power flow and thus consumes some energy. Cumulative energy consumed by all these elements is termed as 'technical loss'.

Non selection of densely electrified zone

Detailed project reports of Tohana and Fatehabad town did not target densely electrified zones

2.4.9 DHBVNL got nine projects (**Annexure - 14**) approved (August/November 2002) from MoP for strengthening of sub-transmission and distribution network involving project cost of Rs. 238.11 crore to be completed by May 2004. It was noticed that the DPRs did not target densely electrified zones in urban and industrial areas as envisaged in the APDRP. Test-check of DPRs of Fatehabad and Tohana towns revealed that these covered Fatehabad Division (comprising Fatehabad, sub urban Fatehabad, Ratia, Bhattu and Badopal sub-divisions) and Tohana Division (comprising Tohana, Bhuna, Jakhal and Uklana sub-divisions) instead of restricting to the towns, as is evident from the following table:

Station	Name of item	Total number on 30.06.02	Already installed	To be replaced/ installed	Cost (Rs. in crore)	Remarks
		Data as per DPR				
Tohana town	Single phase consumer meters	50,588	15,647	34,941	4.46	As on 30 June 2002 there were only 11,457 domestic consumers in Tohana town. The figure of 50,588 domestic consumers as indicated in DPR pertains to whole division.
	Feeder meters 11KV	63	2	61	0.04	There were only four feeders in Tohana Town
	33 KV sub-station (New)	-	-	1	1.26	The proposal of new 33 KV sub-station at Karandi does not cater to Tohana town.
Fatehabad town	Single phase consumer meters	53,101	10,500	42,601	5.44	As on 30 June 2002 there were 9624 consumers in Fatehabad town. The data of 53,101 domestic consumers as indicated in DPR pertains to entire division.
	Feeder meters 11 KV	73	Nil	73	0.05	There were only five feeders in Fatehabad town

As the DPRs were not based on empirical data of Fatehabad and Tohana towns, these were not realistic and contained inflated and unrealistic provisions and cost.

Inflated provisions in DPR

2.4.10 DPR of Faridabad circle (approved by MoP in August 2002) contained lump sum quantities of works costing Rs. 118.02 crore. The DPR was revised (June 2003) wherein division-wise details of quantities of works worth Rs. 87.19 crore were given with envisaged financial benefit of Rs. 37.93 crore per annum and balance works amounting to Rs. 30.83 crore were kept under the heading "Balance Works" without division wise details. No financial benefit was envisaged in the DPR from the investment of Rs. 30.83 crore.

Further a provision of Rs. 35.97 crore was made for strengthening of 100 feeders of 11 KV. A random check in audit of estimates of these feeders revealed that in 36 out of 100 cases, the estimates contained provision of Rs. 3.44 crore for tamper proof electronic consumer meters and Distribution Transformer (DT) meters whereas the provision for consumer meters and DT meters had also been made separately in the DPR. This had resulted in excess provision of Rs. 3.44 crore for metering thereby allowing the Utilities to avail excess loan and grant to the extent of Rs. 1.72 crore.

Fund management

Failure of Utilities to complete project as per schedule resulted in non availment of central assistance of Rs. 46.99 crore.

2.4.11 MoP released Rs. 168.99 crore (loan Rs. 84.50 crore and grant Rs. 84.49 crore) under APDRP during 2002-03 to 2003-04 to the State against approved project cost of Rs. 431.95 crore (loan Rs. 323.96 crore and grant Rs. 107.99 crore). The Utilities[#] got counterpart funding sanctioned from Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) to the extent of Rs. 219.39 crore and availed of Rs. 107.27 crore upto 2006-07. The utilisation of funds was to the extent of Rs. 286.80 crore upto March 2007 (**Annexure-13**). Failure of the Utilities to complete the projects as per schedule and utilise full project cost had resulted in non-availing of central assistance to the extent of Rs. 46.99[*] crore (Grant: Rs. 23.50 crore and loan: Rs. 23.49 crore).

UHBVNL stated (August 2007) that central assistance could not be availed due to non completion of IT related works as finalisation of specifications took more time. The Company should have finalised the specifications well in time to avail of the central assistance.

Delay in release of funds by the State Government to the Utilities

Due to delay in release of funds the state government incurred interest liability of Rs. 16.90 crore.

2.4.12 As per guidelines issued (June 2003) by the MoP, the State Government was to release funds to the Utilities within a week of the said amount being credited to its accounts failing which it was to be treated as diversion of funds which attracted 10 *per cent* penal interest to be adjusted in the next installment.

It was, however, noticed that there were delays in transfer of funds to the Utilities ranging between 17 and 71 days. Thus, the State Government incurred an avoidable interest liability of Rs. 16.90 crore.

Delayed release of incentive component

Due to delay in release of incentive of Rs. 105.49 crore by the state Government, the Utilities suffered loss of interest of Rs. 5.81 crore.

2.4.13 MoP provided incentive of Rs. 105.49 crore (Rs. 5.01 crore in March 2003 and Rs. 100.48 crore in March 2004) to the State Government for release to the Utilities for cash loss reduction during the year 2001-02. The State Government released (May 2003 to July 2005) incentive amount of Rs. 45.23 crore and Rs. 60.26 crore to UHBVNL & DHBVNL respectively after delays ranging from 1 to 15 months. This resulted in loss of interest of Rs. 5.81 crore (UHBVNL: Rs. 2.23 crore and DHBVNL: Rs. 3.58 crore). The Utilities did not follow up the State Government for speedy release of their funds.

As per MoP guidelines, (June 2003) incentive for cash loss reduction was to be utilised only for improvement of power sector. The Utilities, however, had not formulated any scheme so far (March 2007) for utilisation of incentive money for improvement of power sector as required under the programme.

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

* Total available grant and loan Rs. 215.98 crore (50 *per cent* of Rs. 431.95 crore) less amount availed Rs. 168.99 crore = Rs. 46.99 crore.

Management stated (July 2007) during ARCPSE meeting that the matter regarding early release of incentive was continuously pursued with the Government and incentive component was utilised for improvement works without preparing any separate/specific scheme. No document showing follow up with the Government was, however, shown to audit (August 2007).

Diversion of funds

2.4.14 The funds provided by MoP were earmarked and scheme specific. The Utilities were required to maintain separate bank accounts for these funds.

Audit observed that the Utilities had opened separate bank accounts only for receipt of APDRP funds. Thereafter, the funds were transferred to general account of the Utilities due to which diversion of funds could not be checked in audit.

DHBVNL diverted APDRP funds of Rs. 83.72 crore in violation of MoP guidelines.

DHBVNL, however, had utilised (June 2002 to March 2004) APDRP funds of Rs. 83.72 crore for purchase of power: Rs. 42.71 crore and repayment of loans: Rs. 41.01 crore. Due to diversion of funds, the power utility incurred liability of Rs. 8.37 crore towards penal interest payable to MoP.

During ARCPSE meeting (July 2007), the Management asserted that the funds were kept in a pool for making them available at all times and for their better and instant use. The fact, however, remains that the terms and conditions of the programme as well as central assistance were compromised.

Extra interest burden

2.4.15 UHBVNL got counterpart funding of Rs. 23.29 crore sanctioned (March 2003) from PFC for projects at Rohtak and Sonipat Towns (projected cost Rs. 44.37 crore). These projects falling in National Capital Region (NCR) were eligible for funding from National Capital Region Planning Board (NCRPB) at lower interest rates. Instead of arranging loan from NCRPB at lower rates, the Utility availed of counterpart funding at higher interest rate from PFC resulting in extra interest burden of Rs. 1.14 crore during May 2003 to March 2007.

Similarly, DHBVNL availed (September/October 2003, January 2006) counterpart funding of Rs. 44.31 crore from REC/PFC at higher rates for the projects in Faridabad, Rewari and Hisar instead of from NCRPB at lower rates. This resulted in extra interest burden of Rs. 3.19 crore (October 2003 to March 2007).

During ARCPSE meeting the Management stated (July 2007) that initially the interest rates of financial institutions were lower than those of NCRPB and assured to supply documents showing comparison of rates at different intervals as asked for by Audit. No such documents were, however, shown to Audit (August 2007).

Execution of projects

Slow progress of the projects

The projects have not been completed till March 2007 against the completion schedule of May 2004.

2.4.16 As per approved DPRs, the projects were to be completed within 18 months i.e. upto May 2004 from the date of approval but none of the projects had been completed so far (March 2007).

As of March 2007 the reported utilisation of funds by both the Utilities was Rs. 286.80 crore (66.40 *per cent)* against projected cost of Rs. 431.95 crore. Project wise utilisation of funds as of March 2007 is given in **Annexure-14**.

Fund utilisation was reported in excess of actual utilisation by Rs. 125.86 crore.

It would be observed (**Annexure-14**) that in no project, except Gohana Town, the funds had been fully utilised. Audit scrutiny revealed that actual utilisation of funds for the projects was much less at Rs. 160.94 crore as against the reported figure of Rs. 286.80 crore because inadmissible expenditure/excess reporting of Rs. 125.86 crore (43.88 *per cent* of reported expenditure) was included therein as discussed in the succeeding paragraphs (2.4.23 to 2.4.26). As 43.88 *per cent* of the reported expenditure did not relate to APDRP physical progress was far below the stated financial progress. Resultantly objectives of APDRP were not achieved.

During ARCPSE meeting, the Management attributed (July 2007) the slow progress to shortage of staff. The fact, however, remains that the Management was aware of staff position and should have taken care of this in the interest of work.

Priority works

2.4.17 As per DPRs, the works relating to feeder metering, consumer metering and IT related works were categorised as priority works which were to be completed within six months after approval of DPRs i.e. by March - May 2003. All the project reports were approved during August-November 2002 except DPR of Gohana town which was approved in June 2003. Progress of priority works is discussed below:

Metering chain

2.4.18 Towards Aggregate Technical and Commercial (AT&C[@]) loss reduction, the single most important step is metering through the distribution chain right from the feeders, through DTs and ultimately to the consumers. Annual saving of 220.84 MUs of power valued at Rs. 58.60 crore was envisaged in the DPRs on completion of metering chain. Despite lapse of about four years (March 2007) since approval (August/November 2002, June 2003) of DPRs, and expenditure of Rs. 121.25 crore, projected activities under metering chain had not been

[@] AT&C losses represent the excess of input energy over the energy for which actual revenue is realised.

completed (March 2007) as tabulated below:

Particulars	Projected		Performance		Percentage of performance	
	Quantity	Cost (Rs. in crore)	Physical Nos	Financial (Rs. in crore)	Physical	Financial
UHBVNL						
1. Consumer meters						
(a) Single phase	4,04,000	40.04	3,39,369	32.44	84.00	81.02
(b) Three phase	70,143	17.42	44,439	9.09	63.35	52.18
2. Feeder meters	769	1.98	705	1.03	91.68	52.02
3. DT meters	8,672	13.43	767	0.33	8.84	2.46
4. LT/CT metering	50	0.03	50	0.02	100	66.67
Total		**72.90**		**42.91**		**58.86**
DHBVNL						
1. Consumer meters						
(a) Single phase	5,02,789	62.42	4,10,482	71.07	81.64	113.86
(b) Three phase	74,671	32.02	11,277	2.72	15.10	8.49
2. Feeder meters	496	0.75	372	0.39	75.00	52.00
3. DT meters	8,196	18.37	446	1.16	5.44	6.31
4. LT/CT metering	2,000	4.40	1280	3.00	64.00	68.18
Total		**117.96**		**78.34**		**66.41**

The work of feeder metering and DT metering which were important for identification of theft prone areas through effective energy accounting and audit remained incomplete (March 2007).

During ARCPSE meeting, the management of UHBVNL, without furnishing the reasons for delay stated that the works were in progress and would be completed before the closure of the scheme. DHBVNL assured to furnish the reply which was awaited (August 2007).

Delay in procurement of meters

2.4.19 Against provision for installation of 8,672 DT meters in eight projects at a cost of Rs. 13.43 crore, the UHBVNL invited (November 2005) tenders for procurement and installation of 3,152 DT meters in Karnal and Sonipat circle on turnkey basis. As these were electronic meters, UHBVNL did not decide the type of technology of meters to be installed before inviting tenders. Tenders of three firms were opened (December 2005). While one firm quoted rates of meters with low power radio (LPR) technology, the other two firms quoted rates for LPR and GSM technology. The Utility took about nine months in evaluation of the bids, deciding the technology and finalisation of the contract. Finally, the contract was awarded (October 2006) to Secure Meters, Udaipur for Rs. 5.70 crore for 3,152 DT meters with LPR technology, with completion schedule of six months from the date of LOI (21 September 2006). Though the work was to be completed by 21 March 2007, only 767 meters (24.33 *per cent*) had been installed (31 March 2007). DHBVNL allowed (May 2006) the circle CEOs to procure DT meters for feeders having heavy line losses. It has installed only 446 DT meters (5.44 *per cent*) till March 2007 against projected installation of 8,196 DT meters.

Non completion of metering activity resulted in non-achievement of annual reduction in AT&C losses by Rs. 58.60 crore.

Effective energy accounting and energy audit at feeder level was not possible due to non-completion of metering chain right from 11 KV feeder to consumer level. Non completion of metering activity had thus, resulted in non-achievement of envisaged annual reduction in AT&C losses by Rs. 58.60 crore.

Computerisation and information technology related works

2.4.20 As per DPRs, against a provision of Rs. 19.31 crore an expenditure of Rs. 2.71 crore was incurred on computerisation and information technology (IT) related works during 2004-05 to 2006-07. Both the Utilities had not prepared and implemented any integrated programme for execution. Audit noticed that physical and financial progress achieved on these works was insignificant as detailed in **Annexure- 15**.

It would be seen (**Annexure-15**) that out of 15 IT related works in UHBVNL and DHBVNL, only seven works had been taken up so far (March 2007).

During ARCPSE meeting the Management stated (July 2007) that being a new type of work, the desired implementation could not be achieved. UHBVNL stated (August 2007) that all the works except data logging of 33 KV sub-station would be completed by March 2008.

System strengthening works

2.4.21 Upgradation and strengthening of sub-transmission and distribution network is the most important component to minimise technical losses, failure rate of distribution transformers and for improvement in reliability of power supply.

The financial progress of system strengthening works of the Utilities up to 31 March 2007 was as under:

Utility	Project cost	Expenditure	Percentage utilisation
	Rs. in crore		
UHBVNL	111.33	79.34	71.27
DHBVNL	110.47	83.49	75.58

Activity wise position of physical and financial progress of UHBVNL and DHBVNL as on March 2007 respectively is given in **Annexure 16**. It would be seen (**Annexure-16**) that progress of system strengthening works was not satisfactory as the works could not be completed (March 2007) against the stipulated completion date of May 2004.

Slow progress of the works

2.4.22 Following deficiencies were noticed in the execution of these works.

DHBVNL

DPR of Operation Circle, Faridabad approved in 2002-03, had provided for strengthening 100 No.s 11 KV feeders at a cost of Rs. 35.97 crore. These works to be executed by construction and operation divisions were to be completed in 18 months i.e. upto May 2004. Audit analysis of works executed by construction/operation divisions, however, revealed as under:

- issue of work orders was delayed by 7 to 47 months after the approval of the scheme;
- only one work had been completed within the scheduled period stipulated in work order;

- work on 59 feeders had been completed after delays ranging between 4 and 38 months;
- all the 60 works were completed at a cost of Rs. 10.77 crore against estimates of Rs. 16.55 crore. Thus the estimates were unrealistic and inflated;
- works on 15 Nos 11 KV feeders (estimated cost Rs. 10.29 crore) were in progress and expenditure of Rs. 4.99 crore had been booked till March 2007;
- work on three* 11 KV feeders (estimated cost Rs. 68.78 lakh) had not been started so far (March 2007);
- delay/non-completion of works within scheduled period resulted in cost overrun. The cost overrun on transformers alone was Rs. 82.70 lakh on 58 works;
- the works relating to strengthening of 10 feeders of 11 KV capacity started by Operation Division, old Faridabad in 2002-03 and 2003-04 remained incomplete (August 2007) after incurring expenditure of Rs. 63.68 lakh upto March 2005 for want of material as reported (March 2007) by Deputy General Manager of the division.
- status of works of 12 Nos 11 KV feeders executed by the operation division, Ballabhgarh (11) and operation division, Palwal (one) was not forthcoming from the records available.

UHBVNL

To avoid delay in execution of works, the Utility adopted turnkey mode of contracting as provided in the scheme guidelines. For execution of works relating to HT portion of augmentation/bifurcation of 12 Nos 11 KV feeders in operation circle, Sonipat, turnkey contract was awarded (December 2001) to JITCO, New Delhi for completion in nine months. The contractor completed (June/November 2003) HT line of nine feeders at a cost of Rs. 1.70 crore against estimated cost of Rs. 1.16 crore. It was observed that the matching work of Low Tension (LT) spur lines and DTs to be done departmentally was in progress (March 2007). Due to non synchronisation of these works, benefits from turnkey execution of HT lines could not be fully achieved. The work of two feeders viz. 11 KV GT Road feeder and 11 KV Rohat feeder was held up (August 2007) due to enroute railway crossing and a court case. The Utility had booked an expenditure of Rs. 70.46 lakh on these works (March 2007) against estimated cost of Rs. 18.96 lakh.

During ARCPSE meeting the Management stated (July 2007) that the work of bifurcation of feeders was awarded on turnkey basis and that of providing transformers taken up departmentally. Due to shortage of staff these works were hampered and later on these were also given on turnkey basis. MoP had now been approached to extend the scheme. The Management, however, did not furnish a copy of this communication.

---

* 11 KV Dabua city feeder, 11 KV Sector 24 feeder and 11 KV cotton Mill feeder.

Inflated reporting of expenditure

2.4.23 In operation circle, Faridabad, against the expenditure of Rs. 80.85 crore reported (March 2007) to MoP, the actual expenditure on APDRP works as per books of accounts was Rs. 43.70 crore. This had resulted in inflated reporting of expenditure to the extent of Rs. 37.15 crore.

During ARCPSE meeting, DHBVNL stated (July 2007) that lower level staff could not differentiate between APDRP works and other works but they had since been rectifying the figures. The rectification at this belated stage has, however, lost its relevance as the expenditure had already been reported to MoP.

Inadmissible expenditure of interest

2.4.24 The utilisation figures had been inflated by Rs. 15.17 crore by inclusion of interest of Rs. 13.08 crore by DHBVNL during 2006-07 and Rs. 2.09 crore by UHBVNL in respect of Karnal and Yamuna Nagar projects alone during 2003-06.

During ARCPSE meeting the Management stated (July 2007) that the interest had been capitalised as per accounting principles. The plea was not acceptable as the scheme funds were not meant for financing the interest.

Incorrect reporting of metering

2.4.25 Scrutiny of records of sub-divisions/divisions revealed, that the actual progress of replacement of consumer meters in respect of one circle of UBHVNL and one circle of DHBVNL was less than the reported progress to MoP (**Annexure-17**). Audit observed that inflated figures had resulted in excess reporting of fund utilisation by Rs. 23.64 crore in these circles/towns.

It was further noticed, that, the Utilities had reported the expenditure on metering at higher rates than the actual rate in respect of one circle and eight towns. As a result, UHBVNL and DHBVNL reported excess expenditure of Rs. 16.56 crore up to 31 March 2007 (Rs. 10.60 crore by UHBVNL in six[*] projects and Rs. 5.96 crore by DHBVNL in three[**] projects) on replacement of single phase consumer meters.

Inadmissible expenditure

2.4.26 Inadmissible expenditure of Rs. 33.34 crore was shown as APDRP expenditure by the Utilities while responding to MoP as discussed below:

UHBVNL

- In Operation circle, Karnal, an expenditure of Rs. 15.46 crore had been booked (2002-07) on works (system strengthening: Rs. 6.57 crore and release of tubewell connections and replacement of transformers: Rs. 8.89 crore) not covered under the DPRs resulting in diversion of APDRP funds to that extent.

---

* Ambala town, Bahadurgarh town, Karnal circle, Rohtak town, Thanesar town and Yamunanagar and Jagadhri town.

** Bhiwani town, Rewari town and Sirsa town.

During ARCPSE meeting (July 2007) and in the reply UHBVNL stated (August 2007) that entire Karnal circle was covered in APDRP and all the works executed in the circle were considered in the scheme. The fact, however, remains that there was no provision of the expenditure in the DPR.

- In Operation division City and Sub-urban division, Sonipat, an expenditure of Rs. 37.05 lakh had been incurred (2002-07) on various works viz. purchase of pickup vans (tempo trax), providing of link lines, providing 63 and 100 KVA Transformers (TFs) for segregation of tubewell load, providing dedicated TFs on tubewells of farmers and deposit works of lines etc., which had not been approved in the DPRs.

- In Operation circle, Sonipat, there was excess reporting of Rs. 73.97 lakh on LT capacitors (Rs. 28.91 lakh), HT capacitors (Rs. 24.64 lakh), new 11 KV lines/changing conductors of 11 KV lines (Rs. 20.42 lakh) during 2002-06.

DHBVNL

- Operation circle, Faridabad reported (2003-04 to 2005-06) expenditure of rupees one crore for renovation and modernisation of 450 DTs. The progress could not be verified as neither the work registers for the year 2006-07 had been completed nor any separate details for this activity were maintained by the divisions. Based on DPR the actual expenditure for 450 DTs works out to Rs. 18 lakhs. Thus excess expenditure of Rs. 82 lakh was reported to the MoP.

- As against reported expenditure of Rs. 1.09 crore as of 31 March 2006 on 33 KV sub-station Barwala Road, Hansi, the actual expenditure as per record of Operation Division, Hansi was Rs. 75.74 lakh. As such, Rs. 33.26 lakh had been reported in excess of the actual expenditure.

- As per works register of operation and construction divisions under Hisar circle, an expenditure of Rs. 10.04 crore was incurred (2006-07) on various works not approved in DPR. This resulted in diversion of APDRP funds to the extent of Rs. 10.04 crore and excess reporting of expenditure to MoP.

- As per works register of Operation and Construction divisions Faridabad circle, an expenditure of Rs. 5.58 crore had been incurred (2002-07) on various works which had not been approved in DPRs resulting in reporting of excess expenditure to the MoP.

Energy accounting and audit

2.4.27 One of the most important measures to ensure reduction of commercial losses, with relatively lower capital investment, is comprehensive energy accounting, which would enable quantification of losses in different segments of the system and their segregation into commercial and technical losses for taking specific corrective measures. Following deficiencies were noticed in the energy accounting and audit.

Both the Utilities failed to complete the works relating to replacement/ installation of consumer meters, feeder meters and DT meters as planned. Resultantly, the purpose of correct energy accounting and effective energy audit could not be achieved.

- UHBVNL had one division of energy audit at its head office and DHBVNL had two divisions (Hisar and Faridabad). However, there was no schedule of energy audits prepared or to be conducted. The energy audit cells could not provide details of energy audit conducted during 2001-06. In response to audit query, it was stated (February 2007/June 2007) that regular energy audit was not being done due to shortage of staff (UHBVNL) and non-availability of vehicles (DHBVNL).

Due to ineffective energy audit T&D losses were abnormal in Gohana division of Sonipat circle of UHBVNL and in 154 feeders of Hisar and Faridabad circles of DHBVNL.

- In UHBVNL the energy audit cell was compiling the sub-division wise T & D losses on the basis of data received from the field offices. The T & D losses in all the four sub-divisions of Gohana Division in Operation Circle, Sonipat ranged between 48 *per cent* to 54 *per cent* during 2006-07. As energy audit cell had not compiled feeder wise losses and identified reasons for high losses, corrective action to contain the high T & D losses was not taken.

- In DHBVNL, energy audit cell had compiled feeder wise losses to identify feeders with high losses. In the absence of effective energy audit and corrective measures, the distribution losses on 154 feeders in Hisar Circle (82) and Faridabad Circle (72) covered under APDRP remained above 40 *per cent* up to March 2007. During ARCPSE meeting the Management stated that DT metering would be provided for reducing losses.

Non-implementation of administrative interventions

2.4.28 As per MoU/Agreement entered (13 February 2001/5 December 2002) into by State Government/Utilities with MoP for implementation of APDRP, the 11 KV feeders were to be operated as business units with Junior Engineer (JE) as feeder manager. The distribution circle was to be operated as profit centre and as an independent administrative unit with adequate delegation of technical and financial powers for operation, maintenance and project implementation. Though the JEs had been designated as feeder managers, the 11 KV feeders were not being operated as business units and adequate technical and financial powers were not delegated to circle Chief Executive Officers (CEO) for project implementation. The circles were not being operated as profit centres for fixing accountability for poor performance and taking remedial measures for improvement.

UHBVNL stated (August 2007) that CEO's have now been empowered with more financial powers.

Vigilance measures to check theft of energy

2.4.29 Prevention of theft plays a critical role in reduction of AT & C losses. To detect theft of energy, the premises of consumers are checked by vigilance wing and operations wing of the Utilities. Audit examination of data relating to theft of energy in respect of Sonipat Circle (UHBVNL) and Faridabad circle (DHBVNL) revealed that in Sonipat Circle, checking of consumer connections due for checking ranged between 14.34 to 21.38 *per cent* during 2002-07. Shortfall in checking had resulted in potential loss of revenue estimated at Rs. 20.29 crore (based on the average penalty recovered as a result of checking). The recovery performance of penalties imposed had also decreased from 46 *per cent* in 2002-03 to 38 *per cent* in 2006-07. In Faridabad circle the number of connections checked increased from 14,619 in 2003-04 to 23,611 in 2005-06 but decreased to 17,825 in 2006-07. Shortfall in checking had resulted in potential loss of revenue estimated at Rs. 89.91 crore (based on the average penalty recovered as a result of checking). The recovery performance of penalties imposed had decreased from 54 *per cent* in 2003-04 to 37.49 *per cent* in 2006-07.

Internal control

2.4.30 Internal control is a management tool used to provide reasonable assurance that the Management's objectives are being achieved in an efficient, effective and orderly manner. Audit scrutiny of records revealed the following deficiencies in the internal control system of the Utilities which led to wrong reporting and ultimate slow progress of the works.

- Activity wise/package wise work register in respect of APDRP works had not been maintained to watch progress of expenditure as per provision in DPRs.
- In order to minimise delays the revenue centres i.e. sub-divisions had not maintained records to monitor the replacement of defective energy meters showing the dates when meters became defective and replacement thereof.
- Contractor ledgers had not been maintained by the construction and operation divisions to exercise control over payments to contractors for works and various recoveries to ensure control over payments and recoveries from contractors.
- Quantity account of consumer meters, DT meters and feeder meters had not been maintained by the divisions (DHBVNL) to ensure correct reporting to MoP.
- Fixed asset registers in respect of assets created out of APDRP funds had not been maintained feeder wise/sub-station wise showing quantity of poles, conductor, transformers and other equipments. In the absence thereof, control over assets could not be exercised.
- Registers regarding theft of energy maintained by sub-divisions to monitor the progress of theft cases was deficient as it did not contain the required information like checking report (LL-1) serial numbers,

amount of penalties imposed and recovered, action taken in case of non-recovery. Data reported to circle office was not matching with the registers maintained by sub-divisions.

- Registers to monitor cases referred to revenue authorities for recovery had not been maintained properly by the divisions to monitor recovery effected by the revenue authorities.
- Absence of system regarding verification of reported expenditure.
- Absence of monitoring of APDRP works by the Board of Directors of the Utilities

Evaluation of APDRP

2.4.31 APDRP would continue till the end of XIth Five Year Plan i.e. upto 2012. Parliamentary Standing Committee on Energy in its Ninth report recommended (November 2005) that States/Utilities should prepare more and more schemes under APDRP. The MoP forwarded (November 2005) these recommendations to State Utilities for necessary action. The Utilities had not formulated any schemes for other cities/circles so far (March 2007).

Utilities failed to achieve objectives of APDRP even after investment of Rs. 286.80 crore.

The Utilities had selected (July/November 2002, May 2003) only four circles and 14 towns for implementation of APDRP projects. Not only the Utilities failed to take up other circles but also failed to complete the works taken up despite expenditure of Rs. 286.80 crore and lapse of over two years from expiry of scheduled completion period. Resultantly the Utilities could not achieve the objectives of APDRP as discussed in the following paragraphs:

Transmission and distribution losses

2.4.32 As per DPRs, T & D losses were to be brought down to around 10 *per cent* by 2005-06. These targets had not been achieved as is evident from the table given below:

Circle/town	T&D Losses (in *per cent*)					
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Average
UHBVNL							
Karnal circle	25.54	25.40	28.54	29.72	28.67	26.67	27.54
Yamunanagar & Jagadhri town	36.32	30.74	26. 69	24.25	24.57	22.93	27.20
Sonipat circle	33.18	30.88	29.67	23.68	29.78	28.68	29.18
DHBVNL							
Hisar circle (Town)	29.35	30.97	28.17	27.29	18.89	12.02	22.44
Hisar-II	44.02	43.80	45.08	49.40	44.12	42.93	44.76
Tohana town	38.95	40.80	44.50	45.00	50.00	41.30	43.63
Fatehabad town	34.68	27.89	30.59	30.15	32.00	31.93	31.17
Hansi town	46.28	37.47	38.75	40.79	36.48	33.05	38.68
Faridabad circle	28.05	30.05	29.94	29.01	26.93	24.53	27.96

As at the end of 2006-07 against 10 *per cent* T&D losses, the average for the period 2001-07 ranged between 27.20 to 29.18 *per cent* in three circles/ towns under UHBVNL. The average of T&D loses of six circles/towns under DHBVNL ranged between 22.44 to 44.76. Thus there was negligible impact in respect of both the utilities on the T&D losses despite 66.40 *per cent* implementation of APDRP.

Aggregate technical & commercial losses

2.4.33 It was expected by MoP (January 2006) that when implementation of APDRP reached more than 25 *per cent*, the AT&C losses would be below 15 *per cent*. Though more than 66 *per cent* of APDRP has been implemented by the Utilities, target of A T & C losses at 15 *per cent* had not been achieved in any of selected towns/circles (except Hisar Town) as is evident from the table given below:

Circle/town	A T & C losses (in *per cent*)						
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Average
UHBVNL							
Karnal circle	25.77	20.90	28.82	31.36	35.75	32.36	29.74
Yamunanagar & Jagadhri town	38.20	31.29	25.44	25.65	26.26	23.92	28.08
Sonipat circle	36.25	34.89	32.92	31.42	33.84	32.53	33.49
DHBVNL							
Hisar circle (Town)	29.90	31.24	32.05	29.65	19.57	12.59	23.75
Hisar-II	46.82	50.28	49.67	53.66	48.69	49.55	49.33
Tohana town	48.11	47.99	52.87	53.32	56.96	58.33	53.46
Fatehabad town	42.76	30.33	36.87	39.98	40.66	38.81	38.33
Hansi town	45.19	38.10	40.60	41.98	38.39	33.41	39.50
Faridabad circle	28.11	34.07	33.95	33.48	31.56	28.48	31.63

As at the end of 2006-07 against 15 *per cent* AT&C losses, the average for the period 2001-07 ranged between 28.08 to 33.49 percent in three circles/ towns under UHBVNL. The average of six circles/towns under DHBVNL ranged between 23.75 to 53.46.

Due to non-achievement of target of 15 *per cent* AT & C losses, the Utilities had suffered loss to the extent of Rs. 792.02 crore (UHBVNL: Rs. 383.22 crore; DHBVNL: Rs. 408.80 crore) during 2005-06 and 2006-07 in above circles/towns alone which also impacted the cash losses. Thus due to non reduction in cash losses, the Utilities could not get incentives from the MoP after 2001-02 as available under the APDRP.

Collection efficiency and average revenue realisation

2.4.34 The targets for collection efficiency in percentage of revenue assessed and average revenue realisation (ARR) in rupees per unit as per DPRs and achievement there against are given below:

Circle/town	Components	Base year (2001-02)	Achievement					
			Target	2002-03	2003-04	2004-05	2005-06	2006-07
UHBVNL								
Karnal circle	Collection efficiency	85.23	96.39	106.4	99.61	97.67	90.07	92.23
	ARR on billed energy	3.45	3.63	2.26	2.09	2.12	1.98	2.05
	ARR on input energy	2.23	2.82	1.69	1.49	1.49	1.41	1.50
Yamunanagar & Jagadhri town	Collection efficiency	96.86	99.00	99.21	101.70	98.14	97.763.3	98.72
	ARR on billed energy	3.88	3.97	3.62	3.59	3.42	6	3.49
	ARR on input energy	2.53	3.37	2.51	2.63	2.59	2.53	2.69
Sonipat circle	Collection efficiency	95.40	NA	94.20	95.38	89.86	94.22	94.60
	ARR on billed energy	3.08	NA	2.99	2.96	2.61	2.73	2.79
	ARR on input energy	2.05	NA	2.07	2.08	1.99	1.92	1.97
DHBVNL								
Hisar (town)	Collection efficiency	99.23	98	99.60	94.60	96.75	99.15	99.35
	ARR on billed energy	4.25	3.88	4.08	3.99	3.96	3.96	3.81
	ARR on input energy	3.00	3.37	2.82	2.87	2.88	3.20	3.35
Hisar-II	Collection efficiency	94.98	97	86.92	91.65	91.59	91.82	88.40
	ARR on billed energy	3.28	3.35	3.23	3.56	3.38	2.41	3.23
	ARR on input energy	2.42	3.01	1.85	1.79	1.71	1.35	1.84
Tohana town	Collection efficiency	97.52	NA	88.00	85.00	85.00	88.00	70.98
	ARR on billed energy	0.97	NA	3.43	3.20	3.20	3.16	2.21
	ARR on input energy	1.01	NA	2.03	1.78	1.76	1.58	1.29
Fatehabad town	Collection efficiency	94.59	NA	96.62	90.95	85.92	87.27	89.89
	ARR on billed energy	1.32	NA	1.15	1.07	1.01	1.03	2.30
	ARR on input energy	0.87	NA	0.83	0.74	0.71	0.70	1.43
Hansi town	Collection efficiency	68.40	NA	99.00	97.00	98.00	97.00	99.47
	ARR on billed energy	2.40	NA	3.88	3.87	3.88	4.10	3.88
	ARR on input energy	1.36	NA	2.43	2.37	2.30	2.60	2.60
Faridabad circle	Collection efficiency	99.91	96	94.26	94.28	93.70	93.66	94.76
	ARR on billed energy	3.72	4.07	3.70	3.71	3.73	3.73	3.83
	ARR on input energy	2.68	2.79	2.59	2.60	2.65	2.72	2.89

It would be seen from the table above that the targets of collection efficiency and ARR set in DPRs had not been achieved during the year 2005-06 and

2006-07 in respect of Karnal circle and Yamunanagar and Jagadhri town and were less than the base year in Sonipat circle during 2005-06 and 2006-07 of UHBVNL. In DHBVNL targets of collection efficiency and ARR were not achieved in Hisar II and Faridabad circle during 2005-06 and 2006-07. Collection efficiency in Tohana and Fatehabad towns was far less than the base year.

Further analysis of collection efficiency revealed the following deficiencies:

- In order to enhance collection efficiency, the field offices had not made effective use of statutory measures available for recovery from defaulting consumers. In Sonipat circle and Yamunanagar and Jagadhri town of UHBVNL, against default of Rs. 47.69 crore from 50,986 disconnected consumers, recovery notices had been issued in 1,630 cases only involving recovery of Rs. 5.45 crore during 2002-07. During the same period, only 135 cases (Rs. 32.01 lakh) had been sent for recovery to revenue authorities. No recovery could be made thereagainst, reasons for which were not on record.

- In Faridabad and Hisar circles of DHBVNL, against default of Rs. 156.84 crore from 1,23,564 disconnected consumers, notices had been issued in 4,753 cases involving recovery of Rs. 21.21 crore during 2002-07. Recovery of only Rs. 9.48 lakh had been made against these notices. During the same period, only 303 cases involving recovery of Rs. 170.94 lakh had been sent for recovery to revenue authorities and recovery of Rs. 33.66 lakh only had been made thereagainst.

UHBVNL stated (August 2007) that targets could not be achieved due to short realisation from Government departments and Court cases and that efforts were being made to improve the collection efficiency by settlement of defaulting cases.

Consumer satisfaction

2.4.35 The Utilities did not conduct any survey in order to assess the improvement, if any, in the level of consumer satisfaction. It was, however, noticed that the level of consumer satisfaction had not improved as the reliability and quality of power failed to improve as is evident from the following:

Excess damage of transformers

2.4.36 The Distribution Transformer (DT) is a key component of the distribution network and its failure not only results in financial loss to the utility but also adversely affects consumer satisfaction due to interruption in supply. DT failure norm of less than 1.5 *per cent* was fixed by MoP to ensure reliability of power supply.

It was noticed in audit that despite heavy damage rate of DTs, the Utilities assigned low priority to works relating to DT renovation. As the progress of DT renovation was as low as 21.89 *per cent* in UHBVNL and 5.36 *per cent* in DHBVNL upto March 2007, target of 1.5 *per cent* damage rate of DTs had not been achieved as tabulated below:

Circle/Town	Damage rate in *per cent*						
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Average
UHBVNL							
Karnal circle	21.41	20.28	39.70	34.00	32.24	32.03	30.23
Yamunanagar & Jagadhri town	12.38	10.69	11.05	11.95	13.67	13.91	12.33
Sonipat circle	20.24	20.22	29.99	31.76	33.73	30.25	28.17
DHBVNL							
Hisar town	7.06	6.39	9.42	11.74	11.83	5.57	8.68
Hisar-II	14.10	8.97	11.96	15.31	13.73	12.62	12.82
Tohana town	15.26	13.35	21.41	15.00	16.48	17.00	16.47
Fatehabad town	20.38	19.12	18.20	20.31	15.60	12.29	17.33
Hansi town	3.35	2.17	4.35	4.81	8.29	9.41	5.49
Faridabad circle	N.A.	17.30	18.93	21.60	18.45	18.07	18.88

Due to excess damage rate of transformers the Utilities suffered loss of Rs. 20.85 crore in 2005-06 & 2006-07.

As at the end of 2006-07 against 1.5 *per cent* damage rate of DTs, the average for the period 2001-07 ranged between 12.33 to 30.23 *per cent* in three circles/ towns under UHBVNL. The average of six circles/towns under DHBVNL ranged between 5.49 to 18.88 *per cent.* Thus, UHBVNL and DHBVNL suffered loss to the extent of Rs. 10.25 crore and Rs. 10.60 crore respectively during the years 2005-06 and 2006-07 in the above circles/towns alone due to excess damage rate of DTs.

UHBVNL stated (August 2007) that steps were being taken to check high damage rate.

In APDRP review meeting (31 August 2006) MoP had observed that DT failure rate in Sonipat and Faridabad towns was very high and showed that quality checks of DT procurement and installations practices were not proper which needed to be improved. MoP advised the Utilities to furnish the DT failure report of new transformers, repaired transformers with details of manufacturers/repair agencies, history of DTs, root cause analysis of DT for further review and corrective action. No such report was, however, prepared.

Feeder reliability

2.4.37 As the Utilities had failed to complete the works relating to changing conductors, bifurcation/trifurcation of feeders, the feeders remained overloaded and in poor shape and the target of less than one interruption per feeder per month fixed by the MoP had not been achieved as tabulated below:

Circle/Town	Number of monthly interruptions per feeder						
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Average
UHBVNL							
Karnal circle	15	14	14	16	16	16	15.10
Yamunanagar & Jagadhri town	10	9	7	8	7	8	8.10
Sonipat circle	19	21	20	17	18	17	18.70
DHBVNL							
Hisar town	10	10	11	11	10	9	10.10
Hisar-II	7	11	9	9	11	10	9.50
Tohana town	13	14	13	18	19	18	15.80
Fatehabad town	4	13	11	11	10	10	9.80
Hansi town	8	19	20	21	21	18	17.80
Faridabad circle	13	8	6	7	5	5	7.30

As at the end of 2006-07 against less than one interruption per feeder per month, the average for the period 2001-07 ranged between 8.10 to 18.70 interruptions per feeder per month in three circles/towns under

UHBVNL. The average of six circles/towns under DHBVNL ranged between 7.30 to 17.80. Audit analysis revealed that excessive interruptions were mainly on account of overloading, poor operation and maintenance of lines and sub-stations.

Imbalance in Low Tension/High Tension ratio

2.4.38 As the Utilities had failed to complete the works for new HT lines and bifurcation/trifurcation of 11 KV feeders, the LT/HT ratio had not been brought upto the level of 1:1 (except for Fatehabad Town) prescribed by CEA to reduce technical losses as is evident from the following table:-

Circle	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Average*
UHBVNL							
Karnal circle	2.25:1	2.31:1	2.34:1	2.25:1	2.23:1	2.19:1	2.26:1
Yamunanagar & Jagadhri town	2.33:1	2.33:1	2.27:1	2.26:1	2.25:1	2.21:1	2.27:1
Sonipat circle	1.72:1	1.81:1	1.70:1	1.66:1	1.62:1	1.57:1	1.68:1
DHBVNL							
Hisar town	1.34:1	1.33:1	1.35:1	1.37:1	1.35:1	1.33:1	1.35:1
Hisar-II	1.12:1	1.12:1	1.13:1	1.14:1	1.13:1	1.12:1	1.13:1
Tohana town	2.39:1	2.39:1	2.35:1	2.32:1	2.31:1	2.31:1	2.35:1
Fatehabad town	0.94:1	0.93:1	0.93:1	0.87:1	0.82:1	0.81:1	0.88:1
Hansi town	1.89:1	1.86:1	1.82:1	1.70:1	1.68:1	1.67:1	1.77:1
Faridabad circle	2.56:1	2.56:1	2.60:1	2.58:1	2.25:1	2.25:1	2.40:1

As at the end of 2006-07 against LT/HT ratio of 1:1, the average ratio for the period 2001-07 ranged between 1.68:1 to 2.27:1 in three circles/ towns under UHBVNL. The average of six circles/towns under DHBVNL ranged between 1.13:1 to 2.40:1 except Fatehabad town. Due to non achievement of above parameters, the consumers satisfaction level had not improved.

During ARCPSE meeting the Management stated (12 July 2007) that the ratio of 1:1 of HT/LT was not possible. It was being brought down and further new connections were being released on HT.

Thus there were not much gains from APDRP despite investment of Rs. 286.80 crore and annual interest liability estimated at Rs. 18.21 crore.

In APDRP review meeting (31 August 2006) MoP had also observed that:

- Haryana was in the forefront of reforms process in 2001 but it slipped on performance over the years;
- there was deterioration of all key performance indicators;
- the high AT&C losses indicated management failure of Utilities;
- investments in the State had failed and results were not forthcoming;
- ARR was deteriorating in towns;
- review, accountability and responsibility were missing and Management policies had been harmful to the reforms process; and
- in such a scenario MoP would find it difficult to support the Utilities.

During ARCPSE meeting the Management agreed (12 July 2007) that the improvement was not up to the levels of targets fixed by MoP.

Conclusion

Execution of APDRP by the Power Utilities was slow and none of the projects was completed even after a lapse of more than two years after the projected dates. The implementation of the APDRP was marred with deficient detailed project reports, diversion of funds, non synchronisation of related works, non-implementation of Information Technology related works. Due to non-completion of the projects the Utilities could not avail full grant available under APDRP. The circle offices were not declared as profit centre for proper accountability. As a result, objectives of the scheme to bring down Aggregate Technical and Commercial losses, increase in consumer satisfaction by providing reliable and quality power could not be achieved and Utilities could not get incentive available under the programme for cash loss reduction.

Recommendations

- The Utilities should regularly monitor and expedite APDRP works at the highest level if full benefits are to be derived for ensuring uninterrupted quality supply of power to consumers;
- Schemes for other circles/towns should also be formulated to avail of central assistance for strengthening the over all power network in the State;
- There should be regular coordination of various ongoing works to remove bottlenecks and optimise envisaged benefits;
- The circles should be declared as profit centres to have proper accountability;
- Implementation of Information Technology works should be expedited; and
- Internal control system should be strengthened.

The matter was referred to the Government and the Utilities in May 2007; reply of the Government and Dakshin Haryana Bijli Vitran Nigam Limited had not been received (September 2007).

Chapter-III

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

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

Government companies

Haryana Agro Industries Corporation Limited

3.1 Non recovery of transportation charges

The Company suffered a loss of Rs. 1.17 crore due to non recovery of transportation charges from the millers.

The Government of India (GOI) prescribes the rates of Custom Milled Rice (CMR) each year delivered to the Central Pool by the State Procurement Agencies. GOI vide their notification (December 2004 and November 2005) prescribed rates for CMR for Khariff 2004-05 and 2005-06 which, *inter alia*, provided that the milling charges in respect of paddy and rice include transportation charges up to eight km on each side from the purchase centre to the mill and from mill to the FCI's godown. Accordingly, clause 16 of the agreement executed with the millers stipulated that all the expenditure incurred including labour, transportation and other incidentals in connection with the lifting of paddy from storage points or any other place and delivery thereof shall be borne by the millers. The GOI confirmed (July 2006) these stipulations in response to representations received from the various State Governments and rice millers associations.

Audit scrutiny (February 2007) revealed that the Company had incurred an expenditure of Rs. 1.17 crore during 2004-06 on transporting paddy to the millers within eight kms from purchase centres to the mills. Management stated (May 2007) that the transportation charges were not recovered from the millers as per the instructions from the Chief Minister's Office. The reply is not tenable as the milling charges fixed by the GOI included transportation charges in such situations. The action of the Company in not recovering the transportation charges on paddy from the millers despite clear stipulation in the agreement amounted to undue favour to them.

Thus, the Company suffered a loss of Rs. 1.17 crore due to non recovery of transportation charges from the millers.

The matter was referred to the Government in April 2007; the reply had not been received (September 2007).

Haryana State Roads and Bridges Development Corporation Limited

3.2 *Loss due to delay in finalisation of tender bids*

Failure of the Company to make fair assessment of anticipated toll collection and rejection of a valid offer had resulted in loss of revenue of Rs. 4.64 crore.

The State Government decided (September 2002) to levy toll tax on the roads improved under HUDCO loan projects and authorised the Company to invite bids for collection of toll. On completion of Bahadurgarh-Jhajjar Road, the State Government issued (9 September 2003) notification for levy of toll on this road upto 31 March 2017 at the specified rates. The Company invited (June 2003 and January 2004) tenders but no offer was received.

Tenders were again invited (July 2005) and a single bid of Udavir Singh Sudesh Pal for Rs. 4.53 crore for two years was received. After negotiation, (September 2005) the contractor raised the offer to Rs. 4.64 crore. As per traffic data on this road, toll collection of Rs. 6.50 crore was anticipated (August 2005). The tender committee in its meeting (September 2005) decided to get the assessment of toll collection from an independent agency and asked (September 2005) Superintending Engineer (SE), Rohtak to extend the validity of the tender besides giving concrete recommendations regarding approval of bid. After a lapse of three months SE, Rohtak intimated (December 2005) that tenders may be re-invited as the offer of Rs. 4.64 crore was very low against the anticipated toll collection of Rs. 7.85 crore based on traffic census conducted (December 2005) by an independent agency. Resultantly, the Company refunded (January 2006) the security of Rs. 15 lakh paid by the tenderer. The Company re-invited (February 2006) tenders but no offer was received. In the subsequent tenders (March 2006) two bids were received. The highest offer of Rs. 3.03 crore for two years was low, hence not considered. Moreover, the Company had earlier rejected a valid offer of Rs. 4.64 crore. Audit observed (October 2006) that the Company was aware from the date of notification for levy of toll fee that this route was having locational disadvantage and anticipated toll collection based on traffic census was not feasible. Despite this the Company rejected a valid offer of Rs. 4.64 crore for two years resulting in loss of revenue.

Thus, failure of the Company to make fair assessment of anticipated toll collection resulted in loss of revenue of Rs. 4.64 crore.

The Management stated (July 2007) that toll contract could not be awarded in July 2005 as it was 43.9 *per cent* less than the anticipated value. The reply is not tenable as the anticipated toll collection was not worked out realistically and in the given conditions, rejection of offer of Rs. 4.64 crore was not justified.

The matter was referred to the Government in May 2007; the reply had not been received (September 2007).

3.3 Excess payment of interest

Failure of the Company to act prudently resulted in excess payment of interest of Rs. 6.78 crore.

Housing and Urban Development Corporation Limited (HUDCO), New Delhi sanctioned three loans aggregating Rs. 468.27 crore (Rs. 173.66 crore on 27 April 2000, Rs. 144.08 crore on 10 October 2001 and Rs. 150.53 crore on 15 October 2001) at fixed interest rates prevalent on the dates of disbursement as per each scheme for improvement/upgradation of state highways and district roads by the Company. The Company drew Rs. 262.98 crore at interest rates ranging between 12.75 and 10.25 *per cent* per annum during December 2000 to April 2003.

For providing relief to the existing loanees due to declining interest rates, HUDCO offered (March 2004) to reset the interest rates of already availed loans at fixed higher rate of interest on payment of one time resetting charges of one *per cent* of the outstanding principal amount. Despite substantial reduction (March 2004) in rate of interest (8.25/8.75 *per cent*) the Company did not evaluate the savings in getting the loan reset. Had the Company reset the outstanding loans of Rs. 290.99 crore (as on 31 March 2004) by making payment of Rs. 2.91 crore as resetting charges, the Company could have saved a net of Rs. 6.78 crore on account of difference in interest during April 2004 to June 2007.

Failure of the Company to act (March 2004) prudently by opting for reduced rate of interest had thus resulted in excess payment of interest of Rs. 6.78 crore up to June 2007.

The Management stated (June 2007) that it evaluated (July 2005) the proposal when the offered rate of interest was 8.75 *per cent* per annum and same was not found profitable option. The reply is not tenable as the Company should have evaluated this option in March 2004 when the scheme was offered by HUDCO.

The matter was referred to the Government in February 2007; the reply had not been received (September 2007).

Haryana State Industrial and Infrastructure Development Corporation Limited

3.4 Irregular payment of conveyance allowance

Inadmissible reimbursement of conveyance allowance amounting to Rs. 1.82 crore was made to employees in violation of State Government instructions.

The Company decided (April, 1995) to reimburse the conveyance allowance to its employees depending upon their entitlement, in the shape of cost of petrol, in place of fixed conveyance allowance. Accordingly, the amount of conveyance charges increased with the increase in cost of petrol from time to time.

The State Government while approving the recommendations of Pay Revision Committee for Public Sector Undertakings (PSUs) issued (October 1998) instructions to all the Administrative Departments of PSUs/Institutions that various allowances like Dearness Allowance, House Rent Allowance, City Compensatory Allowance, Conveyance Allowance and other incentives granted to the employees of all State PSUs/Institutions should not exceed the ones admissible to State Government employees under any circumstances. As per the orders of the State Government, Conveyance Allowance was admissible only to blind and orthopaedically handicapped employees.

Test-check of records by audit revealed (March 2007) that the Company adopted (December 1998) new scales approved by the Government but did not discontinue the reimbursement of conveyance charges in tune with the State Government orders. Thus, the Company paid Rs. 1.82 crore as conveyance allowance (April 2001 to July 2007) in disregard to the orders of State Government.

Thus, injudicious decision of the Company to continue the payment of conveyance allowance, particularly when the State Government had specifically directed the PSUs not to pay any allowances over and above those admissible to State Government employees had resulted in an irregular payment of conveyance allowance.

The Management stated (June 2007) that the new pay scales were adopted in 1998 and the facility of reimbursement of local conveyance allowance was continued as it was already in vogue for more than 14 years with the approval of BOD. The reply is not tenable in view of the State Government instructions (October 1998) which restricted the State PSUs from allowing any allowance/incentives to their employees, in excess of those admissible to State Government employees.

The matter was referred to the Government in April 2007; the reply had not been received (September 2007).

Haryana Police Housing Corporation Limited

3.5 Excess payment of interest

Failure of the Company to opt for reduced rate of interest resulted in excess payment of interest of Rs. 55.24 lakh

Housing and Urban Development Corporation Limited (HUDCO) sanctioned (October 1995 to February 2002) three loans of Rs. 39.60 crore to the Company with interest rates ranging from 10.5 to 16 *per cent*. Due to change in the interest rate regime, all the leading financial institutions reduced their interest rates. For giving relief to existing loanees, HUDCO offered (May 2003) resetting of interest charges at 10.44 *per cent* on payment of one time reset charges at the rate of one *per cent* on outstanding principal amount. The Company got the interest rates reset (July 2003) on the outstanding loan (July 2003) of Rs. 24.33 crore at 10.44 *per cent* per annum after paying (September 2003) resetting charges of Rs. 24.33 lakh.

Audit observed (December 2006) that the decreasing trend in interest rates continued and resultantly HUDCO again offered (March 2004) existing loanees the prevalent rate of 8.75 *per cent* on payment of one *per cent* reset charges on the outstanding loan. But the Company did not evaluate the savings in getting the loans reset and continued to make payment of interest at 10.44 *per cent* up to December 2005. It got the loans reset (January 2006) at the then prevailing rate of 9.25 *per cent*. Had the Company opted (March 2004) for reduced rate of interest of 8.75 *per cent* by paying resetting charges of Rs. 23.39 lakh on the outstanding loan (March 2004) of Rs. 23.39 crore, it could have saved Rs. 55.24 lakh till June 2007.

Thus, failure of the Company to take action at an appropriate time had resulted in excess payment of interest amounting to Rs. 55.24 lakh till June 2007.

In reply (April 2007), endorsed by Government (May 2007) the Management stated that borrower could get the interest rate reset once during total repayment period of each scheme. Reply is not tenable as clause 6 of financial pattern (March 2004) allows resetting of loan more than once subject to payment of resetting charges every time.

Uttar Haryana Bijli Vitran Nigam Limited

3.6 *Revision of consumption security*

The Company suffered a loss of interest of Rs. 5.45 crore due to short recovery of security of Rs. 80.25 lakh from the new consumers and non recovery of security of Rs. 220.06 crore from the existing consumers.

Haryana Electricity Regulatory Commission notified (26 July 2005) that the licensee should recover security equivalent to four months consumption charges in case of bi-monthly billing and two months in case of monthly billing cycle from the existing consumers calculated on the basis of average of 12 months of previous year, to safeguard against any default in payment. Adequacy of the security amount was to be reviewed once in three years based on the average consumption of the previous financial year. The Regulation further provided that the initial review of existing consumers would be carried out within a period of six months i.e. up to January 2006 and any deficit in the consumption security would be recovered in six instalments through energy bills. Security deposit from the new consumers under various categories was to be recovered at revised rates from 1st November 2005.

It was observed that the Company revised the rates of security deposit for new consumers with effect from 25 November 2005 instead of 01 November 2005. This had resulted in short recovery of Rs. 80.25 lakh based on connected load released during 1 - 24 November 2005 and loss of interest of Rs. 2.68 lakh calculated at 2.5 to 3.25 (8.5 to 9.25 *per cent* cash credit rate less 6 *per cent* payable to consumers) *per cent* per annum upto March 2007. In respect of existing consumers, the Company had not reviewed the average consumption of consumers for working out revised security requirements so far (March 2007) despite lapse of more than one year. Recovery of additional security deposit was to start after preparation of consumption security registers by field offices and billing agencies, which have not been prepared so far (March 2007). The Company assessed (October 2005) the amount of additional security recoverable from existing consumers at Rs. 220.06 crore. Delay in recovery of additional security of Rs. 220.06 crore from existing consumers had resulted in loss of interest of Rs. 5.42* crore up to March 2007.

The Management stated (March 2007) that the regulations were immediately implemented after the approval of the State Government to whom these were referred as these involved steep rise in the existing rates of security. Further, review and recovery of existing consumption security was a huge task which required minimum six months. The reply is not tenable as approval of the State Government was not required under the Electricity Act, 2003. The Company could have ensured timely implementation by doing the requisite spadework between July 2005 and October 2005. The additional security from existing consumers has not been recovered so far (August 2007).

The matter was referred to the Government in May 2007; the reply had not been received (September 2007).

3.7 Undue favour to consumers

Non compliance of instructions of the Company to charge tariff at higher rates from erring LT power consumers has resulted in a loss of revenue of Rs. 47.20 lakh.

The Company's instructions (2001) provide that if there is a change of category from low tension (LT) to high tension (HT) due to unauthorised increase in load, the consumer shall be charged HT tariff for that month for the first default with LT surcharge at the rate of 25 *per cent* of energy charges along with penalty for unauthorised load at the rate of Rs. 70 per KW. Such consumer is to be treated, in future, as an HT industrial consumer drawing power at LT supply and charged accordingly till such time he gives written intimation of disconnection of such excess load or shifts to HT category.

It was noticed (June 2006) that 32 LT consumers of operation sub division, Chhachrauli (Yamunanagar) had exceeded (August 2002 to September 2005) their load unauthorisedly and in view of the instructions their category changed from LT to HT. The Company neither charged the requisite penalty from these erring consumers for the first default nor treated them as HT industrial consumers in the ensuing months, despite the fact that no written intimation regarding disconnection of excess unauthorised load was received from the consumers. Metering & Protection and Vigilance Wing, responsible for checking also failed to detect the malpractice for more than two years. The Vigilance Wing detected (April 2005) unauthorised load in respect of four LT connections. Thereupon, the sub-division reviewed such cases and after seeking (December 2005) clarification (February 2006) from the head office, charged Rs. 51.84 lakh to their account for the period from August 2002 to September 2005. While conveying (February 2006) the clarification, the Director (Operation) of the Company desired

* represents the difference between interest paid on cash credit and that payable on consumer security.

that responsibility of delinquent officials be fixed for the loss in case recovery was not made. The consumers represented (March 2006) against charging of penalty on the plea that they had never increased the load and the excess load recorded by Maximum Demand Indicator (MDI) was a sheer result of jerking load caused due to the nature of work and they were never informed about any sales circular or test report. Further, they were being asked to pay after three years for the negligence of Company's officials. The Company issued specific instructions (February 2006) for issue of time bound notices to the erring consumers to avoid such situation. Admitting (March 2006) that the dispute would have never arisen had the erring consumers been served with notices for the extended load, the Management decided not to levy the penalty on the plea that the meter recorded the increased maximum demand due to jerking of load and the actual load had not increased in the subsequent readings. Consequently, Rs. 47.20 lakh were refunded/adjusted (May 2006). This action of the Management was not justified. In view of the Company's instructions the category changed due to exceeding the sanctioned load and remained operative till such additional load was removed. Further, the actual load of these consumers had also increased in subsequent readings and the Management failed to issue timely notice to the consumers regarding unauthorised load. Resultantly it could not recover penalty at a later stage.

It was further seen that provisions regarding issue of notice existed in the sales circular issued in June 2003 by its sister Company (Dakshin Haryana Bijli Vitran Nigam Limited) and endorsed to the Company.

Thus, non compliance of instructions in letter and spirit and absence of clear position in the sales instructions (2001) for issue of notices has resulted in loss of Rs. 47.20 lakh to the Company.

The Management stated (May 2007) that the Company had not suffered financial loss as the consumers were billed for extended load for the month in which the maximum demand had exceeded the sanctioned load. The reply is not tenable as in such cases billing was required to be done until the unauthorised load had actually been removed.

The matter was referred to the Government in April 2007; the reply had not been received (September 2007).

3.8 Avoidable extra expenditure and loss of interest

The Company incurred avoidable extra expenditure of Rs. 29.25 lakh due to non enforcement of quantity increase in purchase of transformers and suffered interest loss of Rs. 17.27 lakh due to delay in imposing liquidated damages.

The Company placed (April and August 2004) two purchase orders on Accurate Transformers Limited for purchase of 1500/6000 transformers of 100 KVA/25 KVA at a total price of Rs. 8.87 crore and Rs. 17.37 crore respectively. In this regard following deficiencies were noticed:

- With reference to purchases, the standard terms and conditions of the Company provide that quantities specified in purchase orders can be increased/decreased by up to 10 *per cent* at the discretion of the Company. Audit scrutiny (July 2006) revealed that in the purchase of transformers, this clause was not enforced to increase the ordered quantity before placement (16.9.04 for 100 KVA and 6.12.04 for 25 KVA transformers) of fresh orders on the existing suppliers at higer rates resulting in extra expenditure of Rs. 29.25 lakh as detailed below:

Sl. No.	Name of the firm	Type of trans-formers	Date of PO (Period of supply)	Qty. (Number)	Equated rate (Rs.)	Additional quantity purchased at higher rates (Number)	Rate Rs.	Extra expenditure (Rs. in lakh)
1.	Accurate Transformers Ltd. Delhi	25 KVA	7.8.2003 (Sept 2003 to Jan 2005)	6,000	52,500	600	56,000	21.00
2.	-do-	100 KVA	20.2.04 (June 2004 to Oct. 2004)	1,500	1,18,000	150	1,23,500	8.25
	Total							*29.25*

Thus, by not enforcing the terms of the supply orders, the Company incurred extra expenditure of Rs. 29.25 lakh in the purchase of transformers.

The matter was referred to the Government and the Company in February 2007; their replies had not been received (September 2007).

- Against purchase order for 25 KVA transformers the delivery was to be completed by 12 July 2004. The supplier, however, completed the delivery (September 2003 to January 2005) with delays ranging between one week and 28 weeks. According to the terms and conditions of the PO, the supplier was liable to pay liquidated damages (LD) at half *per cent* per week or part thereof subject to maximum of 10 *per cent* of the cost of delayed/undelivered material. It was, however, observed (June 2006) that while making payments (March 2004 to February 2005) the Company restricted the recovery of LD to five *per cent* instead of 10 *per cent* resulting in overpayment of Rs. 80.71 lakh. On being pointed out (June 2006) by Audit, the Company recovered (July 2006) Rs. 80.71 lakh from the firm. But loss of interest of Rs. 17.27 lakh (calculated at cash credit rate) on account of delayed recovery for 525 to 847 days had not been made good. Further, the Company had not initiated any action against the delinquent officials for the lapse.

Thus due to delay in imposing liquidated damages for delayed receipt of transformers, the Company had suffered a loss of Rs. 17.27 lakh.

The matter was referred to the Government and the Company in March 2007; their replies had not been received (September 2007).

3.9 Loss due to delay in implementation of revised rates

The Company suffered loss of revenue of Rs. 11.51 lakh due to delay in implementation of revised rates of application processing charges.

Haryana Electricity Regulatory Commission (HERC), in terms of provisions of Section 181 of the Electricity Act, 2003, notified (26 July 2005) regulations, which provide for recovery of application processing charges from applicants for new connections at revised rate of Rs. 10 per application for connected load upto 2 KW and Rs. 25 per KW for connected load above 2 KW, subject to a maximum of Rs. 10,000. As per the notification, the revised rates were applicable from 1 November 2005.

Audit noticed (September 2006) that the Company revised the rates of all the categories except AP consumers from 5 December 2005 instead of 1 November 2005. Due to delayed revision, the Company suffered loss of revenue of Rs. 11.51 lakh for new connections applied during 1 November 2005 to 4 December 2005.

The Management stated (April 2007) that the regulations could not be implemented due to long pendency of applications for agriculture pump set (AP) connection and a review petition was filed (29 November 2005) to keep this category out of the purview of these regulations. The reply is not acceptable as the rates could have been revised from 1 November 2005 by excluding AP consumers as had been done with effect from 5 December 2005 without receiving any decision from HERC.

The matter was referred to the Government in March 2007; the reply had not been received (September 2007).

Dakshin Haryana Bijli Vitran Nigam Limited

3.10 Extra expenditure

The Company incurred extra expenditure of Rs. 5.95 crore on the purchase of transformers due to delayed finalisation of tender and resultant purchase from Punjab State Electricity Board at higher rates.

The Company invited (September 2005) tender for procurement of 6,160 transformers (including 3,435 transformers for UHBVNL) of 63 KVA capacity. As per the tender conditions, supplies were to be completed within five and a half months from the date of receipt of order/approval of drawings. Tenders were opened (October 2005) and 9 out of 11 offers were found technically/financially valid. Meanwhile (November 2005), technical committee desired to incorporate completely self protected (CSP) feature in the specifications of transformers.

The tenderers were asked (December 2005) for supplementary price bid for transformers with CSP feature. After opening of tenders (January 2006) the tender evaluation report was prepared and submitted (13 January 2006) to Special High Power Purchase Committee (SHPPC). The lowest rates for transformers without CSP features and with CSP features were Rs. 68,500 and Rs. 85,356 per transformer respectively. SHPPC opined that tenders were invited for procurement of transformers without CSP features and as such decided (8 February 2006) to procure 4,000 transformers without CSP features from Maha Shakti Conductors Private Limited, Bhatinda (1,000 each for UHBVNL and the Company) and Akal Electricals Private Limited, Ludhiana (1000 each for UHBVNL and the Company) at the lowest rate of Rs. 68,500 per transformer. The purchase orders were issued (6 March 2006) and delivery of material was to start from May 2006. In the meantime, to meet urgent requirement of UHBVNL, the Company proposed (January 2006) the Financial Commissioner (Power) to procure these transformers from Punjab State Electricity Board (PSEB) on cost to cost basis for which Financial Commissioner (Power) gave (23 February 2006) his approval. The Company, however, procured (March 2006) 1,500 transformers without CSP features and warranty clause from PSEB at higher rate of Rs. 1,08,170 per transformer without ascertaining the actual cost incurred by the PSEB. As per agenda note submitted to the SHPPC the rate of PSEB was recorded as Rs. 73,914 per transformer.

It was observed (December 2006) that though there was urgent requirement of transformers, the Company instead of finalising the procurement of transformers with tendered specifications expeditiously, delayed the process by inviting supplementary rates with added features. Resultantly, the Company had to make emergency purchases from PSEB with no warranty. Further, while placing order the actual cost was not ascertained from PSEB and procurement was made at Rs 1,08,170 against market rate of Rs. 68,500 per transformer resulting in excess expenditure of Rs. 5.95 crore.

Thus delay in finalisation of purchase case and procurement from PSEB at higher rate resulted in extra expenditure of Rs. 5.95 crore.

The matter was referred to the Government and the Company in April 2007; their replies had not been received (September 2007).

3.11 *Extra expenditure due to delay in finalisation of tenders*

The Company incurred extra expenditure of Rs. 19.01 lakh due to non processing of tenders within validity period.

Company's purchase regulations *inter alia* provide that the purchasing authority should ensure that tender is finalised at least 15 days before the expiry of the validity of tenders.

The Company opened (January 2006) tenders for procurement of GSS Wire of 7/8 SWG (190 MT) and GI wire of 7/8 SWG (200 MT). Three offers were received. Instead of processing the two lowest offers (L1 & L2) valid upto 19 April 2006, the Company opted for pre order inspection (January 2006) of the third lowest (L3) tenderer (new to the Company). The Inspection report of the inspecting agency was received on 4 May 2006 after the expiry of the validity of the offers. The tenderers did not agree for extending the validity period. Resultantly, the Company invited fresh tenders (August 2006) and purchased (December 2006) these items from the original lowest tenderer Ram Sarup Industrial Corporation at higher rates by incurring extra expenditure of Rs. 19.01* lakh.

Thus, by not finalising the tenders with in the validity period, the Company incurred extra expenditure of Rs. 19.01 lakh.

* GSS wire (Rs. 40160 - Rs. 34662) X 190 MT + GI wire (Rs. 37126 - Rs. 32848) X Rs. 200 MT = Rs. 19.01 lakh.

The matter was referred to the Government and the Company in March 2007; their replies had not been received (September 2007).

3.12 Extra expenditure due to purchase at higher rates

The Company incurred extra expenditure of Rs. 11.80 lakh due to rejecting valid economical offer and purchasing material at higher rates.

The Company opened (December 2005) tenders for procurement of 450 MT nuts and bolts of various sizes. The offer of Nexo Industries, Ludhiana at Rs. 41,712 per MT for all sizes of nuts and bolts was the lowest. The Company had placed preceding order (November 2004) at Rs. 45,300 per MT for this item.

As per the State Government policy, purchase cases up to Rs. 50 lakh are to be finalised by the Store Purchase Committee (SPC) headed by the Company's Chief Engineer and those above Rs. 50 lakh by Special High Power Purchase Committee (SHPPC) presently under the chairmanship of a Cabinet Minister. As value of the material to be procured was above Rs. 50 lakh, the Company submitted (20 April 2006) the purchase proposal to SHPPC for consideration. SHPPC did not consider the purchase proposal for which reasons were not available on record. The validity of the offers was up to 30 June 2006. The Company instead of placing the matter again in the next meeting of SHPPC (22 May 2006), dropped (4 May 2006) the tender and floated (11 May 2006) four fresh tender enquiries by splitting the order to keep it within the powers of SPC. On the basis of these tenders, six purchase orders were placed (August 2006 and October 2006) for procurement of 404 MT nuts and bolts at higher rates ranging from Rs. 44,000 to Rs. 45,850 per MT for various sizes.

Audit observed (November 2006) that rejection of the valid offer was in violation of purchase norms as well as the interest of the Company especially when the rates received (December 2005) were lower than those received against earlier purchases. Further in contravention of financial discipline the order was split to bring it under the purview of a lower authority.

As a result the Company incurred extra expenditure of Rs. 11.80 lakh.

The matter was referred to the Government and the Company in March 2007; their replies had not been received (September 2007).

Haryana Vidyut Prasaran Nigam Limited

3.13 Extra expenditure due to non implementation of tender clause

The Company incurred avoidable extra expenditure of Rs. 52 lakh due to non-enforcement of quantity increase clause in purchase of transformer.

The Company placed (August 2003) an order on Technical Associates Limited, Lucknow for procurement of 17 power transformers of 12.5/16 MVA, 66/11 KV rating at equated rate of Rs. 1.04 crore per transformer. Clause 7 of Schedule D of the tender enquiry, duly accepted by the firm provided that the quantities specified in the order could be increased up to 10 *per cent* at the sole discretion of the purchaser. The firm completed the supply (May 2004 to August 2005).

In the meantime, against two tender enquiries opened (May and July, 2005) the Company procured nine power transformers at equated rate of Rs. 1.56 crore per transformer from ECE Industries, Sonipat.

Audit observed (October-2006) that despite knowledge of rising trend of prices, the Company did not enforce clause 7 of Schedule-D with the Lucknow firm by which it could have procured at least one transformer (10 *per cent* of 17) for Rs. 1.04 crore. Thus, due to non-enforcing of quantity increase clause, the Company incurred avoidable extra expenditure of Rs. 52 lakh in the purchase of transformer.

The Management stated (March 2007) that clause 7 had been amended with clause 14 of Annexure 'C' of Schedule 'D' and as such the supplier could not be asked to supply additional transformers. The fact, however, remained that clause 14 referred to change in the quantity before placement of order whereas clause 7 entitled the Company to increase/decrease the ordered quantity by 10 *per cent.*

The matter was referred to the Government (March 2007); the reply had not been received (September 2007).

3.14 Short recovery of water and sewerage charges

The Company suffered loss of Rs. 25.26 lakh due to short recovery of water charges from the staff residing in its colonies.

On unbundling of erstwhile Haryana State Electricity Board (HSEB) and incorporation of new power sector companies, the management of estate functions in respect of power colonies was entrusted to the HVPNL (Company). Recovery of license fee in respect of official accommodation in these colonies was being made in accordance with State Government instructions issued from time to time. HSEB had decided (November 1978) that water charges be recovered from the employees residing in Board colonies at the rates approved by the State Government. As per the Government instructions (July 1994) recovery of water charges in the case of un-metered supply was to be made at Rs 100 per month and on actual basis in the case of metered supply and rupees five per water closet (WC) for sewerage connection.

Audit scrutiny of records of nine[#] divisions of the Company revealed that recovery of water charges was being made at half *per cent* of basic salary of pre-revised scale *i.e.* as applicable in January 1986 (ranging between Rs. 5 and Rs. 40 per connection) and nothing was recovered for WC connection by seven[*] divisions whereas no recovery was being made by Rohtak division. Kurukshetra division started recovery from November 2006 at the rate of Rs. 68 per month.

Earlier, upon an audit query (May 2004) for short recovery being made at Panchkula, the Company decided (April 2005) to recover water charges at the rate of Rs. 60 per month and WC charges at rupees eight from April 2005 in the case of

[#] Gurgaon, Karnal, Kurukshetra, Manesar, Narwana, Palla, Pawal, Rewari and Rohtak.
[*] Gurgaon, Karnal, Manesar, Narwana, Palla, Pawal, and Rewari.

power colony at Panchkula. Even these revised rates, which were lower than those of the State Government, were not made applicable to colonies located at stations other than Panchkula.

Thus, failure of the Company to recover water charges and WC charges at the rates approved by the State Government resulted in short recovery of Rs. 25.26 lakh (April 2005 to March 2007) as worked out in audit. The amount of short recovery for earlier period (from July 1994) was not readily available which needs to be worked out by the Company for executing the recovery.

The matter was referred to the Government and the Company in May 2007; their replies had not been received (September 2007).

Statutory corporations

Haryana Financial Corporation

3.15 Disbursement of loan against fake documents of collateral security

Acceptance of fake collateral security on the basis of forged search report furnished by the advocate in connivance with the Branch Manager, Bhiwani had put the recovery of Rs. 1.71 crore at stake.

The Corporation sanctioned (September 1996) and disbursed (November 1996 to April 1997) loan of Rs. 28 lakh to Priya Cotton Factory (unit) for setting up cotton ginning unit at Charkhi Dadri, Bhiwani. Due to persistent default the Corporation took over (October 1999) the unit under Section 29 of the State Financial Corporations (SFCs) Act, 1951 and found that stock worth Rs. 21.47 lakh was missing. An FIR was lodged (August 2000) with the police, Charkhi Dadri after a period of 10 months from taking over the possession of the unit. The Corporation sold (May 2002) primary security for Rs. 5.95 lakh and for the balance recovery of Rs.55.04 lakh it took (October 2002) deemed possession of the collateral security which could not be sold (June 2007) and the outstanding dues accumulated (June 2007) to Rs. 1.71 crore (Principal: Rs. 27.42 lakh and interest: Rs. 1.44 crore). In this regard Audit noticed (December 2006) the following deficiencies:

As per terms of sanction order the unit was to furnish collateral security in the form of urban property having clear and marketable title. The Company accepted (November 1996) collateral security of land at Mohindergarh road in Municipal Limit Charkhi Dadri at a value of Rs. 19.87 lakh. Subsequently, the unit offered (January 1997) to substitute this security with another land in village Samaspur, Charkhi Dadri valuing Rs. 21.08 lakh as assessed by the assessor on the panel of the Corporation as it had already given originally offered land to another unit. The Corporation allowed (February 1997) the change in collateral security, though it was not an urban property, and accepted the revised security based on search report of an advocate and verified by the Branch Manager of the Corporation. Thus the

Corporation accepted the original collateral security which was defective and the revised security which was not conforming to the sanction conditions.

The collateral security could not be sold till date (June 2007) due to defective title of the land, as the mortgagor had not owned part of the land measuring three bigha and alienated the remaining properties. No action could be taken against the advocate who verified the title of the land as the search report of collateral security issued by the advocate was not available in the concerned file. Further, no action was taken against the officials responsible for missing documents.

Thus, acceptance of collateral security in rural area with defective title on the basis of forged search report furnished by the advocate in connivance with the Branch Manager, Bhiwani had put the recovery of Rs. 1.71 crore (Principal Rs. 27.42 lakh and interest Rs. 1.44 crore) as of June 2007 at stake.

The Management while admitting (June 2007) the facts stated that in order to fix the responsibility of four officials for missing documents, an enquiry by a senior officer had been ordered and notice for recovery under Section 32 (G) of the SFCs Act issued (October 2006). Outcome of the enquiry and recovery is awaited (June 2007).

The matter was referred to the Government in May 2007; the reply had not been received (September 2007).

3.16 Non recovery of loan

Failure of the Corporation to obtain 100 *per cent* collateral security on the pattern of banks coupled with acceptance of collateral security at highly inflated value and not taking over physical possession of the unit had put the recovery of Rs. 8.79 crore at stake.

The Corporation sanctioned (January 1995) a term loan of Rs. 1.23 crore to Sindhu Hatcheries (P) Limited (unit) for setting up a poultry farm with the condition that the unit would furnish a collateral security of Rs. 61.50 lakh (50 *per cent* of term loan) before disbursement, besides personal guarantee of the directors. The Corporation accepted (August 1995) the collateral security of agricultural land measuring 44 Kanals in village Kitlana, Bhiwani including collateral security of another loanee. The security was assessed (August 1995) at Rs. 1.12 crore by an empanelled valuer of the Corporation and verified (January 1996) by the Branch Manager at a value of Rs. 93.17 lakh (Rs. 62.62 lakh *pro rata* for the unit). The Corporation released (May 1995 to March 1998) Rs. 1.22 crore to the unit. Due to persistent default, the Corporation took over deemed possession of the primary and collateral security in February 1999 and June 2000 respectively. The collateral security was sold (June 2006) for Rs. 15 lakh (adjusted Rs. 6.45 lakh against the unit). The outstanding recovery as of July 2007 was Rs. 8.79 crore (Principal: Rs. 1.22 crore and Interest: Rs. 7.57 crore). In this regard Audit noticed the following deficiencies:

Before sanction of the term loan, the Advisory Committee of the Corporation was apprised that banks were taking collateral security equivalent to 100 *per cent* of term loan in poultry farming cases. The Corporation, however, sanctioned the loan with stipulation of 50 *per cent* collateral security thus exposing the Corporation to avoidable risk.

The collateral security was accepted at highly inflated value as it could be sold (June 2000) for Rs. 15 lakh against the accepted value of Rs. 93.17 lakh.

The Corporation had taken (February 1999) only deemed possession of the unit instead of physical possession and thus failed to sell the unit despite putting to auction for 19 times.

Thus, failure of the Corporation to obtain 100 *per cent* collateral security on the pattern of banks, acceptance of collateral security at highly inflated value and failure in taking over physical possession of the unit jeopardised the recovery of Rs. 8.79 crore.

Management stated (July 2007) that the deemed possession of the unit was taken as physical possession was not possible because of live stock (poultry birds) and the valuation of collateral security was taken on the basis of assessor's report and rate quoted by the tehsildar. The reply is not tenable as the Corporation failed to devise any methodology to dispose of primary security in such circumstances and to have fair assessment of the collateral security.

The matter was referred to the Government in May 2007; the reply had not been received (September 2007).

3.17 Avoidable loss due to indecisiveness/frequent changes in office building construction plan

Indecisiveness and frequent changes in original plan contributed to the delayed completion of the building and resultantly there was an avoidable loss of Rs. 41.82 lakh to the Corporation.

The Corporation decided (June 2001) to entrust the construction of office building at Panchkula to Haryana State Industrial and Infrastructure Development Corporation Limited (HSIIDC). Keeping in view enormous running cost of central air conditioning, the Corporation decided to install partial air conditioning and partial air cooling system and awarded (March 2002) the work to HSIIDC at an estimated cost of Rs. 4.52 crore. The scheduled date of completion of civil works was December 2003. The Corporation did not execute any formal agreement with HSIIDC. Before the start of electrification/sanitation work, the Corporation decided (October 2003) to install central air conditioning system and communicated (December 2003) the same to HSIIDC. Accordingly, the date of completion of civil work had to be extended to October 2004.

On the recommendations of the architect, the Corporation decided (September 2004) for structural glazing with gold plus insulating glass (Modiguard Make) in the AC system to ensure energy saving without ensuring its availability in the market. The work could not be executed due to non availability of this specific make glass and the Corporation decided (May 2005) to get the work done with similar quality specifications glass manufactured by some other company. Consequently, there was delay of over three years in completion of work. The Corporation had released Rs. 4.50 crore during April 2002 to April

2006. The HSIIDC intimated (February 2007) the Corporation to take possession of the building but the same had not yet been taken (June 2007).

Thus, indecisiveness and frequent changes in original plan contributed to delayed completion (26 months) of the building and resultantly there was an avoidable loss of Rs. 41.82 lakh (Rs. 21.39 lakh on the rent paid for hired office building and Rs. 20.43 lakh on account of rent which could have been earned by letting out surplus accommodation from January 2005 to June 2007) to the Corporation.

The Management stated (April and June 2007) that changes to go in for air conditioning system instead of combination of air cooling and air conditioning and shift from ordinary glazing to insulated glass glazing had been made keeping in view the long term benefits and operational efficiency. The reply was not tenable as the Corporation should have originally planned the construction of the building keeping in view the long term perspective and decision to use glass of Modiguard make should have been taken after ensuring its availability.

The matter was referred to the Government in May 2007; the reply had not been received (September 2007).

3.18 Irregular payment of conveyance allowance

Inadmissible reimbursement of conveyance allowance amounting to Rs. 2.27 crore was made to employees in violation of State Government instructions.

The Corporation decided (May 1995) to reimburse the conveyance allowance to its employees depending upon their entitlement, in the shape of cost of petrol, in place of fixed conveyance allowance being given from May 1983. The amount of conveyance charges increased with the increase in price of petrol from time to time.

The State Government, while accepting the recommendations of Pay revision Committee for Public Sector Undertakings (PSUs) issued instructions (October 1998) to all the Administrative Departments of PSUs/Institutions that Dearness Allowance, House Rent Allowance, City Compensatory Allowance, Conveyance Allowance and other incentives granted to the employees of all the State PSUs/Institutions should not exceed those admissible to State Government employees under any circumstances. The State Government was granting conveyance allowance to blind and orthopadically handicapped employees only.

Test-check of records revealed (December 2006) that though the Corporation adopted (January 1999) new scales approved by the Government but did not discontinue the reimbursement of conveyance charges on the plea that it had already referred (December 1993) the case to the State Government and pending any decision, it may continue to pay conveyance allowance. The Corporation however, did not take any undertaking from the employees to the effect that in case the Government disallowed such payment the recovery would be made from them. Thus, without any approval from the State Government, the Corporation paid Rs. 2.27 crore as conveyance allowance during April 2001 to June 2007 in violation of State Government instructions. The case was also not pursued with the State Government.

Thus, injudicious decision to continue the payment of conveyance allowance, particularly when the State Government had specifically directed the State PSUs not to pay any allowances over and above those admissible to State Government employees had resulted in irregular payment of conveyance allowance.

The matter was referred to the Government and the Corporation in March 2007; their replies had not been received (September 2007).

Haryana Warehousing Corporation

3.19 Avoidable loss of interest

The Corporation suffered a loss of Rs. 16.39 lakh due to delay in raising the interest bills.

Haryana Warehousing Corporation (Corporation) has been authorised (Rabi: 1983 and Kharif: 1997) by the State Government as one of the State procurement agencies for procurement of wheat/paddy respectively for central pool under the Minimum Support Price (MSP) scheme. FCI receives the wheat/custom milled rice and makes payment of MSP, incidental charges and carry over charges for the period wheat/rice remaining in the custody of the Corporation.

Incidental charges at provisional rates fixed by the GOI are allowed by FCI to wheat/rice procurement agencies at the time of taking delivery. On declaration of final rates by GOI, the Corporation gets the differential amount (difference between final and provisional incidentals) from the FCI. Besides, the Corporation is entitled to claim compound interest at the prevailing RBI rate of interest on the differential amount from the date of payment of provisional bill to the date of payment of final bill. As per the State Government instructions (5 August 2004), the State procurement agencies were required to raise claims of interest on FCI immediately after receipt of payment of differential amount.

Test check of records of five circles[*] of the Corporation revealed delays of 5 to 321 days (after allowing seven days margin) in raising (September 2005 to January 2007) compound interest bills for an amount of Rs. 2.20 crore in case of wheat (crop years 2000-01 to 2002-03) and 27 to 503 days (after allowing seven days margin) in raising (February-December 2006) compound interest bills amounting to Rs. 2.05 crore in case of rice, (crop years 2001-02 and 2002-03) which resulted in loss of interest amounting to Rs. 16.39 lakh at the rate of 9.10[**] *per cent* per annum. Thus, the Corporation suffered a loss of Rs 16.39 lakh due to delay in raising the interest bills.

The Management/Government stated (May/September 2007) that the delay was due to shortage of staff and involvement of lengthy process in preparing/submitting the bills to FCI. The reply is not tenable as the Corporation could have avoided such delays by proper deployment of available man power and by proper monitoring of preparation/submission of bills.

* Ambala, Hisar, Kurukshetra, Panipat and Sirsa.
** Rate of interest allowed by the Government of India on the differential amount.

General

3.20 Follow up action on Audit Reports

Replies outstanding

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

Though the Audit Reports for the years 2003-04 and 2005-06 were presented to the State Legislature in March 2005 and March 2007 respectively, two out of 11 departments, which were commented upon, did not submit replies to 14 out of 48 paragraphs/reviews as on 30 September 2007 as indicated below:

Year of the Audit Report (Commercial)	Number of reviews/paragraphs appeared in the Audit Report		Number of reviews/paragraphs for which replies were not received	
	Reviews	Paragraphs	Reviews	Paragraphs
2003-04	2	22	-	2
2005-06	2	22	1	11
Total	**4**	**44**	**1**	**13**

Department-wise analysis is given in **Annexure 18**. The Power department was the major defaulter with regard to submission of replies. The Government did not respond to even review highlighting important issues like system failures, mismanagement and deficiencies in execution of various schemes.

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

3.20.2 Replies to 67 paragraphs pertaining to 10 Reports of the COPU presented to the State Legislature between March 1995 and March 2007 had not been received (September 2007) as indicated below:

Year of the COPU Report	Total number of Reports involved	No. of paragraphs where replies not received
1994-95	2	3
1996-97	1	1
2000-01	1	1
2002-03	2	2
2003-04	2	3
2004-05	1	11
2005-06	1	46
Total	**10**	**67**

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

@ Power (24), Agriculture (20), Industry (15), Mines and Geology (three), ~~and~~ Forest (one) and Tourism (four).

3.20.3 Response to Inspection Reports, audit paragraphs and Reviews

Audit observations noticed during audit and not settled on the spot are communicated to the respective heads of the PSUs and concerned departments of the State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Review of Inspection Reports issued upto March 2007 revealed that 633 paragraphs relating to 246 Inspection Reports pertaining to 21 PSUs and the Haryana Electricity Regulatory Commission remained outstanding at the end of 30 September 2007. Department-wise break up of Inspection Reports and audit observations outstanding as on 30 September 2007 is given in **Annexure 19.**

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Secretary of the Administrative Department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. However, 18 draft paragraphs and four reviews forwarded to the various departments during March - to May 2007 as detailed in **Annexure 20** had not been replied to so far (30 September 2007*)*.

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

Chandigarh
Dated 2 6 NOV 2007

(Jagbans Singh)
Accountant General (Audit) Haryana

Countersigned

New Delhi
Dated 2 8 NOV 2007

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

ANNEXURES

ANNEXURE-1

Statement showing particulars of up to date paid-up capital, equity/loans received out of budget and loans outstanding as on 31 March 2007 in respect of Government companies and Statutory corporations

(Referred to in paragraphs 1.3, 1.4, 1.5 and 1.14)

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

Sl. No.	Sector & name of the Company	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year*	Loans** outstanding at the close of 2006-07			Debt equity ratio for 2006-7(Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Govt.	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
A. Working Government Companies													
AGRICULTURE & ALLIED													
1.	Haryana Agro Industries Corporation Limited	253.83	160.21	-	-	414.04	-	-	-	-	125.00	125.00	0.30:1 (0.41 : 1)
2.	Haryana Land Reclamation and Development Corporation Limited	136.64	-	-	19.66	156.30	-	-	-	-	-	-	-
3.	Haryana Seeds Development Corporation Limited	275.87 ^	111.50	-	103.55 (10.34)	490.92 (10.34)	-	-	-	-	-	-	-
Sector wise total		**666.34**	**271.71**	-	**123.21 (10.34)**	**1061.26 (10.34)**	-	-	-	-	**125.00**	**125.00**	**0.12 : 1 (0.18:1)**
INDUSTRY													
4.	Haryana State Industrial and Infrastructure Development Corporation Limited	7069.23 (2189.96)	-	-	-	7069.23 (2189.96)	1.69	-	-	19.00	25824.00	25843.00	3.66: 1 (4.24 : 1)
Sector wise total		**7069.23 (2189.96)**	-	-	-	**7069.23 (2189.96)**	**1.69**	-	-	**19.00**	**25824.00**	**25843.00**	**3.66: 1 (4.24 :1)**
ENGINEERING													
5.	Haryana Roadways Engineering Corporation Limited	400.00 (200.00)	-	-	-	400.00 (200.00)	-	-	1893.00	-	8218.00	8218.00	20.55:1 (23.97: 1)
Sector wise total		**400.00 (200.00)**	-	-	-	**400.00 (200.00)**	-	-	**1893.00**	-	**8218.00**	**8218.00**	**20.55:1 (23.97:1)**

Sl. No.	Sector & name of the Company	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year*	Loans** outstanding at the close of 2006-07			Debt equity ratio for 2006-7(Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Govt.	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
ELECTRONICS													
6.	Haryana State Electronics Development Corporation Limited	881.76 (100.00)	-	-	-	881.76 (100.00)	100.00	-	-	-	-	-	-
7.	Hartron Informatics Limited@	-	-	50.00	-	50.00	-	-	-	-	-	-	-
Sector wise total		**881.76 (100.00)**	-	**50.00**	-	**931.76 (100.00)**	**100.00**	-	-	-	-	-	-
FOREST													
8.	Haryana Forest Development Corporation Limited	20.03	-	-	-	20.03	-	-	-	-	-	-	-
Sector wise total		**20.03**	-	-	-	**20.03**	-	-	-	-	-	-	-
MINING													
9.	Haryana Minerals Limited@	-	-	24.04	-	24.04	-	-	-	-	-	-	-
Sector wise total		-	-	**24.04**	-	**24.04**	-	-	-	-	-	-	-
CONSTRUCTION													
10.	Haryana Police Housing Corporation Limited	2500.00	-	-	-	2500.00	-	-	-	-	86.16	86.16	0.03:1 (0.07 : 1)
11.	Haryana State Roads and Bridges Development Corporation Limited	11370.23 (6370.23)	-	-	-	11370.23 (6370.23)	-	-	520.00	-	25284.98	25284.98	2.22 : 1 (2.73:1)
Sector wise total		**13870.23 (6370.23)**	-	-	-	**13870.23 (6370.23)**	-	-	**520.00**		**25371.14**	**25371.14**	**1.83:1 (2.25:1)**
DEVELOPMENT OF ECONOMICALLY WEAKER SECTION													
12.	Haryana Scheduled Castes Finance & Development Corporation Limited	1863.87	1671.25 (144.11)	-	-	3535.12 (144.11))	150.00	-	515.86	35.40	731.93	767.33	0.22 : 1 (0.14:1)

Sl. No.	Sector & name of the Company	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year*	Loans** outstanding at the close of 2006-07			Debt equity ratio for 2006-7(Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Govt.	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
13.	Haryana Backward Classes & Economically Weaker Section Kalyan Nigam Limited	1265.99 (270.00)	-	-	-	1265.99 (270.00)	150.00	-	1352.50	-	3841.15	3841.15	3.03:1 (2.76:1)
14.	Haryana Women Development Corporation Limited	1247.72	109.98	-	-	1357.70	314.00	-	-	-	-	-	-
Sector wise total		**4377.58 (270.00)**	**1781.23 (144.11)**			**6158.81 (414.11)**	**614.00**		**1868.36**	**35.40**	**4573.08**	**4608.48**	**0.75:1 (0.67:1)**
TOURISM													
15.	Haryana Tourism Corporation Limited	1985.61	-	-	-	1985.61	-	-	-	-	-	-	-
Sector wise total		**1985.61**	**-**	**-**	**-**	**1985.61**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
POWER													
16.	Haryana Power Generation Corporation Limited	129208.69 (107863.62)	-	-	-	129208.69 (107863.62)	46014.00	-	76852.09	2085.67	287393.46	289479.13	2.24:1 (2.92:1)
17.	Haryana Vidyut Prasaran Nigam Limited	80378.58 (17146.01)	-	-	-	80378.58 (17146.01)	17146.00	137.00	32752.00	2776.79	242670.55	245447.34	3.05:1 (4.72:1)
18.	Uttar Haryana Bijli Vitran Nigam Limited @	16110.26	-	54698.55	-	70808.81	4455.20	20131.00	84862.00	42214.00	126303.00	168517.00	2.38:1 (1.50:1)
19.	Dakshin Haryana Bijli Vitran Nigam Limited @	23639.41 (10165.00)	-	43727.35	-	67366.76 (10165.00)	10165.00	-	21654.00	6562.00	36949.00	43511.00	0.65:1 (0.42:1)
Sector wise total		**249336.94 (135174.63)**	**-**	**98425.90**	**-**	**347762.84 (135174.63)**	**77780.20**	**20268.00**	**216120.09**	**53638.46**	**693316.01**	**746954.47**	**2.15:1 (2.44:1)**
Total A (All sector wise Government companies)		**278607.72 (144304.82)**	**2052.94 (144.11)**	**98499.94**	**123.21 (10.34)**	**379283.81 (144459.27)**	**78495.89**	**20268.00**	**220401.45**	**53692.86**	**757427.23**	**811120.09**	**2.14:1 (2.46:1)**

Sl. No.	Sector & name of the Company	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year*	Loans** outstanding at the close of 2006-07			Debt equity ratio for 2006-7(Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Govt.	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
B. Statutory corporations													
FINANCING													
1.	Haryana Financial Corporation	3327.87 (500.00)		-	564.64	3892.51 (500.00)	500.00	-	6284.14	-	21669.03	21669.03	5.57:1 (7.41:1)
Sector wise total		**3327.87 (500.00)**		**-**	**564.64**	**3892.51 (500.00)**	**500.00**	**-**	**6284.14**		**21669.03**	**21669.03**	**5.57:1 (7.41:1)**
AGRICULTURE AND ALLIED													
2.	Haryana Warehousing Corporation	292.04	292.04	-	-	584.08	-	-	-	-	658.70	658.70	1.13: 1 (1.33:1)
Sector wise total		**292.04**	**292.04**	**-**	**-**	**584.08**	**-**	**-**	**-**	**-**	**658.70**	**658.70**	**1.13: 1 (1.33:1)**
Total B (All sector wise Statutory Corporations		**3619.91 (500.00)**	**292.04**	**-**	**564.64**	**4476.59 (500.00)**	**500.00**	**-**	**6284.14**	**-**	**22327.73**	**22327.73**	**4.99:1 (6.52:1)**
Grand total (A+B)		**282227.63 (144804.82)**	**2344.98 (144.11)**	**98499.94**	**687.85 (10.34)**	**383760.40 (144959.27)**	**78995.89**	**20268.00**	**226685.59**	**53692.86**	**779754.96**	**833447.82**	**2.17:1 (2.51:1)**
C. NON-WORKING GOVERNMENT COMPANIES													
AGRICULTURE AND ALLIED													
1.	Haryana State Minor Irrigation and Tubewells Corporation Limited	1089.10	-	-	-	1089.10	-	-	-	9766.00	-	9766.00	8.97:1 (8.97:1)
Sector wise total		**1089.10**	**-**	**-**	**-**	**1089.10**	**-**	**-**	**-**	**9766.00**	**-**	**9766.00**	**8.97:1 (8.97:1)**
INDUSTRY													
2.	Haryana Tanneries Limited	117.15	-	-	18.00	135.15	-	-	0.36	253.19	104.68	357.87	2.65:1 (2.65:1)
3.	Punjab State Irons# Limited	-	-	-	-	-	-	-	-	-	-	-	-
4.	Haryana Concast Limited@	290.00	-	340.51	54.99	685.50	-	-	-	139.00	230.00	369.00	0.54:1 (0.54:1)

Sl. No.	Sector & name of the Company	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year*	Loans** outstanding at the close of 2006-07			Debt equity ratio for 2006-7(Previous year) (4f/3e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans		Govt.	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
5.	Haryana State Small Industries and Export Corporation Limited	181.48	10.00	-	-	191.48	-	-	-	921.12	-	921.12	4.81:1 (4.81:1)
6.	Haryana State Housing Finance Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-
Sector wise total		**588.63**	**10.00**	**340.51**	**72.99**	**1012.13**	**-**	**-**	**0.36**	**1313.31**	**334.68**	**1647.99**	**1.63:1 (1.63:1)**
HANDLOOM & HANDICRAFTS													
7.	Haryana State Handloom and Handicrafts Corporation Limited	265.17	30.00	-	-	295.17	-	-	-	122.50	-	122.50	0.42:1 (0.42:1)
Sector wise total		**265.17**	**30.00**	**-**	**-**	**295.17**	**-**	**-**	**-**	**122.50**	**-**	**122.50**	**0.42:1 (0.42:1)**
Total -C		**1942.90**	**40.00**	**340.51**	**72.99**	**2396.40**	**-**	**-**	**0.36**	**11201.81**	**334.68**	**11536.49**	**4.81:1 (4.81:1)**
Grand Total (A+B+C)		**284170.53*** (144804.82)**	**2384.98 (144.11)**	**98840.45**	**760.74 (10.34)**	**386156.80 (144959.27)**	**78995.89**	**20268.00**	**226685.95**	**64894.67**	**780089.64**	**844984.31**	**2.19:1 (2.53:1)**

Note: Except in respect of companies/corporations, which finalised their accounts for 2006-07 figures are provisional and as given by the companies/corporations. Figures in brackets in column 3(a) to 3(e) indicate share application money.

* Includes bonds, debentures, inter corporate deposits etc.

** Loans outstanding at the close of 2006-07 represent long-term loans only.

@ Subsidiary companies.

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

*** The figure as per Finance Accounts is Rs. 2,84,772.01 lakh, the difference is under reconciliation.

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

ANNEXURE-2

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

(Referred to in paragraphs 1.6, 1.7, 1.8, 1.9, 1.10, 1.12, 1.17 and 1.18)

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

Sl. No.	Sector and name of the Company	Name of the Department	Date of Incorpora-tion	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss (-)	Net impact of Audit comments	Paid-up capital	Accumulated profit (+)/ loss (-)	Capital employed#	Total return on capital employed$	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover (Rupees in lakh)	Manpower (No. of employees) (as on 31.3.2007)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
A. Working Government companies															
AGRICULTURE AND ALLIED															
1.	Haryana Agro Industries Corporation Limited	Agriculture	30 March 1967	2006-07	2007-08	(+) 821.48	Under finalisation	414.04	(+) 3102.97	(+) 18326.65	(+) 1688.02	9.21	-	48338.67	309
2.	Haryana Land Reclamation and Development Corporation Limited	-do-	27 March 1974	2006-07	2007-08	(+) 9.63	Nil	156.30	(+) 790.04	(+) 1101.34	(+) 27.08	2.46	-	5364.81	211
3.	Haryana Seeds Development Corporation Limited	-do-	12 September 1974	2005-06	2006-07	(+) 80.52	Nil	489.56	(+) 435.09	(+)1869.38	(+)114.82	6.14	1	3690.31	387
Sector wise total						**(+) 911.63**	--	**1059.90**	**(+) 4328.10**	**(+) 21297.37**	**(+)1829.92**	**8.59**		**57393.79**	**907**
INDUSTRY															
4.	Haryana State Industrial and infrastructure Development Corporation Limited	Industry	8 March 1967	2006-07	2007-08	(+) 2625.90	Overstatement of profit by Rs. 2.96 crore	7069.23	(+)4176.00	(+) 92053.00	(+)3417.60	3.71	-	4589.53	523
Sector wise total						**(+) 2625.90**		**7069.23**	**(+)4176.00**	**(+) 92053.00**	**(+)3417.60**	**3.71**		**4589.53**	**523**
ENGINEERING															
5.	Haryana Roadways Engineering Corporation Limited	Transport	27 November 1987	2004-05	2006-07	(+) 11.20	-	200.00	(+) 118.20	(+) 9760.38	(+) 989.37	10.14	2	5004.10	145
Sector wise total						**(+) 11.20**		**200.00**	**(+) 118.20**	**(+) 9760.38**	**(+) 989.37**	**10.14**		**5004.10**	**145**

Sl. No.	Sector and name of the Company	Name of the Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss (-)	Net impact of Audit comments	Paid-up capital	Accumulated profit (+)/ loss (-)	Capital employed[#]	Total return on capital employed[$]	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover (Rupees in lakh)	Manpower (No. of employees) (as on 31.3.2007)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
ELECTRONICS															
6.	Haryana State Electronics Development Corporation Limited	Electronics	15 May 1982	2004-05	2006-07	(-) 215.68	Nil	780.76	(+) 1246.05	(+) 1827.16	(-) 215.68	-	2	1604.97	281
7.	Hartron Informatics Limited[@]	- do -	8 March 1995	2005-06	2006-07	(+) 4.55	Non-Review Certificate	50.00	(+) 56.17	(+)106.15	(+) 4.55	4.29	1	395.85	-
Sector wise total						**(-) 211.13**	**-**	**830.76**	**(+)1302.22**	**(+) 1933.31**	**(-) 211.13**	**-**		**2000.82**	**281**
FOREST															
8.	Haryana Forest Development Corporation Limited	Forest	7 December 1989	1999-2000	2006-07	(+)199.99	-	60.46	(+) 575.99	(+) 635.97	(+) 199.99	31.45	6	1482.07	113
				2000-01	2007-08	(+)191.04	-	60.49	(+) 767.03	(+) 828.18	(+) 191.04	23.07		1877.79	
Sector wise total						**(+)191.04**		**60.49**	**(+) 767.03**	**(+) 828.18**	**(+) 191.04**	**23.07**		**1877.79**	**113**
MINING															
9.	Haryana Minerals Limited	Mining and Geology	2 December 1972	2005-06	2006-07	(-) 12.99	Non-Review Certificate	24.04	(-) 981.42	(-) 197.75	(-) 2.72	-	-	-	1
				2006-07	2007-08	(-) 19.94	Non-Review Certificate	24.04	(-) 1001.38	**(-) 217.72**	**(-) 9.67**	-	-	-	
Sector wise total						**(-) 19.94**		**24.04**	**(-) 1001.38**	**(-) 217.72**	**(-) 9.67**	**-**	**-**		**1**
CONSTRUCTION															
10.	Haryana Police Housing Corporation Limited	Home	29 December 1989	2005-06	2006-07	¶	Nil	2500.00	-	(+)4480.98	-	-	1	5886.80	120
11.	Haryana State Roads and Bridges Development Corporation Limited	PWD(B &R)	13 May 1999	2005-06	2006-07	(-)2862.49	Under statement of loss by Rs. 14.61 crore	11370.23	(-)4160.38	(+) 38881.95	(+) 397.69	1.02	1	3215.93	-
Sector wise total						**(-) 2862.49**		**13870.23**	**(-) 4160.38**	**(+) 43362.93**	**(+)397.69**	**1.02**		**9102.73**	**120**

Sl. No.	Sector and name of the Company	Name of the Department	Date of Incorpora-tion	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss (-)	Net impact of Audit comments	Paid-up capital	Accumulated profit (+)/ loss (-)	Capital employed#	Total return on capital employed$	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover (Rupees in lakh)	Manpower (No. of employees) (as on 31.3.2007)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
DEVELOPMENT OF ECONOMICALLY WEAKER SECTION															
12	Haryana Scheduled Castes Finance and Development Corporation Limited	Scheduled Castes and Backward Classes Welfare	2 January 1971	2002-03	2006-07	(+) 355.63	-	2917.45	(-) 218.22	(+) 5867.83	(+) 388.45	6.62		412.94	225
				2003-04	2007-08	(-) 33.37	Under finalisation	2937.45	(-) 251.59	(+) 5803.99	(-) 4.56	-	3	315.34	
13.	Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited	-do-	10 December 1980	2002-03	2007-08	(+)124.62	Under finalisation	895.99	(-) 509.63	(+)2456.12	(+)198.41	8.08	4	59.43	67
14.	Haryana Women Development Corporation Limited	Women and Child Development	31 March 1982	2005-06	2007-08	(+) 44.88	Under finalisation	1043.70	(+) 7.29	(+)1144.97	(+) 44.88	3.92	1	23.18	63
Sector wise total						**(+) 136.13**		**4877.14**	**(-) 753.93**	**(+) 9405.08**	**(+) 238.73**	**2.54**		**397.95**	**355**
TOURISM															
15.	Haryana Tourism Corporation Limited	Tourism and Public Relations	1 May 1974	2002-03	2006-07	(+)124.52	Nil	1658.98	(+) 503.85	(+) 2378.57	(+) 124.52	5.23	3	12034.39	1997
				2003-04	2007-08	(+) 93.81	Under finalisation	1805.32	(+) 597.66	(+) 2624.68	(+) 93.81	3.57		9997.37	
Sector wise total						**(+) 93.81**		**1805.32**	**(+) 597.66**	**(+) 2624.68**	**(+) 93.81**	**3.57**		**9997.37**	**1997**
POWER															
16.	Haryana Power Generation Corporation Limited	Power	17 March 1997	2004-05	2007-08	(-)3502.43	Under statement of loss by Rs. 7.05 crore	65325.68	(-)8693.57	(+) 383608.45	(+) 13117.05	3.42	2	163774.98	4299
17.	Haryana Vidyut Prasaran Nigam Limited	-do-	19 August 1997	2006-07	2007-08	(-)1388.99	-	80378.58	(-) 22016.47	(+) 176812.55	(+) 16994.53	9.61	-	56257.83	5011
18.	Uttar Haryana Bijli Vitran Nigam Limited@	-do-	15 March 1999	2005-06	2006-07	(-)28536.72	Nil	70808.81	(-)75841.37	(+) 103357.74	(-) 21714.28	-	1	252287.91	12726
19.	Dakshin Haryana Bijli Vitran Nigam Limited@	-do-	15 March 1999	2005-06	2006-07	(+)1842.96	Overstatement of profit by Rs.1.65 crore	57201.76	(-)60111.38	(+) 83897.83	(+) 5559.03	6.63	1	256053.37	10452
Sector wise total						**(-) 31585.18**		**273714.83**	**(-) 166662.79**	**(+)747676.57**	**(+) 13956.33**	**1.86**		**728374.09**	**32488**
Total A (Working Govt. Companies)						**(-) 30709.03**		**303511.94**	**(-) 161289.27**	**(+)928723.78**	**(+) 20893.69**	**2.25**		**818738.17**	**36930**

Sl. No.	Sector and name of the Company	Name of the Department	Date of Incorpora-tion	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss (-)	Net impact of Audit comments	Paid-up capital	Accumulated profit (+)/ loss (-)	Capital employed#	Total return on capital employed$	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover (Rupees in lakh)	Manpower (No. of employees) (as on 31.3.2007)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
B.	**Statutory Corporations**														
FINANCING															
1.	Haryana Financial Corporation	Industry	1 April 1967	2006-07	2007-08	(+) 636.74	Under finalisation	3892.51	(-)14780.41	(+)29899.30	(+)2786.31	9.32	-	3379.28	282
Sector wise total						**(+) 636.74**		**3892.51**	**(-)14780.41**	**(+) 29899.30**	**(+) 2786.31**	**9.32**		**3379.28**	**282**
AGRICULTURE AND ALLIED															
2.	Haryana Warehousing Corporation	Agriculture	1 November 1967	2005-06	2006-07	(+) 3977.10	Overstatement of profit by Rs. 25.76 lakh	584.08	0.94	(+)29843.01	(+) 3977.10	13.33	1	2993.81	900
Sector wise total						**(+)3977.10**		**584.08**	**(+)0.94**	**(+)29843.01**	**(+) 3977.10**	**13.33**	-	**2993.81**	**900**
Total B (Statutory corporations)						**(+) 4613.84**		**4476.59**	**(-) 14779.47**	**(+) 59742.30**	**(+) 6763.41**	**11.32**		**6373.09**	**1182**
Grand Total (A+B)						**(-) 26095.19**		**307988.53**	**(-)176068.74**	**(+) 988466.08**	**(+) 27657.10**	**2.80**		**825111.26**	**38112**
C. Non Working Companies															
AGRICULTURE AND ALLIED															
1.	Haryana State Minor Irrigation and Tubewells Corporation Limited	-do-	9 January 1970	2002-03	2007-08	(-) 7327.03	Under statement of loss by Rs. 13.38 crore	1089.10	(-)19811.12	(-) 7355.97	(-) 2568.40	-	4	-	5
Sector wise total						**(-) 7327.03**		**1089.10**	**(-)19811.12**	**(-) 7355.97**	**(-) 2568.40**	-		-	**5**
INDUSTRY															
2.	Haryana Tanneries Limited	Industry	12 September 1972	2006-07	2007-08	(-) 0.30	Not Reviewed	135.15	(-)1056.50	(-)39.96	(-) 0.30	-	-	-	-
3.	Punjab State Irons Limited	-do-	1 July 1965	2004-05	2005-06	(-) 1.83	Not-Reviewed	7.45	(-) 4.36	(+) 3.09	(-) 1.83	-	2	-	-
4.	Haryana Concast Limited@	-do-	29 November 1973	1997-98	1998-99	(-) 797.09	-	685.50	(-) 2718.04	(+) 939.68	(-) 357.03	-	Under liquida-tion since 11 Novem-ber 1999	-	-
5.	Haryana State Small Industries and Export Corporation Limited	-do-	19 July 1967	2004-05	2007-08	(-) 7.05	Nil	191.48	(-)2035.84	(-) 591.31	(+) 110.88	- -	2	-	9

Sl. No.	Sector and name of the Company	Name of the Department	Date of Incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss (-)	Net impact of Audit comments	Paid-up capital	Accumulated profit (+)/ loss (-)	Capital employed#	Total return on capital employed$	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turnover (Rupees in lakh)	Manpower (No. of employees) (as on 31.3.2007)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
6.	Haryana State Housing Finance Corporation Limited®	-do-	19 June 2000	Ended 31 August 2001	2003-04	-	Not-Reviewed	-	-	-	-		-	-	-
Sector wise total						**(-) 806.27**		**1019.58**	**(-) 5814.74**	**(+) 311.50**	**(-) 248.28**	**-**		**-**	**9**
HANDLOOM AND HANDICRAFTS															
7.	Haryana State Handloom and Handicrafts Corporation Limited	Industry	20 February 1976	2003-04	2006-07	(-) 18.71	Non-Review Certificate	295.17	(-) 549.20	(+) 187.18	(+) 2.86	1.53		12.06	3
				2004-05	2006-07	(-) 27.21	Non-Review Certificate	295.17	(-) 600.21	(+) 152.20	(-) 2.43	-	2	10.68	
Sector wise total						**(-) 27.21**		**295.17**	**(-) 600.21**	**(+) 152.20**	**(-) 2.43**	**-**		**10.68**	**3**
Total C (Non working companies)						**(-) 8160.51**		**2403.85**	**(-) 26226.07**	**(-) 6892.27**	**(-) 2819.11**	**-**		**10.68**	**17**
Grand Total (A+B+C)						**(-) 34255.70**		**310392.38**	**(-) 202294.81**	**(+) 981573.81**	**(+)24837.99**	**2.53**		**825121.94**	**38129**

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

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

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

@ Subsidiary companies

® The Company has filed application with Registrar of companies for winding up under simplified exit scheme, so its accounts were not shown in arrears.

ANNEXURE-3

Statement showing grants and subsidy received/receivable guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and guarantees outstanding at the end of March 2007

(Referred to in paragraph 1.5)

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

Sl. No.	Name of the Public Sector Undertaking	Grants and subsidy received during the year				Guarantees received during the year and outstanding at the end of the year@					Waiver of dues during the year				Loans on which moratorium allowed	Loans converted into equity during the year
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letter of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total		
(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d))	(6)	(7)
A. Working Government Companies																
1.	Haryana Agro Industries Corporation Limited	-	100.00	-	100.00	13500.00 (1227.00)	-	-	-	13500.00 (1227.00)	-	-	-	-	-	-
2.	Haryana Seeds Development Corporation Limited	51.10 50.00ψ	181.93 112.50ψ	- -	233.03 162.50ψ	-	-	-	-	-	-	-	-	-	-	-
3.	Haryana State Industrial and Infrastructure Development Corporation Limited	- 52.72ψ	- 206.43ψ	41.69 ψ	- 300.84ψ	-	- (10000.00)	-	-	- (10000.00)	-	-	-	-	-	-
4.	Haryana Roadways Engineering Corporation Limited	-	-	-	-	-	1893.00 (8218.00)	-	-	1893.00 (8218.00)	-	-	-	-	-	-
5.	Haryana State Electronics Development Corporation Limited	-	113.00	-	113.00	-	-	-	-	-	-	-	-	-	-	-
6.	Haryana Police Housing Corporation Limited	-	- 498.00ψ	-	- 498.00ψ	-	- (2338.93)	-	-	- (2338.93)	-	-	-	-	-	-
7.	Haryana State Roads and Bridges Development Corporation Limited.	-	-	- -	-	-	520.00 (53110.00)	-	-	520.00 (53110.00)	-	-	-	-	-	-
8.	Haryana Scheduled Castes Finance and Development Corporation Limited	1461.60	339.04	-	1800.64	-	515.86 (731.93)	-	-	515.86 (731.93)	-	-	-	-	-	-
9.	Haryana Backward Classes & Economically Weaker Section Kalyan Nigam Limited	-	116.11	-	116.11	-	- (4500.00)	-	-	- (4500.00)	-	-	-	-	-	-

Sl. No.	Name of the Public Sector Undertaking	Grants and subsidy received during the year				Guarantees received during the year and outstanding at the end of the year@					Waiver of dues during the year				Loans on which moratorium allowed	Loans converted into equity during the year
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letter of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total		
(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d))	(6)	(7)
10.	Haryana Women Development Corporation Limited	-	194.00	-	194.00	-	-	-	-	-	-	-	-	-	-	-
11.	Haryana Tourism Corporation Limited	- 899.70Ψ	- 728.49Ψ	- 10.59Ψ	- 1638.78ψ	-	-	-	-	-	-	-	-	-	-	-
12.	Haryana Power Generation Corporation Limited	-	-	-	-	- (990.00)	(86618.00)	-	- (953.00)	- (88561.00)	-	-	-	-	-	-
13.	Haryana Vidyut Prasaran Nigam Limited	-	202229.00	-	202229.00	- (990.00)	- (149609.50)	-	-	- (150599.50)	-	-	--	-	-	-
14.	Uttar Haryana Bijli Vitran Nigam Limited	-	101577.00	-	101577.00	- (2250.00)	- (4743.50)	-	-	- (6993.50)	-	-	-	-	-	-
15.	Dakshin Haryana Bijli Vitran Nigam Limited	-	71736.00	-	71736.00	-	- (6043.73)	-	-	- (6043.73)	-	-	-	-	-	-
Total A		**1512.70 1002.42Ψ**	**376586.08 1545.42Ψ**	**- 52.28Ψ**	**378098.78 2600.12Ψ**	**13500.00 (5457.00)**	**2928.86 (325913.59)**	**-**	**- (953.00)**	**16428.86 (332323.59)**	**-**	**-**	**-**	**-**	**-**	**-**
B. Statutory Corporations																
1.	Haryana Financial Corporation	14.84	-	-	14.84	-	6275.00 (7342.00)	-	-	6275.00 (7342.00)	-	-	-	-	-	-
2.	Haryana Warehousing Corporation	-	-	-	-	11500.00 -	-	-	-	11500.00	-	-	-	-	-	-
Total B		**14.84**	**-**	**-**	**14.84**	**11500.00 -**	**6275.00 (7342.00)**			**17775.00 (7342.00)**	**-**	**-**	**-**	**-**	**-**	**-**
Grand total (A+B)		**1527.54 1002.42Ψ**	**376586.08 1545.42Ψ**	**- 52.28Ψ**	**378113.62 2600.12Ψ**	**25000.00 (5457.00)**	**9203.86 (333255.59)**	**-**	**- (953.00)**	**34203.86 (339665.59)**	**-**	**-**	**-**	**-**	**-**	**-**

Note: Except in respect of companies/corporations, which finalised their accounts for 2006-07 figures are provisional and as given by the companies/corporations.

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

ψ Represents grants received.

ANNEXURE – 4

Statement showing financial position of Statutory corporations

(Referred to in paragraph 1.7)

1. Haryana Financial Corporation

	Particulars	2004-05	2005-06	2006-07
		(Rupees in crore)		
A.	**Liabilities**			
	Paid-up capital	30.92	33.93	38.92
	Share application money	-	--	-
	Reserve fund and other reserves and surplus	16.53	16.53	16.53
	Borrowings:			
(i)	Bonds and debentures	198.61	119.95	51.45
(ii)	Fixed deposits	-	- -	-
(iii)	Industrial Development Bank of India and Small Industries Development Bank of India	114.90	126.12	149.37
(iv)	Reserve Bank of India	-	-	-
(v)	Loan in lieu of share capital:			-
(a)	State Government	-	-	-
(b)	Industrial Development Bank of India	-	-	-
(vi)	Others (including State Government)	-	5.32	39.87
	Other liabilities and provisions	210.02	200.27	198.12
	Total A	**570.98**	**502.12**	**494.26**
B.	**Assets**			
	Cash and Bank balances	24.33	7.03	5.50
	Investments	8.62	7.23	6.32
	Loans and Advances	335.98	298.75	301.86
	Net Fixed assets	17.27	16.72	15.13
	Other assets	11.49	11.04	10.47
	Miscellaneous expenditure and deficit	173.29	161.35	154.98
	Total B	**570.98**	**502.12**	**494.26**
C.	**Capital employed***	**393.17**	**331.40**	**298.99**

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

2. Haryana Warehousing Corporation

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

* Including polythen covers of Rs. 0.35 crore.

** Including polythen covers of Rs. 0.55 crore.

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

ANNEXURE - 5

Statement showing working results of Statutory corporations

(Referred to in paragraph 1.7)

1. Haryana Financial Corporation

	Particulars	2004-05	2005-06	2006-07
			(Rupees in crore)	
1.	Income			
(a)	Interest on loans	48.68	40.65	33.79
(b)	Other income	2.57	3.60	3.02
	Total-1	**51.25**	**44.25**	**36.81**
2.	Expenses			
(a)	Interest on long-term and short-term loans	38.40	31.42	21.50
(b)	Other expenses	35.71	0.89	8.94
	Total-2	**74.11**	**32.31**	**30.44**
3.	Profit (+)/loss (-) before tax (1-2)	(-) 22.86	(+) 11.94	(+) 6.37
4.	Provision for tax	-	-	-
5.	Other appropriations	-	-	-
6	Provision for non-performing assets	-	-	-
7.	Amount available for dividend	-	-	-
8.	Dividend paid/payable	-	-	-
9.	Total return on Capital employed	15.53	43.36	27.86
10.	Percentage of return on capital employed	3.95	13.08	9.32

2. Haryana Warehousing Corporation

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

ANNEXURE – 6

Statement showing operational performance of Statutory corporations

(Referred to in paragraph 1.11)

1. Haryana Financial Corporation

Particulars	(Amount: Rupees in crore)					
	2004-05		2005-06		2006-07	
	Number	Amount	Number	Amount	Number	Amount
Applications pending at the beginning of the year	25	10.69	24	20.76	21	19.14
Applications received	281	95.75	252	110.61	309	233.61
Total	**306**	**106.44**	**276**	**131.37**	**330**	**252.75**
Loan applications sanctioned	257	51.70	225	78.18	264	170.67
Applications cancelled/ withdrawn/rejected/ reduced	25	33.98	30	34.05	33	55.57
Applications pending at the close of the year	24	20.76	21	19.14	33	26.51
Loans disbursed	244	26.95	218	40.35	250	67.09
Loan outstanding at the close of the year	3038	324.54	2544	287.62	2129	290.49
Amount overdue for recovery at the close of the year						
(a) Principal		223.28		194.78		176.19
(b) Interest		1253.03		1387.56		1527.59
Total		**1476.31**		**1582.34**		**1703.78**
Amount involved in recovery certificate cases		565.52	726	751.80	748	975.39
Percentage of overdue loans to the total outstanding loans		68.80		67.72		60.65

2. Haryana Warehousing Corporation

Particulars	2004-05	2005-06	2006-07 (Provisional)
Number of stations covered	106	105	105
Storage capacity created up to the end of the year (tonnes in lakh)			
(a) Owned	12.95	11.24	10.85
(b) Hired	3.64	3.61	2.96
Total	**16.59**	**14.85**	**13.81**
Average capacity utilised during the year (tonnes in lakh)	8.47	8.51	8.38
Percentage of utilisation	51.05	57.31	60.68
Average revenue per tonne per year (Rupees)	470.52	442.10	380.00
Average expenses per tonne per year (Rupees)	158.47	174.33	254.00
Profit (+)/Loss (-) per tonne (Rupees)	(+) 312.05	(+) 267.77	(+) 126.00

ANNEXURE-7

Statement showing inflow and outflow of funds for industrial area of HSIIDC during the last five years up to 2006-07

(Referred to Paragraph 2.1.7)

Sl. No.	Particulars	2002-03 Budgeted	2002-03 Actual	2002-03 Deviation (in percentage)	2003-04 Budgeted	2003-04 Actual	2003-04 Deviation (in percentage)	2004-05 Budgeted	2004-05 Actual	2004-05 Deviation (in percentage)	2005-06 Budgeted	2005-06 Actual	2005-06 Deviation (in percentage)	2006-07 Budgeted	2006-07 Actual	2006-07 Deviation (in percentage)
	INFLOW	(Rs. in crore)														
1	Recovery from allottees	154.70	193.05	24.79	143.14	225.14	57.29	200.63	273.40	36.27	330.11	252.98	-23.36	585.3	752.86	28.63
2	Equity & Grants	6.00	5.47	-8.83	8.00	1.97	-75.38	8.40	1.91	-77.26	6.88	197.77	2774.56	371.14	300.84	-18.94
3	Loans	246.05	0.00	-100.00	252.50	55.86	-77.88	342.50	51.43	-84.98	940.50	131.42	-86.03	318	0	-100.00
4	Application/PLA money	-	-		-	-		-	188.59		-	-		-	506.11	-
	Total	**406.75**	**198.52**	**-51.19**	**403.64**	**282.97**	**-29.90**	**551.53**	**515.33**	**-6.56**	**1277.49**	**582.17**	**-54.43**	**1274.44**	**1559.81**	**22.39**
	OUTFLOW															
1	Development Expenditure	112.47	63.96	-43.13	130.56	85.40	-34.59	177.60	115.79	-34.80	87.97	86.76	-1.38	142.98	125.17	-12.46
2	Land Acquisition & other charges	195.98	9.38	-95.21	256.80	176.36	-31.32	341.15	83.73	-75.46	1204.84	751.57	-37.62	1190.55	782.11	-34.31
3	Repayment of Loan & Interest	77.40	82.28	6.30	74.58	75.33	1.01	51.84	71.20	37.35	32.25	14.16	-56.09	41.9	33.14	-20.91
4	Refund of Application money	20.00	-		-	-		-	-		-	-		-	-	-
5	Refund to Allottees	-	-		-	-		-	-		60.00	-		-	-	-
	Total	**405.85**	**155.62**	**-61.66**	**461.94**	**337.09**	**-27.03**	**570.59**	**270.72**	**-52.55**	**1385.06**	**852.49**	**-38.45**	**1375.43**	**940.42**	**-31.63**

ANNEXURE - 8
Detail of schemes financed by National Financial Corporations
(Referred to in paragraph 2.2.8)

Sl. No.	Name of NFC and Eligibility criteria	Name of the scheme	Maximum loan limit per beneficiary	Pattern of finance			Rate of interest		Repayment duration
				NFC Loan	SCA Loan	Beneficiary share	NFC to SCA	SCA to beneficiary	
				(In *per cent*)					
1.	NBCFDC[1] • person should belong to backward classes • Annual Income below Rs. 55,000 for urban areas and Rs. 40,000 for rural areas.	Term loan	Rs. 5 lakh	85	10	05	3	6	8 years
		Education loan scheme	Rs. 3 lakh	90	05	05	1.5	4	5 years
		swayam saksham	RS. 5 lakh	90	05	05	2	5	8 years
		New swarnima	Rs. 50,000	95	05	-	1	4	8 years
		Micro financing scheme	Rs. 25,000	90	05	05	2	5	3 years
		Mahila samridhi yojna	Rs. 25,000	95	05	-	1	4	3 years
2.	NMDFC[2] • person should belong to minority community. • Annual Income below Rs. 55,000 for urban areas and Rs. 40,000 for rural areas.	Term loan	Rs. 5 lakh	85	10	5	3.5	6	8 Years
		Margin money cum subsidy loan scheme	Rs. 5 lakh	25	10	65#	1	2	8 years
		Education loan scheme	Rs.75,000	90	10	-	1	3	5 Years
		Micro financing scheme	Rs. 25,000	90	10	-	1	2 to 5	3 years
		Mahila samridhi yojna	Rs. 25,000	90	10*		1	4	3 years
3.	NHFDC[3] • Any Indian Citizen with 40 percent or more disability. • Age between 18 and 55 years • Annual income below rupees one lakh for urban areas and Rs. 80,000 for rural areas. • Relevant educational/ technical/ vocational qualification/ experience and background.	• For setting up small business in service/ trading sector Sales/Trading Service sector	 Upto 1.00 lakh Upto 3.00 lakh	Upto 50,000 100 50001 to 1 lakh 95 1 lakh to 5 lakh 90	- 5 5	- - 5	Upto 50,000 - 2 50001 to 5 lakh 3	5 6	10 years
		• For setting up of small industrial unit, Agricultural Activities, vehicle Purchase for commercial hiring	Upto 5.00 lakh	Upto 50,000 100 50001 to 1 lakh 95 1 lakh to 5 lakh 90	- 5 5	- - 5	Upto 50,000 - 2 50001 to 5 lakh 3	5 6	10 years
		• For self employment amongst persons with mental retardation, cerebral policy	Upto Rs. 3.00 lakh	Upto 50,000 100 50001 to 1 lakh 95 1 lakh to 5 lakh 90	- 5 5	- - 5	Upto 50,000 - 2 50001 to 5 lakh 3	5 6	10 years

1 National Backward Classes Finance and Development Corporation.
2 National Minorities Development and Finance Corporation.
Bank Share 60 *per cent*.
* to be shared by SCA and beneficiary.
3 National Handicapped Finance and Development Corporation.

Sl. No.	Name of NFC and Eligibility criteria	Name of the scheme	Maximum loan limit per beneficiary	Pattern of finance: NFC Loan	Pattern of finance: SCA Loan	Pattern of finance: Beneficiary share	Rate of interest: NFC to SCA	Rate of interest: SCA to beneficiary	Repayment duration
				(In *per cent*)					
		Education Loan	Upto 7.50 lakh - India Upto 15.00 lakh - Abroad	Upto Rs. 4 lakh - 100 Above Rs. 4 lakh in India- 95 Above Rs. 4 lakh abroad - 85	- nil nil	- 5 15	Upto 50,000 - 2 50001 to 5 lakh 3 Above 5 lakh 5	5 6 8	7 years
		Micro Credit Scheme	Upto Rs. 25000 per beneficiary	100	-	-	2	5	3 years
		Parents Association of mentally retarded persons	Upto Rs. 5.00 lakh	95	-	5	Upto 50000 2 50001-5 lakh 3	5 6	10 years

ANNEXURE – 9

Statement showing cost incurred on purchase of power, revenue from sale of power, loss incurred and subsidy received from State Government during the last five years up to 2006-07

(Referred to in paragraph 2.3.7)

Sl. No.	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07	Total (Rs in crore)
1.	Number of units purchased/available for sale (MUs)	8744.63	9453.40	10026.90	10886.73	11643.26	
2.	Number of units sold (MUs)	5682.24	6301.57	6746.38	7523.16	8191.13	
3.	Number of consumers	1604973	1666966	1740328	1805292	1897989	
4.	Revenue from sale of power (Rs in crore)	1528.96	1736.21	1855.00	2109.32	2481.17	
5.	Revenue from sale per unit (Paise)	269.08	275.52	274.96	280.38	302.91	
6.	Other income (Rs in crore)	129.70	84.05*	53.08	28.25	36.01	
7.	Other income per unit (Paise)	22.82	13.34	7.87	3.75	4.40	
8.	Total Revenue (Rs in crore)	1658.66	1820.26	1908.08	2137.57	2517.18	
9.	Total Revenue per unit (5+7)	291.90	288.86	282.83	284.13	307.31	
10.	Cost of units sold (Rs in crore)	1936.64	2085.58	2479.74	2570.27	3142.37	
11.	Average cost per unit (Paise)	340.82	330.96	369.05	341.61	383.63	
12.	Loss per unit (Paise) (11-9)	48.92	42.10	86.22	57.48	76.32	
13.	Total loss (Rs. in crore) (2x12)	277.98	265.30	581.67	432.43	625.15	2182.53
14.	Subsidy received during the year from State Govt. (Rs. in crore)	289.44	304.88	380.00	451.21	590.49	2016.02

* includes incentive of Rs. 57.04 crore from Government of India for cash loss reduction under APDRP scheme.

ANNEXURE -10

Statement showing units received for sale, units sold, units lost and expenditure incurred on improvement and maintenance of distribution system during the five years up to 2006-07

(Referred to in Paragraph 2.3.8)

Sl. No.	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07	Total
1	Units received for sale (MUs)	8744.63	9453.40	10026.90	10886.73	11643.26	
2	Units sold (MUs)	5682.24	6301.57	6746.38	7523.16	8191.13	
3	Units lost (MUs)	3062.39	3151.83	3280.52	3363.57	3452.13	
4	*Percentage* of losses	35.02	33.34	32.72	30.90	29.65	
5	Loss beyond norm of 11.5 *per cent* (MUs)	2056.76	2064.69	2127.43	2111.60	2113.16	**10473.64**
6	Revenue per unit (Paise)	269.08	272.52	274.96	280.38	302.91	
7	Value of lost units (Rupees in crore)	553.43	562.67	584.96	592.05	640.10	**2933.21**
8	Expenditure on improvement and maintenance of distribution system (Rs in crore).	79.16	115.41	130.40	117.55	278.18	**720.70**
9	Total Expenditure (Rs in crore)	2004.75	2184.65	2602.08	2667.15	3384.42	**12843.05**
10	*Percentage* of expenditure on improvement and maintenance to total expenditure (Sl. No. 8/9)	3.9	5.3	5.0	4.4	8.2	

ANNEXURE –11

Statement showing revenue assessed, its collection and outstandings during the four years up to 2005-06

(Referred to in paragraph 2.3.30)

Sl No	Particulars	Year 2002-03	2003-04	2004-05	2005-06
		(Rs. in crore)			
1	Outstandings at the beginning of year	818.88	899.63	1127.83	1437.90
2	Revenue assessed during the year	1688.08	1983.07	2184.32	2471.21
3	Total amount due for collection (Sl. 1 +2)	2506.96 (818.88)*	2882.70 (899.63)	3312.15 (1127.83)	3909.11 (1437.90)
4	Amount realised during the year	1607.33 (129.11)	1754.87 (133.96)	1874.25 (116.51)	2136.98 (112.22)
5	Average monthly realization (Sl. No. 4/12 months)	133.94 (10.76)	146.24 (11.16)	156.19 (9.71)	178.08 (9.35)
6	Balance outstanding at the end of the year (Sl. 3-4)	899.63	1127.83	1437.90	1772.13
7	Balance realisable in terms of number of months (Sl. No 6/5)	6.7	7.7	9.2	10
8	Collection efficiency *Percentage* (Sl. 4 ÷ 3 x 100)	64	61	57	55
9	Collection efficiency *percentage* of old dues (figures in parenthesis of Sl. 4 ÷ Sl. 3 x 100)	16	15	10	08

* Figures in parenthesis represent recovery of old dues i.e. the amount recoverable at the beginning of the year.

ANNEXURE – 12

Statement showing category-wise position of arrears of revenue for 2002-07

(Referred to in paragraph 2.3.31)

(Amount : Rupees in crore)

Number of consumers and defaulting amount outstanding at the end of year																			
2002-03				**2003-04**				**2004-05**				**2005-06**				**2006-07**			
Connected		**Disconnected**		**Connected**		**Disconnected**		**Connected**		**Disconnected**		**Connected**		**Disconnected**		**Connected**		**Disconnected**	
No.	**Amount**	**No.**	**Amount**	**No.**	**Amount**	**No.**	**Amount**	**No.**	**Amount**	**No.**	**Amount**	**No.**	**Amount**	**No.**	**Amount**	**No.**	**Amount**	**No.**	**Amount**
A Private																			
1. General (Domestic and Non domestic)																			
297729	245.79	180571	147.30	347069	333.27	201863	167.21	382233	426.84	227303	225.27	459066	612.78	243662	250.65	466782	763.68	241344	254.44
2. Agricultural pumps (Metered and Un metered)																			
59941	90.90	12825	9.90	68679	130.74	13347	10.65	66602	172.06	13586	11.05	93680	228.22	14093	14.45	76229	173.37	14604	14.12
Sub-total																			
357670	**336.69**	**193396**	**157.2**	**415748**	**464.01**	**215210**	**177.86**	**448835**	**589.9**	**240889**	**236.32**	**552746**	**841.00**	**257755**	**265.10**	**543011**	**937.05**	**255948**	**268.56**
Total (connected and disconnected)		**551066**	**493.89**			**630958**	**641.87**			**689724**	**826.22**			**810501**	**1106.10**			**798959**	**1205.61**
3. Industrial (HT/LT) & Bulk Supply																			
4611	57.65	7916	43.57	4313	53.18	8203	47.78	5536	54.47	8594	50.00	4447	61.40	8166	49.17	5398	65.89	8149	47.19
Total A																			
362281	**394.34**	**201312**	**200.77**	**420061**	**517.19**	**223413**	**225.64**	**454371**	**653.37**	**249483**	**286.32**	**557193**	**902.40**	**265921**	**314.27**	**548409**	**1002.94**	**264097**	**315.76**
B. Government																			
4. Panchayats and Municipal committees, Street light and Village choupals																			
486	12.22	270	1.06	469	11.68	284	1.03	486	18.54	285	1.98	519	19.52	307	2.10	1026	89.08	388	2.53
5. State Government –PWW, MITC, Drainage and Irrigation																			
2855	88.76	315	2.38	2478	110.83	227	1.76	3024	163.29	85	1.49	4487	252.00	187	1.67	5120	235.93	179	3.55
6. Railway and Others																			
245	4.11	305	0.63	274	4.38	284	0.64	218	3.63	288	0.60	187	5.72	258	0.73	134	6.15	200	2.33
Total B																			
3586	**105.09**	**890**	**4.07**	**3221**	**126.89**	**795**	**3.43**	**3728**	**185.46**	**658**	**4.07**	**5192**	**277.24**	**752**	**4.50**	**6280**	**331.16**	**767**	**8.41**
Grand Total (A+B)																			
365867	**499.43**	**202202**	**204.84**	**403282**	**644.08**	**224208**	**229.07**	**458099**	**838.83**	**250141**	**290.39**	**562385**	**1179.64**	**266673**	**318.77**	**554689**	**1334.10**	**264864**	**324.16**
Grand Total (Connected and Disconnected)																			
		568069	**704.27**			**627490**	**873.15**			**708240**	**1129.22**			**829058**	**1498.41**			**819553**	**1658.26**
Number of consumers at the beginning of year																			
1583082				1604973				1666966				1740328				1805792			
Percentage of defaulting connected consumers in relation to Total consumers																			
23				**25**				**27**				**32**				**31**			
Revenue assessed																			
1688.08				**1983.07**				**2184.32**				**2471.21**				**2746.80**			

ANNEXURE - 13

Statement showing release of APDRP funds by GOI and counterpart funding by financial institutions

(Referred to in paragraph 2.4.11)

Rupees in crore

Sl. No.	Year	Project outlay (Revised)	APDRP component (Revised)						Counterpart funding from REC/PFC		Total funds received	Funds availability	Funds utilisation	Balance
			Sanctioned			Released								
			Grant	Loan	Total	Grant	Loan	Total	Sanctioned	Drawn				
UHBVNL														
1.	2002-03	193.84	48.46	48.46	96.92	8.02	8.02	16.04	100.33	-	16.04	16.04	7.92	8.12
2.	2003-04	-	-	-	-	21.72	29.32	51.04	-	45.47	96.51	104.63	55.12	49.51
3.	2004-05	-	-	-	-	7.60	-	7.60	-	5.57	13.17	62.68	33.65	29.03
4.	2005-06	-	-	-	-	-	-	-	-	-	-	29.03	4.57	24.46
5.	2006-07	-	-	-	-	-	-	-	-	-	-	24.46	21.85	2.61
	Total	**193.84**	**48.46**	**48.46**	**96.92**	**37.34**	**37.34**	**74.68**	**100.33**	**51.04**	**125.72**	**125.72**	**123.11**	**2.61**
DHBVNL														
1.	2002-03	238.11	59.53	59.53	119.06	10.62	10.62	21.24	60.05	-	21.24	21.24	24.04	(-) 2.80
2.	2003-04	-	-	-	-	26.77	36.53	63.30	59.01	31.25	94.55	91.75	59.65	32.10
3.	2004-05	-	-	-	-	9.77	-	9.77	-	-	9.77	41.87	22.21	19.66
4.	2005-06	-	-	-	-	-	-	-	-	22.66	22.66	42.32	27.73	14.59
5.	2006-07	-	-	-	-	-	-	-	-	2.32	2.32	16.91	30.06	(-) 13.15
	Total	**238.11**	**59.53**	**59.53**	**119.06**	**47.16**	**47.15**	**94.31**	**119.06**	**56.23**	**150.54**	**150.54**	**163.69**	**(-) 13.15**
	Grand Total	**431.95**	**107.99**	**107.99**	**215.98**	**84.50**	**84.49**	**168.99**	**219.39**	**107.27**	**276.26**	**276.26**	**286.80**	**(-) 10.54**

ANNEXURE – 14
Statement showing project wise utilisation of funds as on 31 March 2007 of UHBVNL and DHBVNL
(Referred to in paragraph 2.4.16)

Sl. No.	Name of project	Date of approval	Project cost (Rupees in crore)	Utilisation (Rupees in crore)		Percentage utilisation	
				Upto March 2006	Upto March 2007	Upto March 2006	Upto March 2007
UHBVNL							
1.	Karnal circle	26.08.02	97.79	56.53	64.36	57.81	65.81
2.	Sonepat circle	26.08.02	27.57	20.76	22.91	75.30	83.10
3.	Ambala town	27.11.02	15.47	5.37	6.73	34.71	43.50
4.	Kurukshetra (Thanesar town)	27.11.02	7.70	1.65	5.40	21.43	70.13
5.	Kaithal town	27.11.02	3.39	0.69	1.63	20.35	48.08
6.	Bahadurgarh town	27.11.02	10.35	3.46	5.84	33.43	56.43
7.	Rohtak town	27.11.02	16.80	5.47	8.17	32.56	48.63
8.	Yamunanagar-Jagadhri town	27.11.02	12.02	4.07	5.01	33.86	41.88
9.	Gohana town	5.06.03	2.75	3.26	3.06	118.91	111.27
	Total		**193.84**	**101.26**	**123.11**	**52.24**	**63.51**
DHBVNL							
1.	Hisar circle	26.08.02	76.04	33.44	50.22	43.98	66.04
2.	Fatehabad town	26.08.02	5.49	2.31	3.31	42.08	60.29
3.	Tohana town	27.11.02	5.76	3.37	4.17	58.51	72.40
4.	Hisar-II town	27.11.02	7.38	3.30	3.68	41.72	49.86
5.	Hansi town	27.11.02	1.72	1.59	1.60	92.44	93.02
6.	Bhiwani town	27.11.02	7.45	4.72	6.83	63.36	91.68
7.	Rewari town	27.11.02	6.34	2.57	4.68	40.51	73.82
8.	Faridabad circle	27.11.02	118.02	78.15	80.85	66.21	68.50
9.	Sirsa town	27.11.02	9.91	4.18	8.35	42.18	84.26
	Total		**238.11**	**133.63**	**163.69**	**56.12**	**68.74**
	Grand total		**431.95**	**234.89**	**286.80**	**54.38**	**66.40**

ANNEXURE- 15

Statement showing physical and financial progress of Computerisation and Information Technology related works of UHBVNL and DHBVNL during 2004-07

(Referred to in paragraph 2.4.20)

Sl No.	Description of work	Target		Actual	
		Physical	Financial (Rupees in crore)	Physical progress	Financial progress (Rupees in crore)
UHBVNL					
1.	Consumer indexing	5,65,390 (Nos)	0.75	Nil	Nil
2.	G.I.S. mapping	46,000 (Sq KM)	0.11	Nil	Nil
3.	Data logging of 33 KV S/Stn	57 (Nos)	1.14	Nil	Nil
4.	Call centers	7 (Nos)	0.70	Nil	0.16
5.	Upgradation of call centers	59 (Nos)	1.18	3	0.14
6.	Billing centre	1(Nos)	0.02	Nil	Nil
7.	Spot billing	8 (Nos)	4.53	0	0.05
8.	Computerization and I.T. for MIS	64 (Nos)	1.13	59	0.50
9..	Development of software and training of manpower	-	0.05	-	Nil
	Total		**9.61**		**0.86**
DHBVNL					
1.	Consumer indexing	3,00,000 (Nos)	0.92	Nil	Nil
2.	G.I.S. mapping	2151 Sq KM	0.54	Nil	Nil
3.	Data logging of 33 KV S/Stn	31(Nos)	1.26	Nil	Nil
4.	Call centers	4 (Nos)	1.23	Nil	0.42
5.	Billing center	1(Nos)	0.50	Nil	0.26
6.	Computerisation/I.T. for MIS	-	5.25	Nil	1.17
	Total		**9.70**		**1.85**
	Grand total		**19.31**		**2.71**

ANNEXURE- 16

Statement showing position of system strengthening works in respect of UHBVNL and DHBVNL as on 31 March 2007

(Referred to in paragraph 2.4.21)

Sl. No.	Name of activity	Provision		Achieved			
		Quantity	Cost (Rupees in crore)	Physical	Financial (Rupees in crore)	Physical percentage	Financial percentage
UHBVNL							
1.	New 33 KV S/Stn (Nos)	12	18.55	11	13.80	91.67	74.39
2.	Augmentation of 33 KV S/STn (Nos)	15	3.71	14	3.70	93.33	99.73
3.	Revamping of sub-station (R & M) (Nos)	69	11.93	12	8.27	17.39	69.32
4.	New 33 KV lines (KM) and reconductoring of 33 KV lines (KM)	21.70	0.46	7	0.18	32.26	39.13
5.	Bifurcation/ trifurcation of 11 KV feeders (KM)						
(a)	New 11 KV lines (KM)	303.88		237.76		78.24	
(b)	Augmentation of 11 KV lines (KM)	406.72	10.18	283.65	10.67	69.74	
(c)	11 KV VCBs (Nos)	63		60		95.24	
	Sub total		**10.18**		**10.67**		**104.81**
6.	Allied works under bifurcation/trifurcation						
(a)	Distribution Transformers (DTs) (Nos)	1261	10.71	1139		90.33	
(b)	11 KV lines for DTs (KM)	498.6	5.78	308.89	11.87	61.95	
(c)	New LT lines (KM)	537.33	5.80	138.73		25.82	
(d)	Augmentation of LT lines (KM)	141.89	0.76	77.22		54.42	
	Sub total		**23.05**		**11.87**		**51.50**
7.	New/reconductoring of 11 KV and LT lines						
(a)	New 11 KV lines (Kms)	164.98	1.97	163.97		99.39	
(b)	Reconductoring of 11 KV lines (KM)	412.92	3.93	277.04		67.09	
(c)	New LT lines (KM)	84	0.98	88.61	17.11	105.49	
(d)	Reconductoring of LT line (KM)	305	2.25	251.18		82.35	
(e)	New DTs (Nos)	1009	10.20	824		81.67	
	Sub-total		**19.33**		**17.11**		**88.52**
8.	Renovation of DT's (Nos)	26795	10.72	5866	2.47	21.89	23.04
9.	Trolley Mounted 200 KVA DTs (Nos)	14	0.56	13	0.29	92.86	51.79
10.	G.O. switches (Nos)	878	0.69	418	0.19	47.61	27.54
11.	Lightening arrestors (Nos)	380	0.03	210	0.03	55.26	100
12.	MCB's for DT's (Nos)	1147	1.15	-	-	-	-
13.	11 KV Indoor station (Nos)	2	0.10	-	-	-	-
14.	11 KV VCB's (Nos)	10	0.25	10	0.30	100	120
15.	LT VCB's (Nos)	30	0.45	3	0.02	10.00	4.44
16.	Replacement of poles (Nos)	400	0.08	166	0.02	41.50	25
17.	LT Capacitors (Nos)	19839	1.86	15097	1.11	76.10	59.68
18.	HT Capacitors (Nos)	26	1.55	25	1.21	96.15	78.06
19.	Trolley mounted crane (Nos)	12	0.66	-	-	-	-
20.	Trolley mounted extension ladder (Nos)	29	0.59	-	-	-	-
21.	Mobile communication (Nos)	1	0.05	-	-	-	-

Sl. No.	Name of activity	Provision		Achieved			
		Quantity	Cost (Rupees in crore)	Physical	Financial (Rupees in crore)	Physical percentage	Financial percentage
22.	2 core armoured cable (KM)	95	0.38	27.12	0.07	28.55	18.42
23.	Arial bunched cable (KM)	143	3.59	97.806	0.94	68.40	26.18
24.	PVC service cable (KM)	40	0.08	40.00	0.08	100	100
25.	11 KV under ground cable (KM)	3	0.17	3	0.16	100	94.12
26.	LT cable (KM)	2	0.06	2	0.06	100	100
27.	Service cable (KM)	380	0.68	150.32	0.22	39.56	32.35
28.	Misc works	-	0.42	-	-	-	-
29.	Unapproved works	-	-	-	6.57	-	-
	Total		**111.33**		**79.34**		**71.27**
DHBVNL							
1.	New 33 KV Sub-stations (Nos)	9	9.57	7	8.69	77.78	90.80
2.	Renovation of sub stations (Nos)	5	1.00	1	0.24	20.00	24.00
3.	Revamping of sub-station (R & M) (Nos)	31	3.48	21	1.12	67.74	32.18
4.	Augmentation of 33 KV sub-stations (Nos)	30	6.00	27	5.20	90.00	86.67
5.	New 11 KV lines (KM)	83.50	0.99	58.87	0.82	70.50	82.83
6.	Strengthening of 11 KV feeder (Nos)	100	35.96	WIP*	33.40	-	92.88
7.	Bifurcation of 11 KV feeders (KM)	46	20.71	44	16.64	95.65	80.35
8.	Augmentation of 11 KV lines (KM)	207.5	2.21	194.50	1.70	93.73	76.92
9.	Reconductoring of 33/11 KV lines (KM)	2600	14.80	2060	10.10	79.23	68.24
10.	New LT lines (KM)	32.47	0.50	28.47	0.33	87.68	66.00
11.	Augmentation of LT lines (KM)	70	0.87	18.20	0.41	26.00	47.13
12.	New DT's (Nos)	109	0.87	135	1.23	123.85	141.38
13.	Renovation of DT's (Nos)	18441	8.96	989	1.97	5.36	21.99
14.	Augmentation of DTs (Nos)	37	0.33	37	0.32	100	96.97
15.	HT/LT capacitors (Nos)	155	3.66	28.58	0.81	18.44	22.13
16.	Misc. works	-	0.56	-	0.51	-	91.07
	Total		**110.47**		**83.49**		**75.58**

* Work in respect of 82 feeders started and is in progress.

ANNEXURE - 17

Statement showing excess reporting of metering to MoP up to March 2007

(Referred to in paragraph 2.4.25)

(Rupees in crore)

Sl. No.	Name of town/circle	Type of meters	Projected as per DPR		Progress reported		Actual progress as per divisional records		Excess reporting	
			Qty (Nos)	Amount (Rupees in crore)	Qty (Nos)	Amount (Rupees in crore)	Qty (Nos)	Amount (Rupees in crore)	Qty (Nos)	Amount (Rupees in crore)
UHBVNL										
1.	Sonipat circle	Single phase	63547	6.50	114434 (180.08)	8.34 (128.31)	27053 (42.57)	2.26 (31.69)	87381	6.08
DHBVNL										
1.	Hisar-II	Single phase	57734	7.37	40602 (70.33)	3.67 (49.80)	13510 (23.40)	1.05 (14.25)	27092	2.62
2.	Tohana Town	-do-	34941	4.46	30426 (87.08)	2.97 (66.59)	11556 (33.07)	0.65 (14.57)	18870	2.32
3.	Fatehabad Town	-do-	42601	5.44	25535 (59.94)	3.26 (59.93)	3949 (9.27)	0.16 (2.94)	21586	3.10
4.	Hansi Town	-do-	3923	0.50	3950 (100.69)	0.50 (100)	Nil	Nil	3950	0.50
5.	Hisar Town	Single phase	47107	6.02	47107 (100)	6.02 (100)	26472 (56.20)	1.42 (23.59)	20635	4.60
		Three phase	12986	7.35	9900 (76.24)	1.79 (24.35)	2977 (22.88)	0.37 (5.03)	6923	1.42
		LT/CT Meters	2000	4.40	1280	3.00†	-	-	1280	3.00
6.	Faridabad circle	Consumer meters	291117	52.78	191000 (65.61)	44.37 (84.07)	-		*	-
		Feeder meters	252	0.50	207 (82.14)	0.20 (40)				
		DT meters	6945	17.37	20 (0.29)	0.08 (0.46)			-	
	Total		**497606**	**106.19**		**65.86**				**17.56**
	Grand total		**561153**	**112.69**		**74.20**				**23.64**

Note : Figures in brackets indicate percentage.

† Purchase orders for 1290 meters issued in March/April 2007 and no supply was received upto March 2007.

* The divisional offices had not maintained quantity account (stock account of meters) as such physical progress could not be verified in audit. The progress was however highly exaggerated and without any basis as an expenditure of Rs 13.92 crore was booked by the divisions under the head 'Metering and other equipment in APDRP' against reported expenditure of Rs 44.65 crore under 'Metering' by the circle.

ANNEXURE-18

Statement showing reviews/ paragraphs for which replies were not received

(Referred to in Paragraph 3.20.1)

Sl. No.	Name of the Department	2003-04		2005-06		Total	
		Reviews	Paragraphs	Reviews	Paragraphs	Reviews	Paragraphs
1.	Power	-	2	1	10	1	12
2.	Construction	-	-	-	1	-	1
	Total	-	2	1	11	1	13

ANNEXURE -19

Statement showing the department-wise break up of Inspection Reports outstanding as on 30 September 2007

(Referred to in Paragraph 3.20.3)

Sl. No	Name of the Department	No. of PSUs	No. of outstanding IRs	No. of outstanding Paragraphs	Year from which observations outstanding
1.	Agriculture	4	16	62	1994-95
2.	Industry	2	4	11	2005-06
3.	Transport	1	4	6	2000-01
4.	Electronics	2	5	14	2002-03
5.	Forest	1	3	7	1999-2000
6.	Mining and Geology	1	2	2	1996-97
7.	Home	1	4	8	2003-04
8.	Scheduled Castes and Backward Classes Welfare	2	9	25	1999-2000
9.	Women and Child Development	1	2	5	2005-06
10.	Tourism and Public Relations	1	4	26	2004-05
11.	Public Works Department (B&R)	1	4	12	2003-04
12.	Power	5*	189	455	1995-96
	Total	**22**	**246**	**633**	

* Including Haryana Electricity Regulatory Commission.

ANNEXURE - 20

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

(Referred to in paragraph 3.20.3)

Sl. No.	Name of Department	No. of draft paragraphs	No. of reviews	Period of issue of draft paragraphs/ reviews
1.	Power	10	2	February to May 2007
2.	Industry	5	1	March to May 2007
3.	Agriculture	1	-	April 2007
4.	Public works Department (B&R)	2	-	February to May 2007
5.	Schedule Castes and Backward Classes welfare	-	1	May 2007
	Total	18	4	