REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

FOR THE YEAR ENDED 31 MARCH 2009

(COMMERCIAL)

GOVERNMENT OF HARYANA

दिनांक............को विधान सभा
को प्रस्तुत की गई
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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 2008-09 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 2008-09 have also been included, wherever necessary.

6. Audits have been conducted in conformity with the Auditing Standards issued by the CAG.

Overview

1. Overview of Government companies and Statutory corporations

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2009, the State of Haryana had 22 working PSUs, (20 companies and 2 Statutory corporations) and 6 non-working PSUs (all companies), which employed 0.38 lakh employees. The working PSUs registered a turnover of Rs. 18,424.04 crore for 2008-09 as per their latest finalised accounts. This turnover was equal to 10.21 *per cent* of State GDP indicating an important role played by State PSUs in the economy. However, the PSUs incurred a loss of Rs. 1,279.61 crore for 2008-09 and had accumulated losses of Rs. 4,543.71 crore.

Investments in PSUs

As on 31 March 2009, the investment (Capital and long term loans) in 28 PSUs was Rs. 20,408.28 crore. It grew by over 116.16 *per cent* from Rs. 9,441.42 crore in 2003-04. Power Sector accounted for nearly 94 *per cent* of total investment in 2008-09. The Government contributed Rs. 3,927.33 crore towards equity, loans and grants/subsidies during 2008-09.

Performance of PSUs

During the year 2008-09, out of 22 working PSUs, 15 PSUs earned profit of Rs. 152.48 crore and six PSUs incurred loss of Rs. 1,399.87 crore. The major contributors to profit were Haryana State Industrial and Infrastructure Development Corporation Limited (Rs. 60.70 crore) and Haryana Vidyut Prasaran Nigam Limited (Rs. 60.51 crore). The heavy losses were incurred by Uttar Haryana Bijli Vitran Nigam Limited (Rs. 1,107.54 crore) and Dakshin Haryana Bijli Vitran Nigam Limited (Rs. 265.69 crore).

The losses are attributable to various deficiencies in the functioning of PSUs. A review of three years Audit Reports of CAG shows that the State PSUs' losses of Rs. 635.84 crore and infructuous investments of Rs. 132.68 crore were controllable with better management. Thus, there is tremendous scope to improve the functioning and minimise/eliminate losses. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for professionalism and accountability in the functioning of PSUs.

Quality of accounts

The quality of accounts of PSUs needs improvement. All 23 accounts finalised during October 2008 to September 2009 received qualified certificates. There were 39 instances of non-compliance with Accounting Standards. Reports of Statutory Auditors on internal control of the companies indicated several weak areas.

Arrears in accounts and winding up

Twelve working PSUs had arrears of 27 accounts as of September 2009. The arrears need to be cleared by setting targets for PSUs and outsourcing the work relating to preparation of accounts. There were six non-working companies. As no purpose is served by keeping these PSUs in existence, they need to be wound up quickly.

Discussion of Audit Reports by COPU

The Audit Reports (Commercial) for 2005-06 onwards are yet to be discussed fully by COPU. These three audit reports contained 10 reviews and 64 paragraphs of which 2 reviews and 6 paragraphs have been discussed.

2. Performance reviews relating to Government companies

Performance reviews relating to 'Construction and Operation of Unit I and II of Deenbandhu Chhotu Ram Thermal Power Plant Yamunanagar' of **Haryana Power Generation Corporation Limited**, **'Working of Haryana Tourism Corporation Limited'** and 'Computerised Billing of Domestic Supply (DS) and Non-Domestic Supply (NDS) consumers of UHBVNL and DHBVNL by HARTRON' in **Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited** were conducted. Executive summary of Audit findings is given below:

Construction and Operation of Unit I and II of Deenbandhu Chhotu Ram Thermal Power Plant Yamunanagar of Haryana Power Generation Corporation Limited

As per 16th Electric Power Survey of India, the Peak power demand in Haryana was projected to increase from 3,077 MW (2000-01) to 4,203 MW (2004-05). Against this, the generating capacity of the company was 1,040.50 MW in 2001-02. The Company set up 600 MW Deenbandhu Chhotu Ram Thermal Power Plant at Yamunanagar and 500 MW Panipat Thermal Power Station at Panipat and increased its generation capacity to 2,140.50 MW. The performance audit on Construction and Operation of Unit I and II (300 MW each) of Deenbandhu Chhotu Ram Thermal Power Plant, Yamunanagar was conducted to assess economy and efficiency in project planning and execution and performance of commissioned units against envisaged standards.

Project planning and contract

The State Government approved the project in July 2002. Initially it was decided to secure price offer from BHEL. But later on the proposal to implement the project through International Competitive Bidding (ICB) was approved by the Government in January 2004. This shifting of stand delayed the project initiation which could have been avoided by adopting ICB route in the beginning. The project was awarded in September 2004 to Reliance Energy Limited (REL) though it was not a regular turnkey management and contracting agency.

Execution of the project

There was cost and time overrun. The expenditure incurred on project was Rs. 2,501.80 crore as of March 2009 against an estimated project cost of Rs. 2,338 crore. The cost overrun of Rs. 163.8 crore was mainly on account of increase in cost of land, higher interest and excess consumption of startup fuel. In the absence of suitable clause in the contract, the net excess consumption of fuel of Rs. 48.90 crore during trial runs could not be recovered from REL. The Units scheduled to be commissioned in March 2007 and June 2007 actually started commercial operations from April 2008 and June 2008 respectively. Audit noticed that the Company could have further saved Rs. 21.62 crore with better management of the project. There were other deficiencies in the execution such as inadequate capacity of coal mill reject handling system, delay in commissioning of Dry Fly ash collection system and delay in completion of computerised maintenance and inventory management system. The monitoring of the project was also found deficient.

Performance of Units

The cost of generation was Rs. 3.19 per unit for Unit-I and Rs. 3.07 per unit for Unit-II as against HERC approved (provisionally) tariff of Rs. 2.91 per unit. The high cost of generation was due to excess consumption of inputs (coal, fuel oil, auxiliary consumption) as compared to the parameters guaranteed by REL and low plant load factor of about 69 per cent as against norm of 80 per cent. The high cost of generation resulted in loss of Rs. 67.46 crore during April 2008 to March 2009.

Conclusion and Recommendations

Timely commissioning could have enabled the Company generate 4,280 MUs more. Achieving 80 per cent PLF also could have resulted in additional generation of 499 MUs. This could have reduced the State's dependence on high cost power purchase. The review contains six recommendations which includes increasing the PLF and reducing the consumption of inputs.

(Chapter 2.1)

Working of Haryana Tourism Corporation Limited

The State Government established Haryana Tourism Corporation Limited (Company) with the main objective of promoting tourism in the State. In pursuance of its objectives, the Company has undertaken activities of operating tourist complexes with catering, bar and accommodation facilities, organising trade fairs and melas, running petrol pumps and undertaking construction and consultancy services. As on 31 March 2009 the Company had 43 tourist complexes, 14 petrol pumps and 2025 employees. The performance audit was conducted to ascertain the development of tourism in the State and viability of the operation of complexes.

Finances and Performance

The provisional accounts figures are available upto 2007-08. During 2004-08, Company's income and expenditure were Rs. 615.61 crore and Rs. 603.57 crore respectively. The net profit of Rs. 12.04 crore included interest of Rs. 10.92 crore from fixed deposits. Thus, the Company has been operating on a very thin margin.

Tourist Arrivals

The tourist arrivals stagnated at about 60 lakh during 2004-09. However, in the absence of proper mechanism to ascertain tourist arrivals, the data is not considered reliable. Thus, the impact of activities of the Company on the development of tourism could not be ascertained. The Company did not prepare any action plan for development of tourism.

Operations

The revenue of Rs. 615.61 crore during 2004-08 was mainly contributed by sale of petroleum products (Rs. 438.42 crore), sale of food and liquor (Rs. 104.11 crore) and room rent (Rs. 35.17 crore). The petroleum business operated on a thin margin of 0.66 to 1.27 per cent during 2004-09 which points towards a need to monitor this business closely.

The Company succeeded in improving its occupancy from 65 per cent in 2004-05 to 77 per cent in 2008-09, which was well above desirable level of 60 per cent. However, this did not add much to profitability due to increase in overhead costs. The Company could not contain the food, fuel and electricity costs within norms, resulting in extra expenditure of Rs. 8.01 crore. Similarly, manpower cost was higher by Rs. 9.48 crore above the norms during 2004-08. The Company needs to analyse reasons for high cost of operations and take suitable remedial measures.

Execution of Projects

The Government of India and the State Government sanctioned Rs. 111.97 crore for 213 projects during 2004-09 and released Rs. 78.70 crore. The company had incurred an expenditure of Rs. 48.44 crore upto March 2009. A good number of projects were delayed. This is an area that requires greater attention of the Management.

Conclusion and Recommendations

The deficiencies in the Company's functioning are controllable and there is scope to improve the performance through better management of its operations. This review contains five recommendations which include analysing the reasons for high costs, devising measures to reduce costs and improving internal control procedures.

(Chapter 2.2)

Computerised Billing of Domestic Supply (DS) and Non-Domestic Supply (NDS) consumers of UHBVNL and DHBVNL by HARTRON

The performance IT Review of computerised billing by Haryana State Electronics Development Corporation Limited (HARTRON) in five operation circles namely Ambala (except Panchkula Division), Panipat and Sonepat of Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Faridabad and Gurgaon of Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) was conducted to evaluate the application and general controls of the computerised set-up.

Input Controls

There were inadequate controls over input resulting into short recovery of meter rent, non-posting and non-realisation of sundry charges, excess allowances to consumers, non-availability of date of connection, in the absence of which timely issue of first bill could not be ascertained and non-availability of amount of security deposit resulting in non-compliance of provision of Electricity Supply code.

Output Controls

There were inadequate controls over outputs. Either various Management Information System (MIS) reports were not obtained or the same were not analysed and acted upon by Distribution Companies (DISCOMs') staff to address loss of revenue due to defaulting consumers and systemic delays in realisation of revenue. There were abnormal delays in issue of bills in case of large number of consumers involving huge amount of revenue. In a number of cases, supply of electricity to defaulting consumers was not disconnected which adversely affected ways and means position of DISCOMs besides loss of interest due to default.

In case of sizeable number of consumers, consumption of electricity was more than the maximum units that they could consume on the basis of their sanctioned load which indicated unauthorised usage of load resulting in recurring losses due to average charges, short levy of consumption security etc.

General Controls

The general controls were largely inadequate as no documented user requirement specifications (URS), software requirement specifications (SRS) and other system design documents were found to exist. There was no documentation of change management policy, business continuity, disaster recovery and security policies.

(Chapter 2.3)

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 Rs. 7.85 crore in six cases due to non compliance with rules, directives, procedures, terms and conditions of contracts.

(Paragraphs 3.1, 3.3, 3.6, 3.7, 3.15 and 3.19)

Loss of Rs. 11.80 crore in eight cases due to non-safeguarding the financial interests of organisation.

(Paragraphs 3.2, 3.8, 3.10, 3.12, 3.14, 3.16, 3.17 and 3.18)

Loss of Rs. 0.45 crore in two cases due to defective/deficient planning

(Paragraphs 3.11 and 3.13)

Loss of Rs. 1.02 crore in two cases due to lack of fairness/transparency and competitiveness in operations.

(Paragraphs 3.4 and 3.5)

Loss of Rs. 0.17 crore due to inadequate/deficient monitoring.

(Paragraph 3.20)

Unfruitful expenditure of Rs. 9.98 crore due to non-realisation/partial realisation of objectives.

(Paragraph 3.9)

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

Non recovery of monthly parallel operation charges by **Dakshin Haryana Bijli Vitran Nigam Limited** resulted in loss of Rs. 3.81 crore.

(Paragraph 3.6)

Delay in calling of fresh tenders by **Haryana State Roads and Bridges Development Corporation Limited** resulted in loss of revenue of Rs. 66.55 lakh.

(Paragraph 3.12)

Haryana Power Generation Corporation Limited suffered loss of Rs. 3.84 crore due to non-termination of Memorandum of Understanding.

(Paragraph 3.10)

Non disposal of primary security by **Haryana State Industrial and Infrastructure Development Corporation Limited** put recovery of Rs. 5.66 crore at stake.

(Paragraph 3.2)

Haryana Power Generation Corporation Limited incurred unfruitful expenditure of Rs. 9.98 crore on fire fighting system which is not fully operational.

(Paragraph 3.9)

Chapter I

1. Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Haryana, the State PSUs occupy an important place in the state economy. The working State PSUs registered a turnover of Rs. 18,424.04 crore for 2008-09 as *per* their latest finalised accounts as of September 2009. This turnover was equal to 10.21 *per cent* of State Gross Domestic Product (GDP) for 2008-09. Major activities of Haryana State PSUs are concentrated in power sector. The State PSUs incurred a loss of Rs. 1,279.61 crore in the aggregate for 2008-09 as *per* their latest finalised accounts. They had employed 0.38 lakh♣ employees as of 31 March 2009. The State PSUs do not include five prominent Departmental Undertakings (DUs) which carry out commercial operations but are a part of Government departments. Audit findings of these DUs are incorporated in the Civil Audit Report for the State.

1.2 As on 31 March 2009, there were 28 PSUs as *per* the details given below.

Type of PSUs	Working PSUs	Non-working PSUsΨ	Total
Government Companies♦	20	6	26
Statutory Corporations	2	-	2
Total	**22**	**6**	**28**

1.3 During the year one PSU *i.e.* Yamuna Coal Company Private Limited was established. The Company is registered under Section 619-B of the Companies Act, 1956.

Audit Mandate

1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a

♣ As per the details provided by 28 PSUs.

Ψ Non-working PSUs are those which have ceased to carry on their operations.

♦ includes 619-B Companies.

Government company. Further, a Company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as per Section 619-B of the Companies Act.

1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by 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.

1.6 Audit of Statutory corporations is governed by their respective legislations. In respect of State Warehousing Corporation and State Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

Investment in State PSUs

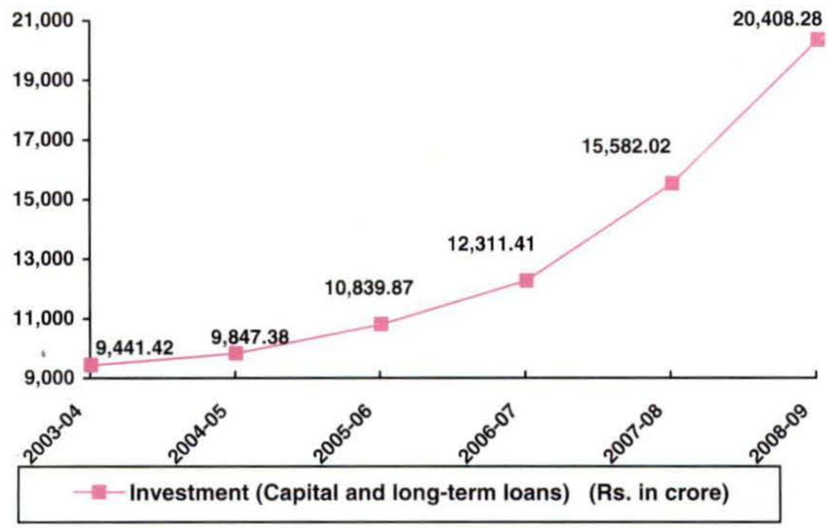
1.7 As on 31 March 2009, the investment (capital and long-term loans) in 28 PSUs (including 619-B Company) was Rs. 20,408.28 crore as per details given below.

(Amount: Rupees in crore)

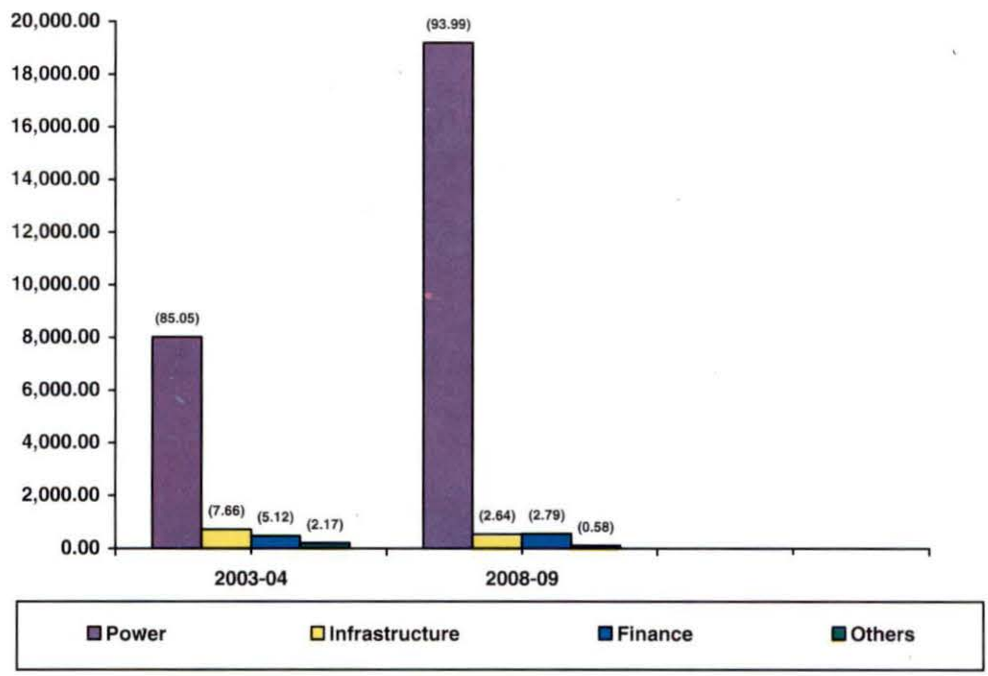
Type of PSUs	Government companies			Statutory corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	5,746.81	14,174.77	19,921.58	191.39	255.18	446.57	20,368.15
Non-working PSUs	23.95	16.18	40.13	-	-	-	40.13
Total	**5,770.76**	**14,190.95**	**19,961.71**	**191.39**	**255.18**	**446.57**	**20,408.28**

A summarised position of Government investment in State PSUs is detailed in **Annexure 1.**

1.8 As on 31 March 2009, of the total investment in State PSUs, 99.80 *per cent* was in working PSUs and the remaining 0.20 *per cent* in non-working PSUs. This total investment consisted of 29.21 *per cent* towards capital and 70.79 *per cent* in long-term loans. The investment has grown by 116.16 *per cent* from Rs. 9,441.42 crore in 2003-04 to Rs. 20,408.28 crore in 2008-09 as shown in the graph below.



1.9 The investment in various important sectors and percentage thereof at the end of 31 March 2004 and 31 March 2009 are indicated below in the bar chart.



(Figures in brackets show the percentage of total investment)

As may be seen from the above chart the major investment by the State Government in PSUs was in power sector which increased from Rs 8,030.25 crore during 2003-04 to Rs. 19,182.36 crore during 2008-09.

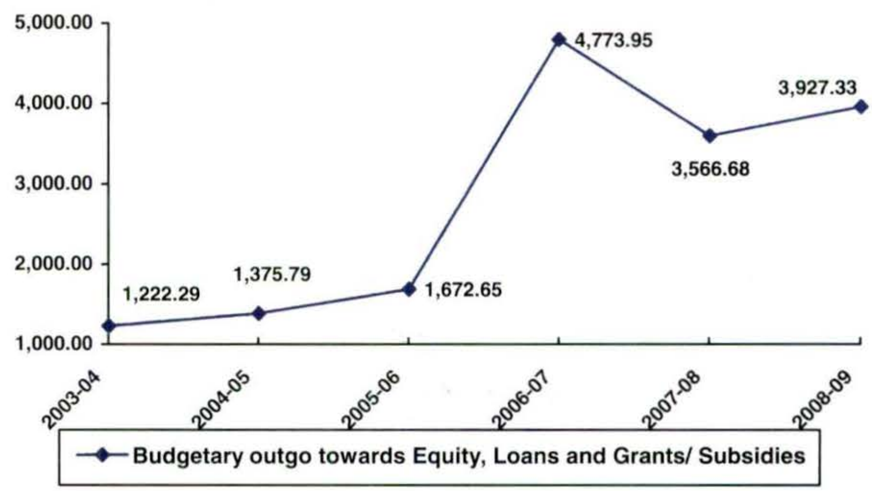
Budgetary outgo, grants/subsidies, guarantees and loans

1.10 The details regarding budgetary outgo by the State Government towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Annexure 3**. The summarised details are given below for three years ended 2008-09.

(Amount: Rupees in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	10	789.96	11	920.97	11	951.64
2.	Loans given from budget	2	202.68	2	2.51	-	-
3.	Grants/Subsidy received	12	3,781.31	11	2,643.20	13	2,975.69
4.	Total Outgo (1+2+3)		4,773.95		3,566.68		3,927.33
5.	Loans converted into equity	-	-	-	-	-	-
6.	Loans written off	-	-	-	-	-	-
7.	Interest/Penal interest written off	-	-	-	-	-	-
8.	Total Waiver (6+7)	-	-	-	-	-	-
9.	Guarantees issued	6	342.04	4	187.10	4	524.51
10.	Guarantee Commitment	12	3,396.66	12	2,656.43	13	2,779.36

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



Budgetary outgo towards equity, loan and grant/subsidy by the State Government increased by 221.31 *per cent* from Rs. 1,222.29 crore during 2003-04 to Rs. 3,927.33 crore during 2008-09.

1.12 The Guarantee received during 2008-09 was Rs. 524.51 crore and outstanding as on 31 March 2009 was Rs. 2,779.36 crore. The State Government levied guarantee fee at the rate of 2 *per cent* on all the borrowings of PSUs to be raised against State Government guarantee with effect from 1 August 2001. The guarantee fee paid/payable by the State PSUs during 2008-09 was Rs. 12.41 crore.

Reconciliation with Finance Accounts

1.13 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2009 is stated below.

(Rupees in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	4,783.87	4,795.56	11.70
Loans	327.42	141.39	186.03
Guarantees	2,779.36	2,779.36	-

1.14 Audit observed that the differences occurred in respect of 15 PSUs and some of the differences were pending reconciliation prior to 2003-04. Letters/reminders have been issued to State Government regarding reconciling the differences at an early date. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

1.15 The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in **Annexures 2, 5** and **6** respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSUs turnover and State GDP for the period 2003-04 to 2008-09.

(Rupees in crore)

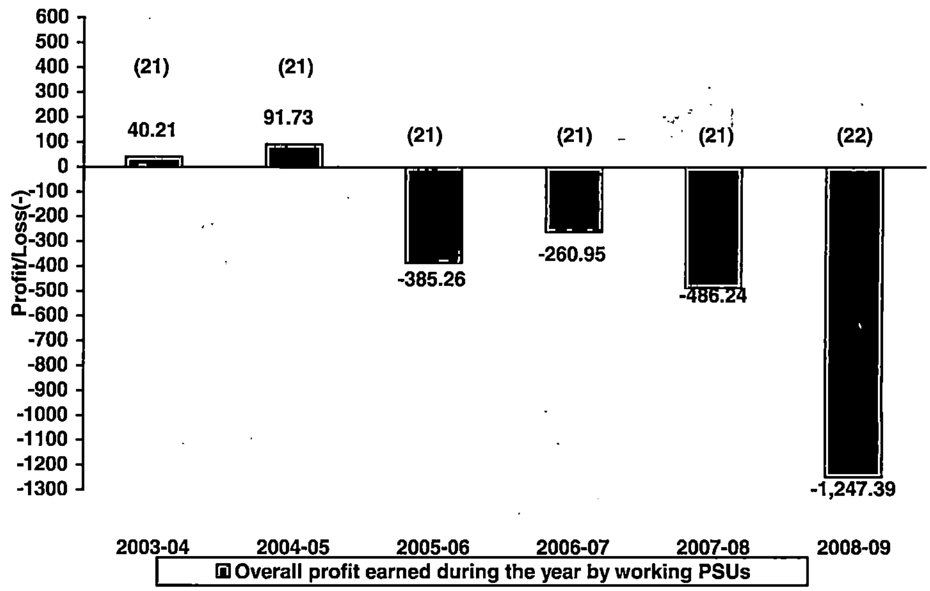
Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Turnover[∝]	9,719.01	11,727.66	7,629.44	8,251.11	14,668.00	18,424.04
State GDP[*]	82,885.00	93,804.00	1,06,732.00	1,30,033.00	1,53,087.00	1,80,494.00
Percentage of Turnover to State GDP	11.73	12.50	7.15	6.35	9.58	10.21

Turnover of PSUs decreased from Rs. 11,727.66 crore in 2004-05 to Rs. 7,629.44 crore in 2005-06 mainly due to decrease in turnover of power sector and increased to Rs. 18,424.04 crore up to 2008-09 due to addition of generating capacity in power sector during 2004-06.

∝ Turnover for 2003-04 to 2008-09 is as per latest accounts finalised as of 30 September.

* 2005-06 to 2006-07 figures are Provisional Estimates, 2007-08 figures are quick estimates and 2008-09 are advance estimates.

1.16 Profit earned/losses incurred by State working PSUs during 2003-04 to 2008-09 are given below in a bar chart.



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

During the year 2008-09, out of 22 working PSUs, 15 PSUs earned profit of Rs. 152.48 crore and six PSUs incurred loss of Rs. 1,399.87 crore. One Company incorporated on 15 January 2009, had not finalised its first account. The major contributors to profit were Haryana State Industrial and Infrastructure Development Corporation Limited (Rs. 60.70 crore) and Haryana Vidyut Prasaran Nigam Limited (Rs. 60.51 crore). The heavy losses were incurred by Uttar Haryana Bijli Vitran Nigam Limited (Rs. 1,107.54 crore) and Dakshin Haryana Bijli Vitran Nigam Limited (Rs. 265.69 crore).

1.17 The losses of working PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the working State PSUs incurred losses to the tune of Rs. 635.84 crore and infructuous investments of Rs. 132.68 crore which were controllable with better management. Year wise details from Audit Reports are stated below.

(Rupees in crore)

Particulars	**2006-07**	**2007-08**	**2008-09**	**Total**
Net Profit/loss (-) of working PSUs	(-)260.95	(-)486.24	(-)1,247.39	(-)1,994.58
Controllable losses as per CAG's Audit Report	327.21	203.02	105.61	635.84
Infructuous Investment	113.81	6.30	12.57	132.68

1.18 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the losses can be minimised/eliminated. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

1.19 Some other key parameters pertaining to State PSUs are given below.

(Rupees in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Return on Capital Employed (*Per cent*)	9.95	9.35	1.59	2.53	2.44	-
Debt	6,955.30	7,195.64	7,770.87	8,449.84	10,651.62	14,446.13
Turnover[ϒ]	9,719.01	11,727.66	7,629.44	8,251.11	14,668.00	18,424.04
Debt/Turnover Ratio	0.72:1	0.61:1	1.02:1	1.02:1	0.73:1	0.78:1
Interest Payments	689.51	699.48	540.48	590.94	837.23	1,200.19
Accumulated Profits (losses)	(-)1,211.37	(-)1,027.67	(-)1,583.67	(-)2,022.95	(-)2,678.33	(-)4,543.71

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

1.20 Debts have increased by 107.70 *per cent* from Rs. 6,955.30 crore in 2003-04 to Rs. 14,446.13 crore in 2008-09. Turnover also rose from Rs. 9,719.01 crore to Rs. 18,424.04 crore during the corresponding period. The percentage of increase in turnover from 2003-04 to 2008-09 was 89.57. The debts have increased more rapidly than the increase in turnover, resulting in increased pressure of interest payments on profitability.

1.21 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. As per their latest finalised accounts, 15 PSUs earned an aggregate profit of Rs. 152.48 crore and none of the PSUs declared dividend.

Performance of major PSUs

1.22 The investment in working PSUs and their turnover together aggregated to Rs. 38,792.19 crore during 2008-09. Out of 22 working PSUs, the following four PSUs accounted for individual investment *plus* turnover of more than five *per cent* of aggregate investment *plus* turnover. These four PSUs together accounted for 93.56 *per cent* of aggregate investment *plus* turnover.

(Rupees in crore)

PSU Name	Investment	Turnover	Total (2) + (3)	Percentage to Aggregate Investment plus Turnover
(1)	(2)	(3)	(4)	(5)
Haryana Power Generation Corporation Limited	7,009.14	7,040.04	14,049.18	36.22
Haryana Vidyut Prasaran Nigam Limited	3,712.42	867.48	4,579.90	11.81
Uttar Haryana Bijli Vitran Nigam Limited	5,332.55	4,779.09	10,111.64	26.07
Dakshin Haryana Bijli Vitran Nigam Limited	3,128.15	4,513.13	7,641.28	19.70

Some of the major audit findings of past five years for above PSUs are stated in the succeeding paragraphs.

Haryana Power Generation Corporation Limited

1.23 The Company was in losses during 2005-06 (Rs. 0.80 crore).

ϒ Turnover for 2003-04 to 2008-09 is as per latest accounts finalised up to 30 September.

Thereafter, it earned profit of Rs. 5.70 crore during 2007-08. Similarly, the turnover of the Company increased from Rs. 5,161.55 crore during 2005-06 to Rs. 7,040.04 crore (36.39 *per cent*) during 2007-08. However, the percentage of return on capital employed decreased from seven *per cent* during 2005-06 to 5.93 *per cent* during 2007-08.

1.24 Deficiencies in planning

- The Company entered into Power Purchase agreement with stringent condition of penalty and incurred extra expenditure of Rs. 101.48 crore. (paragraph 2.3.18 of Audit Report 2007-08).

1.25 Deficiencies in implementation

- The Company, in award of contract, incurred avoidable expenditure of Rs. 52.47 crore due to incorrect evaluation of alternate offer of Bharat Heavy Electricals Limited. (paragraph 2.1.14 of Audit Report 2005-06).

- The Company allowed excess time for construction of unit VII and VIII which resulted in extra burden of price escalation and interest of Rs. 12.27 crore during construction. (paragraph 2.1.15 of Audit Report 2005-06).

1.26 Non achievement of objectives

- Non operation of Unit I and VI of Panipat Thermal Power Station at full PLF by the Company during actual hours of usage resulted in short generation of 2,896.49 MUs valued at Rs. 227.64 crore. (paragraph 2.1.9 of Audit Report 2007-08).

Haryana Vidyut Parsaran Nigam Limited

The turnover of the Company which was Rs. 447.55 crore in 2005-06 increased to Rs. 867.48 crore (93.83 *per cent*) during 2008-09. The loss of Rs. 109.92 crore during 2005-06 turned into profit of Rs. 60.51 crore during 2008-09.

1.27 Deficiencies in implementation

- The Company purchased power at higher rates from a private producer in excess of the contracted capacity which resulted in extra expenditure of Rs. 55.89 lakh. (paragraph 3.10 of Audit Report 2004-05).

1.28 Non achievement of objectives

- The Company could complete only 12 out of 23 transmission schemes within target date and could create additional transformation capacity of 1,800 MVA against a target of 2,446 MVA. (paragraph 2.2.8 of Audit Report 2003-04).

1.29 Deficiencies in Financial Management

- Non provision of put/call option clause in bonds issued by the Company resulted in avoidable loss of Rs. 16.41 crore. (paragraph 4.15 of Audit Report 2005-06).

Uttar Haryana Bijli Vitran Nigam Limited

Although turnover of the Company increased from Rs. 2,522.58 crore during 2005-06 to Rs. 4,779.09 crore (89.45 *per cent*) in 2008-09, the losses of the Company increased from Rs. 285.37 crore to Rs. 1,107.54 crore during the same period.

1.30 Deficiencies in implementation

- The Company suffered revenue loss of Rs. 4.66 crore due to non invoking provision regarding levy of penalty for theft of electricity. (paragraph 4.13 of Audit Report 2005-06).

1.31 Deficiencies in monitoring

- Due to excess damage rate of transformers, the Company suffered loss of Rs. 10.25 crore in 2005-06 and 2006-07. (paragraph 2.4.36 of Audit Report 2006-07).

- The Company suffered loss of interest of Rs. 5.45 crore due to short recovery of security from old and new consumers. (paragraph 3.6 of Audit Report 2006-07).

Dakshin Haryana Bijli Vitran Nigam Limited

Although turnover of the Company increased from Rs. 2,560.53 crore during 2005-06 to Rs. 4,513.13 crore (76.26 *per cent*) during 2008-09, the profit of the Company of Rs. 18.43 crore during 2005-06 turned into loss of Rs. 265.69 crore during 2008-09.

1.32 Deficiencies in monitoring

- 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 of Audit Report 2006-07).

- Shortfall in checking of connections resulted in loss of potential revenue of Rs. 149.92 crore. (paragraph 2.3.27 of Audit Report 2006-07).

1.33 Deficiencies in Financial Management

- The Company suffered loss of interest of Rs. 1.68 crore due to delayed/ non credit of remittances in Company's collection account. (paragraph 2.3.34 of Audit Report 2006-07).

Conclusion

1.34 The above details indicate that some of these State PSUs are not functioning efficiently and there is tremendous scope for improvement in their overall performance. They need to imbibe greater degree of professionalism to ensure delivery of their products and services efficiently and profitably.

The State Government should introduce a performance based system of accountability for PSUs.

Arrears in finalisation of accounts

1.35 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. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as *per* the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2009.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Number of Working PSUs	21	21	21	21	22
2.	Number of accounts finalised during the year	20	27	22	22	23
3.	Number of accounts in arrears	37	31	30	29	27
4.	Average arrears *per* PSU (3/1)	1.76	1.48	1.43	1.38	1.27
5.	Number of Working PSUs with arrears in accounts	19	13	14	15	12
6.	Extent of arrears	1 to 7 years	1 to 7 years	1 to 6 years	1 to 5 years	1 to 5 years

1.36 From the above table it would be seen that though the Companies have been finalising atleast one account per year, the concrete steps to clear the arrears completely were not taken. The main reasons as stated by the Companies for delay in finalisation of accounts are:

- lack of trained staff; and
- non computerisation in the accounts section;

1.37 In addition to above, there were also the arrears in finalisation of accounts by non-working PSUs. Out of six non-working PSUs, two had gone into liquidation process. Of the remaining four non-working PSUs, three PSUs had arrears of accounts for one to two years.

1.38 The State Government had invested Rs. 561.23 crore (Equity: Rs. 496.07 crore, grants: Rs. 37.16 crore and others: Rs. 28.00 crore) in 10 PSUs during the years for which accounts have not been finalised as detailed in **Annexure 4.** In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

1.39 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by the Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up (July 2009) with the Chief Secretary to expedite the backlog of arrears in accounts in a time bound manner. A meeting with the management and statutory auditors was also held (August 2009) for clearance of accounts.

1.40 In view of above state of arrears, it is recommended that:

- **The Government may set up a cell to oversee the clearance of arrears and set the targets for individual Companies which would be monitored by the cell.**

- **The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

Winding up of non-working PSUs

1.41 There were six non-working PSUs (all Companies) as on 31 March 2009. Of these, two PSUs* are under liquidation/winding up. The numbers of non-working Companies at the end of each year during past five years are given below.

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Number of non-working Companies	7	7	7	6	6
Total	**7**	**7**	**7**	**6**	**6**

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose. During 2008-09, three non-working PSUs incurred an expenditure of Rs. 0.62 crore towards establishment. This expenditure was financed through sale of assets (Rs. 0.42 crore) of these PSUs and other sources (Rs. 0.20 crore).

1.42 The stages of closure in respect of non-working PSUs are given below.

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of non-working PSUs	6	-	6
2.	Of (1) above, the No. under			
(a)	liquidation by Court (liquidator appointed)	-	-	-
(b)	Voluntary winding up (liquidator appointed)	-	-	-
(c)	Closure, i.e. closing orders/ instructions issued but liquidation process not yet started.	2	-	2

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

1.43 The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/pursued vigorously. The Government may make a decision regarding winding up of four non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working. The Government may consider setting up a cell to expedite closing down its non-working Companies.

Accounts Comments and Internal Audit

1.44 Eighteen working Companies forwarded their 21 audited accounts to Principal Accountant General (Audit), Haryana (PAG) during the year 2008-09. Out of these, 20 were selected for supplementary audit. The audit reports of statutory auditors appointed by the Comptroller and Auditor General of India (CAG) and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(Amount: Rupees in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	5	17.05	8	91.85	7	133.25
2.	Increase in loss	4	18.24	5	781.46	3	441.69
3.	Non-disclosure of material facts	2	2.28	4	129.43	4	30.05
4.	Errors of classification	4	339.49	5	414.29	1	41.42
	Total		**377.06**		**1,417.03**		**646.41**

An analysis of the money value of the comments with the number of accounts audited revealed that the money value of comments per account finalised increased from Rs. 17.95 crore (2006-07) to Rs. 28.10 crore (2008-09).

1.45 During the year, the statutory auditors had given qualified certificates for 21 accounts. The compliance of Companies with the Accounting Standards (AS) remained poor as there were 30 instances of non-compliance with the AS in 21 accounts during the year.

1.46 Some of the important comments in respect of accounts of Companies are stated below.

Dakshin Haryana Bijli Vitran Nigam Limited (2008-09)

- The loss was understated by Rs. 336.11 crore due to change in accounting policy of income from surcharge.

Dakshin Haryana Bijli Vitran Nigam Limited (2007-08)

- The loss was understated by Rs. 20.56 crore due to short provision of interest on consumers' security.

- The loss was understated by Rs. 15.05 crore due to non charging of deferred subsidy, as the State Government did not make any commitment to release the subsidy.

Uttar Haryana Bijli Vitran Nigam Limited (2007-08)

- The loss was understated by Rs. 83.77 crore due to non charging of interest accrued on rural electrification subsidy to profit and loss account.

- The loss was understated by Rs. 10.01 crore due to booking of profit by accounting units on the transfer of discarded assets to stores organisation of the Company without their actual sales.

Haryana Power Generation Corporation Limited (2007-08)

- Non provision of depreciation on addition made during the year amounting to Rs. 52.43 crore resulted in overstatement of profit to that extent.

- Profit was overstated by Rs. 35.63 crore due to non provision of liability arising on account of pay revision.

- There was understatement of accumulated loss by Rs. 4.30 crore due to valuation of mill reject coal generated up to 2004-05, which was inconsistent with the Company's accounting policy and accounting standard.

- Profit was overstated by Rs. 1.62 crore due to recognising claim after expiry of fuel supply agreement.

Haryana State Industrial and Infrastructure Development Corporation Limited (2007-08)

- Profit was overstated by Rs. 10.40 crore due to non provision of payment made on behalf of closed subsidiary Company*.

- Non provision for doubtful investment of Rs. 3.92 crore resulted in overstatement of investment and profit to that extent.

Haryana Land Reclamation and Development Corporation Limited (2008-09)

- Profit was overstated by Rs. 2.16 crore due to non provision of arrears on account of pay revision.

Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited (2003-04)

- The loss was understated by Rs. 2.79 crore due to non provision of penal interest (Rs. 2.30 crore), compound interest (Rs. 0.10 crore) and

* Haryana Concast Limited.

doubtful loans (Rs. 0.39 crore).

1.47 Similarly, two working Statutory corporations forwarded their (two) accounts to PAG during the year 2008-09. These accounts were selected for supplementary audit. The audit reports of statutory auditors and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(Amount: Rupees in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	4.82	2	41.37	1	2.77
2.	Non-disclosure of material facts	-	-	2	70.36	1	2.60
3.	Errors of classification	1	15.00	-	-	-	-
	Total		**19.82**		**111.73**		**5.37**

1.48 During the year October 2008 to September 2009, the Statutory Auditors had given qualified certificate for two accounts. There were nine instances of non-compliance with AS in two accounts.

1.49 Some of the important comments in respect of accounts of Statutory corporations are stated below.

Haryana Financial Corporation (2007-08)

- Profit after tax was overstated by Rs. 15 crore by including previous year deferred tax balances in income.
- Short provision of Rs. 0.53 crore against loss assets and doubtful assets resulted in overstatement of loans and advances and profit to that extent.

Haryana Warehousing Corporation (2008-09)

- Profit was overstated by Rs. 2.77 crore due to change in rate of depreciation.

1.50 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the Companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of one Company* for the year 2004-05, one Company£ for the year 2006-07 and three Companiesµ for the

* Sr. No. A4 in Annexure – 2.
£ Sr. No. A11 in Annexure – 2.
µ Sr. No. A11, 12 and 14 in Annexure – 2.

year 2007-08 and two companies[Y] for the year 2008-09 are given below.

Sl. No.	Nature of comments made by Statutory Auditors	Number of Companies where recommendations were made	Reference to serial number of the Companies as *per Annexure* 2
1.	Non-fixation of minimum/ maximum limits of store and spares	2	A11, A14
2.	Absence of internal audit system commensurate with the nature and size of business of the Company	3	A11, A12, A14
3.	Non maintenance of cost records	1	A14
4.	Non maintenance of proper records showing full particulars including quantitative details, identity number, date of acquisition, depreciated value of fixed assets and their locations	2	A4, A11
5.	Lack of internal control over purchase of material	1	A14
6.	Non existence of Internal Audit System	1	A11
7.	Lack of efficient system for monitoring and adjusting advances given to contractors	1	A11

Recoveries at the instance of audit

1.51 During the course of audit in 2008-09, recoveries of Rs. 0.18 crore were pointed out to the Management of various PSUs, which were admitted by PSUs and recovered during the year 2008-09.

Status of placement of Separate Audit Reports

1.52 The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Haryana Financial Corporation	2007-08	NA	NA	NA
2.	Haryana Warehousing Corporation	2006-07	2007-08	Under process	-

Disinvestment, Privatisation and Restructuring of PSUs

1.53 The State Government did not undertake the exercise of disinvestment, privatisation and restructuring of any of its PSUs during 2008-09.

[Y] Sr. No. A12 and A14 in Annexure – 2.

Reforms in Power Sector

1.54 The State has Haryana Electricity Regulatory Commission (HERC) formed on 17 August 1998 under the Haryana Electricity Reforms Act, 1997 (Act) with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licences. During 2008-09, HERC issued 11 orders (eight on annual revenue requirements and three on others).

1.55 Memorandum of Understanding (MOU) was signed on 13 February 2001 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below.

Sl No.	Milestone	Targeted completion schedule	Status (As on 31 March 2009)
	Commitment made by State Government		
1.	Reduction in transmission and distribution losses to 15.50 *per cent* by 2007-08.	-	The T & D losses for the year 2008-09 were 28.06 *per cent.*
2.	100 *per cent* metering of all distribution feeders	31 March 2001	Metering of all distribution feeders has been completed.
3.	100 *per cent* metering of all consumers	31 December 2001	Metering of all consumers has been completed.
4.	Haryana Electricity Regulatory Commission (HERC)		
(a)	Establishment of HERC	-	Already established in August 1998.
(b)	Implementation of tariff orders issued by HERC during 2005-06	-	Implemented.
	General		
5	Monitoring of MOU	Quarterly	Being monitored regularly.

Discussion of Audit Reports by COPU

1.56 The status as on 30 September 2009 of reviews and paragraphs that appeared in Audit Reports (Commercial) and discussed by the Committee on Public Undertakings (COPU) is as under.

Period of Audit Report	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
2005-06	2	22	2	6
2006-07	4	20	-	-
2007-08	4	22	-	-
Total	**10**	**64**	**2**	**6**

1.57 The matter relating to clearance of backlog of reviews/paragraphs was also discussed with Finance Secretary and Chairperson of COPU in April 2009.

Chapter II

2. Performance reviews relating to Government companies

Haryana Power Generation Corporation Limited

2.1 Construction and Operation of Unit I and II of Deenbandhu Chhotu Ram Thermal Power Plant Yamunanagar

Executive summary

As per 16th Electric Power Survey of India, the Peak power demand in Haryana was projected to increase from 3,077 MW (2000-01) to 4,203 MW (2004-05). Against this, the generating capacity of the company was 1,040.50 MW in 2001-02. The Company set up 600 MW Deenbandhu Chhotu Ram Thermal Power Plant at Yamunanagar and 500 MW Panipat Thermal Power Station at Panipat and increased its generation capacity to 2,140.50 MW. The performance audit on Construction and Operation of Unit I and II (300 MW each) of Deenbandhu Chhotu Ram Thermal Power Plant, Yamunanagar was conducted to assess economy and efficiency in project planning and execution and performance of commissioned units against envisaged standards.

Project planning and contract

The State Government approved the project in July 2002. Initially it was decided to secure price offer from BHEL. But later on the proposal to implement the project through International Competitive Bidding (ICB) was approved by the Government in January 2004. This shifting of stand delayed the project initiation which could have been avoided by adopting ICB route in the beginning. The project was awarded in September 2004 to Reliance Energy Limited (REL) though it was not a regular turnkey management and contracting agency.

Execution of the project

There was cost and time overrun. The expenditure incurred on project was Rs. 2,501.80 crore as of March 2009 against an estimated project cost of Rs. 2,338 crore. The cost overrun of Rs. 163.8 crore was mainly on account of increase in cost of land, higher interest and excess consumption of startup fuel. In the absence of suitable clause in the contract, the net excess consumption of fuel of Rs. 48.90 crore during trial runs could not be recovered from REL. The Units scheduled to be commissioned in March 2007 and June 2007 actually started commercial operations from April 2008 and June 2008 respectively. Audit noticed that the Company could have further saved Rs. 21.62 crore with better management of the project. There were other deficiencies in the execution such as inadequate capacity of coal mill reject handling system, delay in commissioning of Dry Fly ash collection system and delay in completion of computerised maintenance and inventory management system. The monitoring of the project was also found deficient.

Performance of Units

The cost of generation was Rs. 3.19 per unit for Unit-I and Rs. 3.07 per unit for Unit-II as against HERC approved (provisionally) tariff of Rs. 2.91 per unit. The high cost of generation was due to excess consumption of inputs (coal, fuel oil, auxiliary consumption) as compared to the parameters guaranteed by REL and low plant load factor of about 69 per cent as against norm of 80 per cent. The high cost of generation resulted in loss of Rs. 67.46 crore during April 2008 to March 2009.

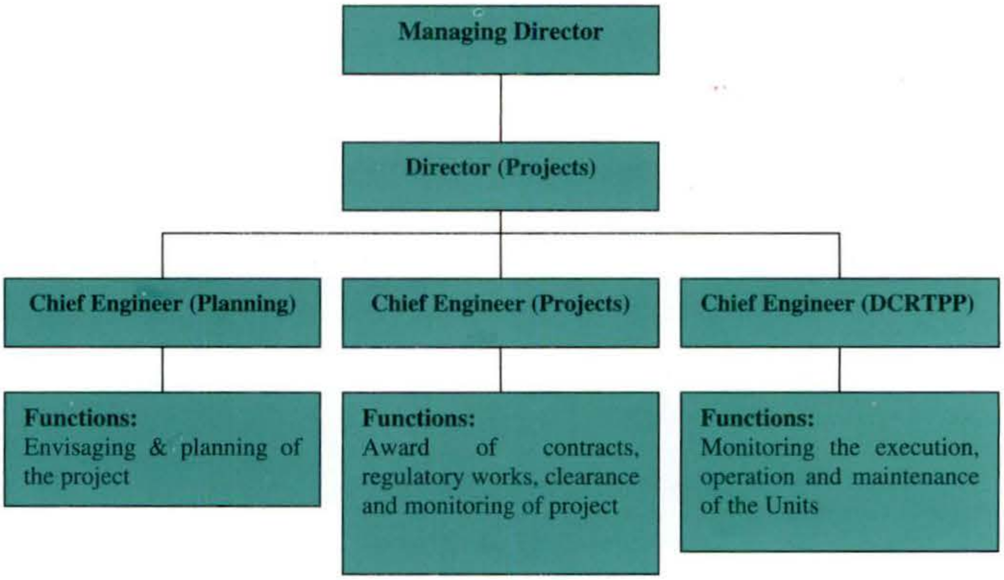
Conclusion and Recommendations

Timely commissioning could have enabled the Company generate 4,280 MUs more. Achieving 80 per cent PLF also could have resulted in additional generation of 499 MUs. This could have reduced the State's dependence on high cost power purchase. The review contains six recommendations which includes increasing the PLF and reducing the consumption of inputs.

Introduction

2.1.1 Haryana Power Generation Corporation Limited (Company) installed two thermal power Units of 300 MW each at Yamunanagar which were put on commercial operation on 14 April and 24 June 2008 respectively. The project was named as DCRTPP[*].

Organisational set-up relating to construction and operation of the project is given below:



Physical and financial performance of power sector in VII Five Year Plan was last reviewed in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1999 (Commercial) – Government of Haryana. The recommendations of the Committee on Public Undertakings (COPU) relating to setting up of thermal power plant at Yamunanagar are contained in 51 report presented to Vidhan Sabha in February 2004.

Scope of audit

2.1.2 The review, conducted during January - March 2009, covers project planning, award of contracts, execution of the project, commissioning and operation of the Units. Records of the office of the Chief Engineer (Planning), Chief Engineer (Projects) at headquarters and Chief Engineer (DCRTPP) at the project site for the period 2004-09 were test checked.

[*] Deenbandhu Chhotu Ram Thermal Power Plant.

Audit objectives

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

- project planning and award of contracts was done with due regard to efficiency and economy;
- the execution of the project was so managed as to commission it within the time schedule;
- performance of generating Units was consistent with standards envisaged in the contract;
- actual cost of generation was as per norms approved by Haryana Electricity Regulatory Commission (HERC) while fixing tariff; and
- necessary steps for pollution control were initiated.

Audit criteria

2.1.4 The following audit criteria were adopted:

- standard procedures followed for award of contracts with reference to principles of economy, efficiency and effectiveness;
- norms/guidelines of Government of India/Central Electricity Authority (CEA)/State Government regarding planning and implementation of the project;
- terms and conditions of contract and safeguarding company's financial interest;
- norms for performance of the Units envisaged in the contract and fixed by HERC; and
- rules and regulations for pollution control.

Audit methodology

2.1.5 Audit followed the following methodologies:

- analysis of project report, loan documents, agenda and minutes of the Board of Directors;
- scrutiny of tenders/bid documents, etc. for award of work and payments made to the contractor;

- analysis of data relating to consumption of various inputs for generation of power;
- evaluation of pollution control measures; and
- interaction/discussion with the personnel of the Company.

Audit findings

2.1.6 The audit findings were reported to the Government/Management in June 2009 and discussed in the Exit conference held on 04 September 2009, which was attended by the Managing Director of the Company. Views of the Management have been considered while finalising the review. The audit findings are discussed in the succeeding paragraphs.

Project planning

2.1.7 The requirement of power at the end of Tenth Five Year Plan period ended March 2007 in the State was 4,899 MW against the availability of 3,007 MW. The Company is entrusted with the responsibility of setting up of new generating stations in order to keep pace with the increasing demand of power in the State. The Company set up 600 MW Thermal Plant at Yamunanagar in 2008-09, thereby increasing the generation capacity to 2,140.50 MW (2008-09). As per detailed project report (October 2002) for 500 MW, the estimated cost of project was Rs. 1,910.73 crore (cost per MW Rs. 3.82 crore). While, at the time of award of contract (September 2004) for 600 MW, it was Rs. 2,338 crore (cost per MW Rs. 3.90 crore), of which the scope of work of Reliance Energy Limited (REL) was Rs. 2,097 crore and of the Company Rs. 241 crore including interest during construction (IDC). Actual expenditure on the project up to March 2009 was Rs. 2,501 crore (cost per MW Rs. 4.17 crore).

Undue delay in approval of the project and finalisation of tendering

2.1.8 The thermal project at Yamunanagar with two units of 210 MW each was initially sanctioned by the Planning Commission during September 1984 which was to be completed by the end of 1988-89. Due to shifting strategy in execution of project from the then Haryana State Electricity Board (Board) to NTPC and then selection of wrong private party for execution, the project could not be taken up on which the Board had incurred an expenditure of Rs. 38.57 crore on purchase of land and maintenance of colony. On observation of the COPU (51 report), the State Government stated that the staff colony which could not be utilised due to held up project, would be utilised at later stage. Central Building Research Institute, Roorkee, however, on reference by the Company, had recommended (May 2007) not to go for rehabilitation of the colony houses as it would involve heavy cost of rehabilitation work, lesser safety as compared to new construction. These houses remain unoccupied due to their unsuitability, resulting in waste of Rs. 4.59 crore spent on construction of colony.

The Company proposed (August 2001) to the State Government for adding the capacity of State Sector Units by another 500-600 MW by installing two Units (Unit-I and II) of 250/300 MW each at Yamunanagar. The project was proposed to be implemented in the Tenth Plan period (2002-07). The State Government accorded approval in July 2002 to set up 500 MW (two units of 250 MW each) coal based plant and agreed (October 2002) to contribute 20 *per cent* of the project cost as equity. The balance 80 *per cent* was to be funded by Power Finance Corporation (PFC). The Government of India had issued (1995) guidelines to adopt the International Competitive Bidding (ICB) route for implementation of power projects. As the tendering process through ICB route involves about one year, the Board of Directors (BOD), with a view to implement the project on fast track, with the approval of the State Government approved (November 2002) to secure the price offers from Bharat Heavy Electricals Limited (BHEL) for turnkey scope as well as their proprietary packages (Steam Generator & Turbo Generator and their auxiliary packages). Accordingly, BHEL was requested (November 2002) to submit two separate self contained independent offers for turnkey scope as well as their proprietary packages. BHEL submitted its technical offer in May 2003. When the technical offer of BHEL was under evaluation, some Companies* gave expression of interest to the Chief Minister for submitting bids for this project. Accordingly, the Company initiated (December 2003) the proposal for implementation of the project through ICB route and the proposal was approved (January 2004) by the State Government with the configuration of the two Units as 250 MW to 250 + 20 *per cent* MW each. Notice inviting tender (NIT) was floated on 20 May 2004 and offers of BHEL and REL were received. The contract was awarded on turnkey basis to REL, an engineering, procurement and construction (EPC) contractor, in September 2004, being the lowest evaluated bidder.

Audit observes the negotiated route also takes time and, hence, it does not provide much time saving vis-à-vis ICB route which takes about a year. However, the negotiated route compromises on 'competition' aspect and may lead to not getting the best price and product. The overall delay of 14 months (November 2002 to December 2003) on account of shifting mode of tendering resulted in delayed availability of power from these Units.

The Management stated (September 2009) that the Company made best effort to explore the possibility of setting up of thermal plant in the minimum time by exploring both the routes of tendering i.e. negotiation and ICB route and during this period the Company continued to obtain various statutory clearances from various agencies. The reply is not convincing as the Company should have gone in for ICB route *abinitio* which was as per GOI guidelines as well as widely accepted mode of tendering.

Award of contract

2.1.9 The Company placed (30 September 2004) letter of intent on REL at a

* Reliance Energy Limited, Noida, Shanghai Electrical Company, China, Skoda Export Company Limited, Czech Republic

firm# contract price of Rs. 2,097 crore (Rs. 1,572 crore for supply of machinery and equipments and Rs. 525 crore for civil works and erection, testing and commissioning) on turnkey basis with commissioning schedule of 30 and 33 months for Unit – I and II respectively. Regular purchase order and work order against the above letter of intent were placed in November 2005 and contracts were signed in March 2006. The deficiencies noticed by audit in award of contracts are discussed in succeeding paragraphs.

Undue favour to REL

2.1.10 The Company invited (May 2004) bids on ICB basis for setting up of the plant on EPC basis. The bidder, who is regular turnkey management and contracting agency, which had executed coal fired thermal power plants on EPC basis for atleast two Units of 210 MW or higher rating, would be eligible to bid. In such case, the bidder should associate/collaborate with the manufacturer of Steam Generator (SG) and Steam Turbo Generator (STG) of atleast two sets of 250 MW or higher rating and should furnish along with the bid a copy of the agreement jointly executed for this project by him and the manufacturer of SG and STG for successful performance of thermal power plant including SG, STG and associated auxiliary equipments. The bidder should also furnish the annual plant availability and plant load factors achieved since commissioning of these Units.

The Company received two bids for the project one from BHEL and another from REL and awarded the contract to REL being the lowest evaluated bidder. REL had submitted (July 2004) its bid as an EPC contractor after entering into agreement with Dongfeng Electric Corporation, China (DEC), manufacturer of SG and STG, for executing the project. In support of the claim as an EPC contractor, REL stated that they had executed 2 x 250 MW Dahanu thermal power project (DTPP) in Maharashtra in 1991-95, when it was known as BSES Ltd., and submitted the certificate for plant availability and PLF since their commissioning in 1995-96 till 2003-04. The Company while verifying the technical qualifications of the bidders considered REL as technically qualified EPC contractor.

The Company extended undue favour to REL by accepting it as technically qualified EPC contractor.

Audit observed that REL (formerly known as BSES Limited, a power distribution company) had executed the DTPP long back in 1991-1995 as its owner for distribution of power. The project was in-fact executed by the generation division of the Company by following split package route on competitive bidding basis and the main plant package was supplied by BHEL and thereafter no coal based power project had been executed. The end user certificate submitted by REL for plant availability and load factor and execution of work was signed by REL being owner of the plant as no plant had been executed for a third party. Hence, REL was not eligible to be considered as a regular turnkey management and contracting agency in terms of NIT.

The Management stated (September 2009) that inhouse experience of REL (formerly BSES) was considered to be sufficient for the purpose of eligibility because the experience of the wholly owned subsidiary company could be considered as experience of parent company which was consented to by the project consultants and review consultants. The reply is not convincing as REL was not a regular turnkey management and contracting agency.

Prices which will remain fixed during the execution of the contract.

Change of collaborator

2.1.11 After award of work, REL was required to submit unconditional Bank Guarantee from the collaborator equivalent to 5 *per cent* of material to be supplied by him towards faithful performance of joint deed. Instead of complying the above, REL requested (15 December 2004) to change the collaborator from DEC, China to Shanghai Electric (Group) Corporation (SEC), China to achieve improved reliability, flexibility and availability of the power plant.

The State Government/Company observed (May 2005) that it was apparent that REL had neither chosen their collaborator wisely nor settled terms with it clearly and decided that request of REL for change of collaborator may be denied. The decision of the Government was communicated (13 June 2005) to REL who agreed (13/15 June 2005) to stand guarantee on improved parameters of SEC as reference base. The Government/Company agreed (August 2005) for change of collaborator and extended the zero date of the project to 20 August 2005 with completion period of 27/30 months.

Audit noticed that in the absence of any specific provision in the bid document for permitting or barring change of collaborator, the Company changed the collaborator after the work was awarded to them. This ultimately resulted in delayed completion of project.

Execution of the project

2.1.12 The Company was to execute the raw water intake system and construction of colony and township. REL was to execute the works relating to main plant (Boiler Turbo Generator packages) and balance of plant (coal handling plant, ash handling system, ash dykes, railway siding and marshalling yard and other civil works like chimney, cooling towers, buildings and roads, landscaping etc.). Against this, the Company got executed raw water intake system from the Irrigation department on deposit work basis and residential colony from Haryana Roads and Bridges Development Corporation Limited. The work of the colony was under progress (August 2009). Deficiencies noticed during execution of the project are discussed in succeeding paragraphs.

Time overrun

2.1.13 Due to delay in commercial operation of the Units by REL there was generation loss of 4,279.68 MUs as tabulated below:

Sl. No.	Particulars	Unit-I	Unit-II
1.	Schedule date of commissioning	29 March 2007	29 June 2007
2.	Revised schedule date of commissioning	19 November 2007	19 February 2008
3.	Date of commercial operation	14 April 2008	24 June 2008
4.	Delay in days	382	361
5.	Generation Loss* (MUs)	2200.32	2079.36
		4,279.68	

* At 80 *per cent* PLF approved by HERC.

Delay in commercial operation of the Units resulted in generation loss of 4,279.68 MUs and purchase of power at an extra cost of Rs. 498.48 crore.

In order to meet the shortage of power in the State, the Power Sector Companies had to procure 1,135.81 MUs of power valuing Rs. 706.70 crore through short term power purchase at weighted average price of Rs. 6.22 per unit and 2,563.63 MUs of power valuing Rs. 957.10 crore through unscheduled interchange at weighted average price of Rs. 3.73 per unit, which was higher as compared to the cost of generation of Rs. 3.15 per unit at the project. This resulted in extra expenditure of Rs. 498.48 crore on purchase of 3,699.44 MUs of power during the period from April 2007 to June 2008 for the State.

Cost overrun

2.1.14 At the time of award (September 2004) of turnkey contract for construction of two Units of 300 MW each, estimated cost was Rs. 2,338 crore. The rescheduling of commissioning period resulted in increase of estimated project cost from Rs. 2,338 crore in September 2004 to Rs. 2,400.23 crore in August 2005. This was due to increase in cost of land (Rs. 30 crore) and interest during construction (Rs. 32.23 crore).

Delay in commissioning of units resulted in cost over run of Rs. 163.80 crore.

Audit noticed that there was cost overrun of Rs. 163.80# crore due to delay in commercial operation of the project and excess consumption of fuel during trial operation as per details given below:

(Rupees in crore)

Particulars	Original estimate in September 2004	Revised in August 2005	Actual as on 31.03.2009
(A) Turnkey scope of work	2,097.00	2,097.00	-
Gross value of work done and paid to REL	-	-	1,971.63
Pending work of turnkey scope	-		125.37
Total (A)	-	-	**2,097.00**
(B) Company's scope of work	-	-	-
Preliminary investigation	0.55	0.55	
Employee cost	15.51	15.51	
Contingency	10.81	10.81	57.13
Land	40.00	70.00	68.21
Review engineering through consultants	2.00	2.00	1.90
Raw water intake system	4.00	4.00	8.96
Residential colony	20.00	20.00	30.00
Startup fuel cost	4.00	4.00	108.86
Training cost	2.00	2.00	0.25
Total (B)	**98.87**	**128.87**	**275.31**
Project cost without IDC (A+B)	**2,195.87**	**2,225.87**	**2,372.31**
Interest during construction (IDC) estimated at 7.25 *per cent* p.a. payable quarterly (annualised 7.45 *per cent*)	142.13	174.36	129.49
Project cost with IDC	**2,338.00**	**2,400.23**	**2,501.80**

The Management stated (September 2009) that cost of land increased to Rs. 70 crore at the time of making actual payments in comparison to estimated

Rs. 2,501.80 crore minus Rs. 2,338.00 crore. Cost overrun is without considering the revenue of Rs. 59.96 crore earned on generations of power during prolonged trial run.

cost of Rs. 40 crore and increase in IDC was due to increase in prevailing interest rates of PFC. The reply did not mention reasons for increase in cost of other components particularly start up fuel cost and residential colony.

In addition, Audit noticed that the Company could have saved Rs. 21.62 crore with better management of the project, as explained in succeeding paragraphs 2.1.16 to 2.1.18.

Irregular payment of advance on taxes and duties

2.1.15 As per terms and conditions of purchase order and work order placed (November 2005) on REL, 10 *per cent* interest free advance for supply portion, was payable on Ex-works/Cost insurance freight value and for service portion on contract price, inclusive of service tax/value added tax (VAT). The Company released (November 2005) five *per cent* advance amounting to Rs. 91.85 crore (of Rs. 1,837.09 crore) after excluding custom duty on imported supplies, excise duty and central sales tax on Indian supplies. The second advance of Rs. 91.86 crore was subsequently paid in March 2006.

Excess payment of advance of Rs. 2.57 crore due to inconsistency in terms of contract.

Audit observed (March 2009) that due to inconsistency in the provision between the supply and service portion of the contract, the Company did not exclude the service tax on erection, testing and commissioning (ETC) and Civil works from the contract price leading to excess payment of advance of Rs. 2.18 crore. Further the Company while paying advance for the structural works did not reduce the VAT of Rs. 3.94 crore as a result of which advance of Rs. 39.41 lakh was also paid in excess.

The Management stated (September 2009) that advance was released to the contractor in stages as per the contract. The reply was not convincing as there was inconsistency between the terms of supply and service contracts.

Release of adhoc advance in violation of the terms of contract

2.1.16 In addition to the 10 *per cent* interest free advance as referred in para 2.1.15 supra, the Company released Rs. 65.98 crore (Rs. 44 crore in September 2007 and Rs. 21.98 crore in January 2008) as adhoc advance against the material received at site, for which despatch instructions and billing break up had not been approved by the Company for want of some clarifications and delay in submission of equipment test certificates/inspection reports by the REL to the Company. Though the delay in making progressive payment was due to non completion of formalities by REL, the Company released adhoc advance of Rs. 65.98 crore, without any provision in the contract. The first adhoc advance of Rs. 44 crore was sanctioned (September 2007) as one time measure with the condition that it was to be adjusted against payment of bills. Without adjustment, second adhoc advance of Rs. 21.98 crore was also released on 22 and 28 January 2008. The adhoc advance of Rs. 65.98 crore was adjusted from 31 January 2008 to 30 October 2008 after submission of required documents by REL. Thus, release of adhoc advance without any provision in the contract had resulted in loss of interest of Rs. 4.66 crore* to the Company.

Loss of interest of Rs. 4.66 crore on release of adhoc advance without any provision in the contract.

* calculated at 10.5 *per cent* per annum cash credit rate allowed by HERC.

The Management stated (September 2009) that in order to achieve the aggressive schedules, the contractor had many times supplied the material at site without even waiting for dispatch instructions. Further as per PO/WO, all the payments were to be released within 30 days on receipt of bills subject to fulfillment of appropriate documents and adhoc advance was released to avoid any hindrance to the commissioning schedules. The reply is not convincing as the adhoc advance was released without any provision in the contract and the fact, however, remains that even after release of advance, the commissioning schedule could not be achieved.

Non-recovery of liquidated damages

2.1.17 As per the special conditions of contract (clause 4.1.0), the Unit commissioning schedule i.e. the date of provisional taking over (PTO) of the Units by the owner from effective date of contract (20 August 2005) was 27 and 30 months for Unit I and Unit II respectively. Time was the essence of the contract and in order to obviate the delay in completion of the project, the contract provided for levy of liquidated damages (LD) for delay in completion of intermediate milestones at the rate of 0.25 *per cent* of the Unit contract price per week or part thereof for a period of four weeks and subsequently at the rate of 0.50 *per cent* per week or part thereof subject to maximum of 10 *per cent* of the contract value.

The Company could not recover liquidated damages of Rs. 55.86 crore.

Audit observed (March 2009) that against the scheduled commissioning dates of 19 November 2007 and 19 February 2008, though the commercial operation of Unit I and Unit II was started on 14 April 2008 and 24 June 2008 respectively, the Units were provisionally taken over on 31 August 2009. In terms of the clause as referred above, the maximum liquidated damages of Rs. 204.47* crore i.e 10 *per cent* of the contract price were required to be deducted from the bills of the contractor. The Company had actually recovered only a sum of Rs. 148.61 crore till July 2009 leaving a balance of Rs. 55.86 crore. The non-recovery of liquidated damages stage wise by the Company had also resulted in loss of interest of Rs. 16.15 crore** up to July 2009.

The Management stated (September 2009) that the balance recovery was pending due to non-receipt of bills on account of procedural requirements like despatch instructions, approval of billing break up schedule etc. However, it was seen in audit that payments of bills had been made without recovering the LD. For instance bills amounting to Rs. 73.05 crore were lying with the Company during the period 30 November 2007 to 28 January 2008, when amount of LD recoverable was Rs. 46.01 crore against which first installment of LD of Rs. 5.86 crore was recovered on 31 January 2008 while making payment.

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* 10 *per cent* of Rs. 2044.70 crore (Rs. 2097 crore less Rs. 52.30 crore, being value of mandatory spares).

** calculated at 10.5 *per cent* per annum cash credit rate allowed by HERC.

Loss of interest rebate

2.1.18 The Company approached (August 2005) PFC for financial assistance of Rs. 1,920 crore for setting up of the plant involving total cost of Rs. 2,400.23 crore. PFC agreed (October 2005) for this loan. The Memorandum of Agreement (MOA) was subsequently signed in February 2006. Terms and conditions of the MOA, *inter alia,* provided that interest on the loan was payable at the rate of interest prevailing on the date of disbursement and after commissioning of the Unit-I, the Company was eligible for rebate of 0.25 *per cent* of interest on the loan amount drawn/to be drawn and the same was applicable from the date of commissioning only if the information was received by the PFC within five days of commissioning or from the date of receipt of information by PFC, whichever later. Audit observed that no communication was made to PFC in terms of MOA to claim interest rebate as a result of which, the Company could not avail interest rebate of Rs. 0.81 crore (from 15 April to 14 July 2009) for the loan drawn (Rs. 1,300.95 crore) up to July 2008.

Loss of interest rebate of Rs. 0.81 crore due to non communication to PFC.

The Management stated (September 2009) that the loan had not been bifurcated Unit-wise but was only one for the project as a whole. Accordingly, the COD of the Unit-II (June 2008) becomes the COD of the project and the interest rebate was being availed with effect from 15 July 2008 (the standard date). The reply was not correct because as per circular dated 12 March 2007 of PFC the interest rebate was available on the entire loan from the date after the date of COD of first Unit (15 April 2008) itself.

Deficiency in Coal Handling Plant

2.1.19 As per the terms of contract with REL, the Coal Handling Plant (CHP) valuing Rs. 22.01 crore was to be commissioned by 5 October 2007. The plant, however, could be made partially operational by December 2007, when the Company started receiving coal rakes and most of other works were completed by June 2008. The CHP had not yet been commissioned so far (August 2009) as coal sampler was not completed as a result of which the sampling of coal was being done manually.

The Company observed (August 2008) that operational performance of roller screens in the plant was very poor and there were frequent breakdowns. Accordingly, the matter was referred (October 2008) to REL which informed (October 2008) that roller screens installed were as per NIT and approved Design Basis Report (DBR) and these were capable of handling 300 mm coal lump with 15 *per cent* maximum moisture contents. REL, however, submitted (November 2008) a proposal to replace one roller screen with grizzly feeder in the plant for which the Company agreed and requested REL to replace one roller screen before onset of monsoon. Due to interruption in coal flow, there was problem in maintaining adequate stock in the coal bunker as a result of which Unit-I remained under shut down for 17:10 hours and Unit-II for 18:19 hours during June 2008 – March 2009. This had resulted in loss of generation of 8.515 MUs. Audit scrutiny revealed that while approving the DBR of CHP, the Company overlooked the performance of same type of roller screens

The Company suffered generation loss of 8.515 MUs due to deficiency in coal handling plant.

installed for Unit-7 and 8 at Panipat which were also not performing satisfactorily.

The Management stated (September 2009) that improper functioning of roller screens was due to deteriorated quality of coal and teething troubles during year of commissioning. The reply was not convincing as the Company was well aware of the quality of coal being received at the plants and should have installed grizzly screen from initial stage.

Inadequate capacity of coal mill reject handling system

2.1.20 As per turnkey scope of work, coal mill reject handling system was required to be installed at the Plant. REL submitted (July 2005) the draft design basis report (DBR) envisaging the mill reject system for one *per cent* of coal mill capacity. The Project Consultants (Desein Private Limited) and Review Consultants (CEA) reviewed (December 2005) draft DBR and requested REL to design the mill reject system taking coal reject quantity as three *per cent* of maximum coal quantity to be handled. REL re-submitted (January 2006) the DBR reiterating the reject system design for one *per cent* reject coal (480 Kg/hr/mill) on the ground that as per Boiler supplier the maximum reject/mill when firing worst coal would be 140.352 Kg/hour/mill. Accordingly, the Company approved (July 2006) the DBR of coal mill reject handling system without any observation. In June 2008, the mill reject handling system was installed at the plant at a cost of Rs. 4.42 crore. After commissioning of the system, the Chief Engineer, DCRTPP, Yamunanagar informed (June 2008) that inadequate capacity of mill reject (ranging between 1.42 *per cent* and 5.42 *per cent*) was resulting in frequent choking of mills, damaging the mill internals, frequent and long outages of mills and wearing out all the bends and mill reject conveying pipes which needed immediate replacement. REL was asked (31 July 2008) to modify the mill reject handling system from existing one to three *per cent*. Due to non-replacement the Management issued (30 September 2008) notice of 30 days to REL to address the problem. REL stated (6/18 October 2008) that the system had been installed as per the approved DBR and in case, the Company still wanted to augment the mill reject system without effective control on coal quality, it could either get this modification done itself or place an order for additional work on them. Board of Directors approved (27 November 2008) the proposal for inviting competitive bids for augmentation of mill reject handling system at the risk and cost of REL. The work had not been allotted so far (March 2009).

Audit noticed that the mill reject handling system for inadequate capacity had been installed on the basis of DBR approved by the Company itself. In reply Management admitted (September 2009) that the coal mill reject handling system was inadequate and the same was being augmented at the risk and cost of the contractor.

Delay in Commissioning of Dry Fly ash collection system

2.1.21 As per turnkey scope of work, Ash handling plant, common to both the Units, was also to be installed by 19 September 2007. The plant consisted of two systems – one for dry fly ash (80 *per cent*) with two silos which was to be allotted to cement manufacturers and the other for bottom ash (20 *per cent)* in slurry form which was to be dumped in the ash pond. After award of work, it was decided (April 2007) to relocate the ash silo in view of proposed third unit at Yamunanagar. On being asked (April 2007) to relocate the ash silo, the REL intimated (May 2007) that the re-location would result in abandoning of all the civil and structural works and any delay would be to the Company's account. REL further intimated (July 2007) the cost implication of Rs. 1.85 crore for change in location of ash silo. Audit observed (March 2009) that belated decision for re-location of ash silo when the work relating to piling and preliminary engineering was completed led to non-commissioning of dry fly ash handling system so far (March 2009). Due to delay in commissioning of dry fly ash system, 5.71* lakh MT of dry fly ash generated during 14 April 2008 to 31 March 2009 from Unit I and II, meant for sale, was dumped in ash pond. Dumping of fly ash had resulted in loss of potential revenue of Rs. 17.82 crore (calculated at the rate of administrative charges of Rs. 312/MT for fly ash as per sale order issued to cement manufacturers during June 2007).

Delay in commissioning of dry fly ash system resulted in loss of potential revenue of Rs. 17.82 crore.

The Management stated (September 2009) that as per GOI guidelines (September 1999) the fly ash was to be given to various cement manufacturers, brick–klin manufactures free of cost. As such, there was no loss to the Company. The reply is not convincing because the Company had issued sale orders during June 2007 to recover administrative charges.

Delay in completion of computerised maintenance and inventory management system

2.1.22 As per turnkey scope of work, a computerised maintenance and inventory management system (CMIMS) was to be installed for the project. The CMIMS with features like generation of work order, preventive maintenance schedule, inventory control, storing of equipment information, job planning and report generation was to be made available by 17 September 2007.

Audit noticed (March 2009) that the supply of CMIMS valuing Rs. 87 lakh was completed by 22 February 2008. However, the installation and commissioning of CMIMS was still in progress (March 2009). Thus due to non commissioning of CMIMS the work envisaged to be done through it, had to be done manually. Thus the expenditure of Rs. 87 lakh incurred on it remained unutilised.

The Management stated (September 2009) that delay in completion of CMIMS system had not affected the working of the plant and expenditure

* 21,00,189 MT coal consumption quantity x 0.34 ash content in coal x 0.80 dry fly ash component in total ash generation.

incurred was fully justified. The fact however remains that the works which were required to be done through the system were being done manually.

Ineffective monitoring of the Project

2.1.23 For execution of the project and to review the progress of various activities, a "Project Management Committee" under the name of Technical Coordination Committee consisting of representatives of the Company, REL, Consultants and review consultants (Central Electricity Authority - CEA) was constituted. During August 2005 to December 2007, the Committee held 17 meetings at intervals ranging from one to three months to review the progress of the project. Thereafter, next meeting was held on 13 August 2008 after a gap of eight months. No meeting was held during the declaration of commercial running of the Unit–I (14 April 2008) and Unit–II (24 June 2008).

Ineffective project monitoring delayed the completion and final take over of the project.

Audit noticed that the Committee was ineffective in deciding and finalising the matters as there were many ancillary works as on 20 March 2009, which could not be resolved in time and remained pending (details as per ***Annexure 7)***. Besides, the PG test of the various activities (details as per ***Annexure 8)*** which should have been completed prior to contractual schedule dates i.e. 19 November 2007 and 19 February 2008 for Unit–I and Unit–II respectively, were pending due to which formal take over of project was held up.

Commissioning and performance

Trial operation and delay in provisional taking over

Prolonged trial runs resulted in excess consumption of fuel valuing Rs. 104.86 crore.

2.1.24 The contract with REL provided that the Units would be accepted for commercial operation on completion of continuous satisfactory trial operation for 14 days and the Performance Guarantee (PG) test. Readiness of each item of equipment by the scheduled date of commissioning was a pre-requisite for trial operation and PG test. After synchronisation of Unit-I on 13 November 2007 and Unit-II on 29 March 2008, the Company allowed trial operation though various works relating to Balance of Plant[♥] (BOP) which were common to both the Units had not been completed. Audit noticed that there were repeated failures/trippings during trial operations of both the Units due to oil leakage, high rotor vibrations, tube leakages, flame failure etc. Instead of 14 days, the trial operation was conducted for 154 days in respect of Unit-I and 88 days in respect of Unit-II. Due to prolonged trial runs, fuel valuing Rs. 108.86 crore was consumed against the provision of Rupees four crore in the estimates. The revenue towards variable cost[#] earned on the power generated during trial run was only Rs. 59.96 crore. In the absence of any clause in the contract guaranteeing standard consumption during trial runs, the loss of Rs. 48.90 crore could not be recovered from REL.

♥ Packages comprising of ash handling plant, coal handling plant, railway siding and marshaling Yard etc. excluding BTG packages.

\# Provisional tariff of Rs. 1.68 per unit approved by HERC.

Further, for completion of the pending works and conducting PG test, the Company had to take various shutdowns for 1,959:33 hours during April 2008 to January 2009. Shutdowns of the Units immediately after start of the commercial operation (14 April 2008/24 June 2008) for completion of pending works and for PG test, resulted in loss of generation of 470.292 MUs*.

In reply as well as during Exit conference, the Management did not explain (September 2009) any reasons for prolonged trial runs leading to excessive consumption of fuel and non completion of pending works. The Management, during Exit conference, stated that the provisional taking over has been done on 31 August 2009.

Excessive Cost of Generation

Due to excessive consumption of inputs as compared to contractor's guaranteed parameters, the Company suffered loss of Rs. 67.46 crore.

2.1.25 Haryana Electricity Regulatory Commission (HERC) while fixing the generation tariff for sale of power by the Company during 2008-09 provisionally approved Rs. 2.91 per unit for the power generated from both the Units which, *inter-alia,* included return on equity at the rate of 14 *per cent.* The actual cost of generation in respect of Unit-I (from 14 April 2008 to 31 March 2009) and Unit-II (from 24 June 2008 to 31 March 2009) was Rs. 3.19 and Rs. 3.07 per unit respectively. The higher cost was mainly due to increase in variable cost which was Rs. 1.88 and Rs. 1.84 per unit for Unit–I and II respectively against the norm of Rs. 1.68 per unit approved by HERC for both the Units. During this period, the total cost for generating 3,146.97 MUs of power was Rs. 895.05 crore as against the revenue realisation of Rs. 827.59 crore resulting in loss of Rs. 67.46 crore. High cost of generation as analysed in audit, was due to excessive consumption of inputs as compared to the parameters guaranteed by REL and norms approved by HERC and low PLF. These have been discussed in the succeeding paragraphs 2.1.26-2.1.30.

Excess consumption of coal

There was excess consumption of coal valuing Rs. 45.22 crore compared to contractor's guaranteed parameters.

2.1.26 The actual consumption of coal for both the Units during April 2008 to March 2009 was 2.06 lakh MT higher than the guaranteed as per the technical parameters by REL. This has resulted in excess consumption of Rs. 45.22 crore and consequent higher environmental degrading.

The Management stated (March 2009) that Boilers of the Units were designed for 4,000 Kcal/Kg Gross Calorific Value (GCV). But the availability of coal from the linked collieries was less than the design GCV of coal. The Company had no other option but to accept the coal from the linked collieries. The reply is not convincing as the loss on account of excessive consumption of coal has been worked out taking into consideration the quality of coal actually consumed at the plant.

* at 80 *per cent* plant load factor approved by HERC for 2008-09.

Excessive consumption of fuel oil

Excess consumption of fuel oil valuing Rs. 47.99 crore with reference to HERC norms.

2.1.27 Fuel oil is used for start-up and flame stabilisation at low loads. HERC had approved a norm of 2 ml/kwh for use of fuel oil during 2008-09 for the plant. Compared with this norm, actual consumption of fuel oil during 14 April 2008 (Unit-I) and 24 June 2008 (Unit-II) to 31 March 2009 was 6.81 and 5.71 ml/kwh respectively and thus the Units consumed 13,589.44 KL excess oil valued at Rs. 47.99 crore.

The Management stated (March 2009) that the failure rate of oil guns are on higher side which results in inconsistency and instability of guns and results into excessive oil consumption. However, this aspect should have been considered at the time of their installation. This needs immediate action by the Company to avoid excess consumption of oil.

Auxiliary consumption

There was Excess auxiliary consumption of 30.202 MUs valuing at Rs. 9.50 crore as compared to contractor's guaranteed parameters.

2.1.28 Auxiliary consumption denotes the power consumed by plant and equipments for generation of power. Thus a part of energy generated is consumed for auxiliary purpose. It was observed that the auxiliary consumption in respect of Unit I and II during the period was 9.34 and 9.32 *per cent*, which was in excess of HERC norm of 9 *per cent* and guaranteed norm of 8.37 *per cent* of REL. There was, thus, excess auxiliary consumption of 10.376 MUs and 30.202 MUs valued at Rs. 3.27 crore and Rs. 9.50 crore with reference to HERC and guaranteed norms of REL respectively.

The Management stated (March 2009) that the excess auxiliary consumption was due to keeping five coal mills into service as compared to four as per design of boilers. This was due to non availability of design quality coal for which the full load could not be achieved with four milling systems. However, the coal mills installed at the plant were as per the design approved by the Company.

Low plant load factor

2.1.29 Plant Load Factor (PLF) represents percentage of actual generation to generating capacity. The total hours available for generation of power, actual hours of operation and PLF achieved against the norms fixed by HERC from starting commercial operation to March 2009 was as follows:

Sl. No.	Particulars	Unit-I	Unit-II
1.	Days available for Generation	352	281
2.	Total hrs available for Generation (Sl.No.1 x 24hrs)	8,448	6,744
3.	Generation Capacity (MUs) (Sl.No.2 x 300MW)	2,534.40	2,023.20
4.	Outages (in hours)	1955:27	1508:15
5.	Actual hrs operated (Sl. No. 2 - 4)	6492:33	5235:45
6.	Expected Generation (MUs) as per HERC approved PLF (80 *per cent* of Sl.No.3)	2,027.520	1,618.560
7.	Actual generation (MUs)	1,740.165	1,406.806
8.	Shortfall in generation (MUs) (Sl. No. 6 – Sl. No.7)	287.355	211.754
		499.109	
9.	PLF (*per cent*)	68.66	69.53
10.	Loss of revenue (Rupees in crore) (net of fuel cost)	35.34	26.05
		61.39*	

* 499.129 MUs at the rate of Rs. 1.23 (2.91-1.68) = Rs. 61.39 crore.

HERC while approving the norm for the plant had recorded that even though the Units were capable of achieving higher PLF, but keeping in line with the national norms, the PLF of 80 *per cent* was fixed. The Plant could not meet even this norm as the PLF of Unit I & II was 68.66 and 69.53 *per cent*, respectively. This had resulted in shortfall in generation of 499.109 MUs. The Management stated (March 2009) that initially the Units could not perform consistently due to the design problems in the boiler and turbines, inadequate mill reject handling system, coal handling system and Electro Static Precipitator (ESP). To establish the performance of these equipments, REL asked for repeated shutdowns of the Units. The fact, however, remains that had the Company ensured completion of all pending works before start of commercial operations, this situation could have been avoided.

Forced outages

Forced outages after successful trial runs resulted in generation loss of 360.996 MUs.

2.1.30 During the period from start of commercial production (14 April 2008/ 24 June 2008) to March 2009, there were forced outages of 1504 hours mainly due to frequent trouble in boiler tube in Unit II (325 hours), fault in turbo generator (371 hours) Unit I, loss of flame (462 hours), interruption in coal flow in bunker (35 hours), grid failure (34 hours), drum failure (128 hours) and miscellaneous reasons (149 hours). Forced outages after successful trial runs had resulted in generation loss of 360.996 MUs. Some of these cases where there were major outages are given below in the table:

Unit	Period of tripping (Dates)	Duration of tripping (hours)	Reasons of tripping	Generation loss (MUs)
Unit-I	6 September 2008 (16:12 Hrs) to 21 September 2008 (22:47 hrs)	366:35	loss of flames	87.98
Unit-I	19 January 2009 (9:18 hrs) to 4 February 2009 (4:10 hrs)	371:00	loss of flame and high vibration in turbine	89.04
Unit-II	29 August 2008 (19:08 hrs) to 3 September 2008 (5:38 hrs)	107:00	boiler tube failure	78.00
Unit-II	12 September 2008 (18:36 hrs) to 16 September 2008 (7:45 hrs) and from 21 February 2009 at 6:30 hrs to 26 February 2009 (at 20:11 hrs)	218:00	boiler tube failure	

Environmental safeguards

Operation of plant without consent

The Company failed to adhere the environmental safeguards.

2.1.31 Haryana Pollution Control Board (HPCB) issued (July 2004) no objection certificate/consent for setting up the thermal power plant with the condition that the consent under section 25 and 26 of the Water (Prevention & Control of Pollution) Act, 1974 and under section 21 and 22 of the Air (Prevention & Control of Pollution) Act, 1981 as amended to date, should be obtained before starting the trial operation. Audit noticed that though the Unit I and Unit II were synchronised in November 2007 and March 2008 respectively, the application for obtaining consent to operate the plant under the Acts, *ibid*, was submitted to HPCB only on 10 April 2008. Due to non submission of adequacy report of ESP and effluent treatment plant, non installation of magnetic flow meters at the main source of water supply and electronic flow meters at the final outlet of the sewage treatment plant, the approval had not been received so far (March 2009). As a result, operations of the thermal power plant were being carried out without compliance of statutory requirements.

In reply the Management admitted (September 2009) the facts and stated that all out efforts had been made at various levels to make compliance. The fact however remained that the plant was being operated without compliance of statutory requirements.

Improper functioning of Electrostatic Precipitator

2.1.32 ESP is a large box having two series of Electrodes, which reduces dust concentration containing the SPM in flue gases from coal fired boilers in the thermal power plants. Control of fly ash (dust) generated by thermal power plants is dependent on effective and efficient functioning of ESPs. The ESPs had been installed in both the generating units. The Ministry of Environment and Forest (MOE&F) has prescribed SPM level for stack emission at 150 Mg/Nm^3 and for ambient air emission at 500 Mg/Nm^3 for thermal power plants.

Audit noticed (March 2009) that the stack emission was more than the prescribed limits due to frequent outages of ESPs. The SPM level in ambient air recorded twice in a week during February 2008 to March 2009 was more than standard limit during 63 days (510 Mg/Nm^3 to 633 Mg/Nm^3) out of total 114 days. The stack emission levels were not being recorded regularly.

During February 2008 to March 2009 the stack emission in respect of Unit-I was recorded on 14 days out of which the stack emission was more than the prescribed limit on six days and the stack emission in respect of Unit-II was recorded only on eight days, out of which the emission was more than the prescribed level on two days.

The Management stated (September 2009) that contractor had been impressed upon to give permanent solution and final outcome was awaited.

The above matters were referred to the Government in June 2009, their reply had not been received (September 2009).

Conclusion

The performance of the Company with regard to construction and operation of Unit-I and Unit- II was as follows:

- **delay in approval of the project by the State Government followed by delay in award of contract which was controllable;**

- **acceptance of REL as technically qualified EPC contractor though it was not a regular turnkey management and contracting agency;**
- **ineffective project monitoring resulting in non resolving of the pending issues in time and delay in completion of project;**
- **excess cost of generation due to consumption of inputs in excess of guaranteed parameters of REL as well as the norms of HERC;**
- **forced and planned shutdowns of the Units immediately after commercial operation resulting in substantial loss of generation of power; and**
- **non-compliance with the environmental safeguards.**

Recommendations

The Company may consider:

- **ensuring strict compliance with the provisions of notice inviting tenders for evaluation of bids;**
- **monitoring effectively the execution of the project so as to avoid time and cost overrun;**
- **taking measures to increase generation by increasing plant load factor;**
- **taking measures to reduce the cost of generation by reducing consumption of inputs;**
- **implementing environment safeguards to bring the various parameters of pollution control within prescribed limits; and**
- **ensuring preventive maintenance and up keep of the plant equipments to avoid forced shutdowns of generating Units.**

Haryana Tourism Corporation Limited

2.2 Working of Haryana Tourism Corporation Limited

Executive summary

The State Government established Haryana Tourism Corporation Limited (Company) with the main objective of promoting tourism in the State. In pursuance of its objectives, the Company has undertaken activities of operating tourist complexes with catering, bar and accommodation facilities, organising trade fairs and melas, running petrol pumps and undertaking construction and consultancy services. As on 31 March 2009 the Company had 43 tourist complexes, 14 petrol pumps and 2025 employees. The performance audit was conducted to ascertain the development of tourism in the State and viability of the operation of complexes.

Finances and Performance

The provisional accounts figures are available up to 2007-08. During 2004-08, Company's income and expenditure were Rs. 615.61 crore and Rs. 603.57 crore respectively. The net profit of Rs. 12.04 crore included interest of Rs. 10.92 crore from fixed deposits. Thus, the Company has been operating on a very thin margin.

Tourist Arrivals

The tourist arrivals stagnated at about 60 lakh during 2004-09. However, in the absence of proper mechanism to ascertain tourist arrivals, the data is not considered reliable. Thus, the impact of activities of the Company on the development of tourism could not be ascertained. The Company did not prepare any action plan for development of tourism.

Operations

The revenue of Rs. 615.61 crore during 2004-08 was mainly contributed by sale of petroleum products (Rs. 438.42 crore), sale of food and liquor (Rs. 104.11 crore) and room rent (Rs. 35.17 crore). The petroleum business operated on a thin margin of 0.66 to 1.27 per cent during 2004-09 which points towards a need to monitor this business closely.

The Company succeeded in improving its occupancy from 65 per cent in 2004-05 to 77 per cent in 2008-09, which was well above desirable level of 60 per cent. However, this did not add much to profitability due to increase in overhead costs. The Company could not contain the food, fuel and electricity costs within norms, resulting in extra expenditure of Rs. 8.01 crore. Similarly, manpower cost was higher by Rs. 9.48 crore above the norms during 2004-08. The Company needs to analyse reasons for high cost of operations and take suitable remedial measures.

Execution of Projects

The Government of India and the State Government sanctioned Rs. 111.97 crore for 213 projects during 2004-09 and released Rs. 78.70 crore. The company had incurred an expenditure of Rs. 48.44 crore up to March 2009. A good number of projects were delayed. This is an area that requires greater attention of the Management.

Conclusion and Recommendations

The deficiencies in the Company's functioning are controllable and there is scope to improve the performance through better management of its operations. This review contains five recommendations which include analysing the reasons for high costs, devising measures to reduce costs and improving internal control procedures.

Introduction

2.2.1 The Company was incorporated on 1 May 1974 under the Companies Act, 1956 as a wholly owned Government Company with a view to promote tourism in the State. At the time of formation, the State Government transferred 27 commercial (restaurants, bars, petrol pumps and liquor shops etc.) and 13 non-commercial (rest houses, hotels and huts etc.) units to the Company. The Company operated 43 to 47 complexes during 2004-09 including a nursery at Meharauli. This was in addition to 14 petrol pumps operated by the Company. Against the authorised share capital of Rs. 25 crore, the paid up capital as on 31 March 2009 was Rs. 20.19 crore.

The management of the Company is vested in a Board of Directors (BOD) comprising not less than two and not more than 11 directors including a Chairman and a Managing Director (MD), who are nominated/appointed by the State Government. As on 31 March 2009 there were seven directors including Chairman and the MD. The MD is the Chief Executive of the Company and is assisted in day to day work at head office by two General Managers, a Chief Accounts Officer, a Chief Engineer and a Company Secretary. The complexes are managed by General Manager/Deputy General Manager/Divisional Manager/Additional Divisional Manager depending upon volume of work involved.

The working of the Company was last reviewed in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2003 (Commercial)-Government of Haryana. The review was discussed by the Committee on Public Undertakings (COPU) and their recommendations are contained in the 53rd Report presented to the State Legislature on 22 March 2007.

Scope of Audit

2.2.2 The present performance review conducted during March to May 2009, covers performance of various complexes of the Company including nursery during 2004-09. Besides examining the records maintained at the head office of the Company, Audit test checked records of 19 out of 43 complexes, as given in ***Annexure 9***. The selection was made on the basis of geographical location and volume of work (48.26 *per cent* of turnover), to assess the functioning of the complexes.

Audit objectives

2.2.3 The audit objectives were to ascertain whether:

- the activities of the Company resulted in systematic development of tourism in consonance with its objectives and instructions of the State Government;
- the Company made proper planning for development of tourism and prepared action plan and implemented the same effectively;

- all the complexes were operating on financially viable basis;
- the level of services provided was up to the mark;
- proper financial management of the funds (including utilisation of grants) existed; and
- the Company had devised effective monitoring and internal control/audit system.

Audit Criteria

2.2.4 The following audit criteria were adopted:

- guidelines for development and operation of complexes issued by Government of India (GOI) and Department of Tourism of the State Government;
- agenda and minutes of the meetings of BOD and of Drawing and Disbursing Officers (DDO) of the Company;
- salary, food and fuel norms fixed by the Company;
- terms and conditions of the lease/purchase agreements;
- project reports, records of debtors and investment of funds at Head office and complexes; and
- internal audit and other control procedures adopted by the Management.

Audit Methodology

2.2.5 Audit used a mix of following methodologies to assess the audit objectives with reference to the audit criteria:

- review of directives issued by GOI/State Government;
- review of agenda notes and minutes of the BOD and DDO meetings and interaction/discussion with the personnel of the Company;
- review of records relating to grants received from GOI/State Government and their utilisation;
- review of periodic performance reports of complexes;
- review of investment of funds and debtors on periodical basis;
- review of MIS and various control procedures employed by the Company; and
- review of selection process of contractors for leasing out shops/sites and implementation of terms and conditions of agreements executed with them.

Audit Findings

2.2.6 The audit findings were reported to the Government/Management in June 2009 and discussed in the Exit conference held on 7 September 2009, which was attended by the Financial Commissioner and Secretary Tourism, Government of Haryana and Managing Director of the Company. Views of the Management have been considered while finalising the review. Audit findings are discussed in succeeding paragraphs.

Financial position and working results

2.2.7 The Company has divided its activities into core (accommodation, catering and liquor) and non-core (leasing, parking, gate entry, boating and petrol pumps). Core activities are directly related and non-core activities are ancillary to the tourism. The accounts of Company from the year 2006-07 were in arrears (August 2009). The financial position and working results of the Company for last four years up to 31 March 2008 are given in ***Annexure 10***. The summary position is stated below.

(Rupees in crore)

Particulars	**2004-05**	**2005-06**	**2006-07***	**2007-08***
Capital plus Reserves & Surplus	26.09	30.59	35.99	40.65
Liabilities	67.65	82.08	104.95	134.34
Assets	93.74	112.67	140.94	174.99
Income	123.90	149.56	162.24	179.91
Expenditure	122.49	146.39	159.02	175.67
Profit	1.41	3.17	3.22	4.24

The Company does not compile expenditure/profitability on the basis of core and non core activities separately. The revenue of the Company was Rs. 615.61 crore during 2004-08 against which it incurred expenditure of Rs. 603.57 crore resulting in aggregate net profit of Rs. 12.04 crore. The major revenue was from sale of petroleum products (Rs. 438.42 crore) and food, wine and mineral sale (Rs. 104.11 crore) whereas the major expenditure was on purchase of petroleum products (Rs. 428.07 crore) and administrative, marketing and other expenditure (Rs. 118.80 crore). The Company earned net profit of Rs. 12.04 crore which also included interest of Rs. 10.92 crore earned on fixed deposits mainly from unspent grants received from Government of India/State Government.

The COPU had recommended (March 2007) to improve the occupancy of the motels by providing powers to officers in charge of the complexes for flexible rates of rooms to compete with the private hotels and motels and introduction of schemes like happy hours in bars. These recommendations were, however, not implemented (August 2009).

The Company had been fixing tariff of rooms keeping in view the location and turnover of the respective complexes based on recommendations of the respective incharge. During 2004-09, the Company revised its tariff of complexes 1-3 times.

* Figures for 2006-07 and 2007-08 are provisional.

Performance of tourist complexes

2.2.8 One of the main objectives of the Company is to promote tourism by operating restaurants, bars, hotels, huts, motels, guest houses, petrol pumps and other places for tourists in the State and elsewhere. The Company operated 43 to 47 tourist complexes during 2004-09 of which 38 to 40 complexes were having both commercial and non-commercial activities. The Company closed four tourist complexes (including Haryana Bhawan Canteen) during 2004-09. The operational performance of tourist complexes (including non core activities) of the Company was as under:

Year	Number of complexes	Net operational surplus (excluding depreciation, overheads and profits from petrol# pumps) (Rs. in crore)	Tourist complexes earning profit			Tourist complexes incurring losses		
			Number	Percentage of total complexes	Profit (Rs. in crore)	Number	Percentage of total complexes	Loss (Rs. in crore)
2004-05	47	7.96	27	57.45	9.24	20	42.55	1.28
2005-06	45	10.07	24	53.33	11.55	21	46.67	1.48
2006-07	43	12.14	26	60.47	13.35	17	39.53	1.21
2007-08	43	15.11	26	60.47	16.45	17	39.53	1.34
2008-09	43	17.72	30	69.77	18.58	13	30.23	0.86
Total		**63.00**			**69.17**			**6.17**

It would be seen from the above that the complexes ranging between 24 and 30 earned profits aggregating Rs. 69.17 crore whereas complexes ranging between 13 and 21 suffered losses aggregating Rs. 6.17 crore during 2004-09. A review of loss making complexes revealed that 11* complexes had been consistently running in losses which accumulated to Rs. 4.01 crore during the last five years up to March 2009. Out of these only one complex has been closed in May 2008. The profit/loss stated above is without apportioning depreciation and overheads on individual complex as the data regarding the apportioned cost towards individual complex in respect of depreciation and overheads is not maintained by the Company. If depreciation and overheads are also considered for working out the profitability, the number of complexes incurring losses would further increase.

While reviewing half yearly working results ending 30 September 2006, the BOD desired (December 2006) that a Committee consisting of Managing Director, General Manager-Administration (GMA) and Chief Architect, Haryana should study the data/statistics of the tourist complexes to see as to whether loss making tourist complexes could be closed to avoid losses. The Committee recommended (April 2007) that complexes at Hansi, Fatehabad and Ottu be closed immediately as these were running in losses since inception and cannot be revived in the near future. The recommendations of the Committee were put up before the BOD (June 2007) which decided to close down the Hansi and Ottu tourist complexes and held without elaborating any reasons that it may be difficult to close the Fatehabad complex. Hansi tourist complex had not been closed so far (August 2009) as the formal approval of

Discussed at para 2.2.32.

* Asakhera, Fatehabad, Hansi, Jind, Jyotisar, Morni Hills & Tikkar Taal, Ottu, Pehowa, Rewari, Samalkha and Sirsa. Loss includes expenditure on horticulture and infrastructure.

State Government was awaited though it had sustained losses of Rs. 72.45 lakh till March 2009 and Ottu complex was closed in May 2008 by which time it had sustained losses of Rs. 48.12 lakh. Further, decision of the BOD not to close Fatehabad complex was not justifiable as it had been running in losses since inception (1999-2000) and the loss had accumulated to Rs. 92.97 lakh up to March 2009. Of the above losses, the Company suffered loss of Rs. 51.43 lakh even after the decision of the BOD in these three complexes.

The Management stated (September 2009) that the number of Units suffering losses has been decreasing. However, the fact remains that eleven Units have consistently been in loss and only one Unit has been closed.

Activities for systematic development of tourism

Tourist arrivals

2.2.9 The Government of Haryana formulated Tourism Policy in 2008. As per the Policy, the Company was required to:

- use the services of event managers for marketing the areas set up by the Company and promotion of tourism potential of the State;
- introduce *panchkarma** and spa facilities in its hotels to make them more tourist friendly;
- help public-private partnership projects as an agent of the State Government; and
- organise road shows jointly with private hoteliers and tour operators of the State to encourage foreign travellers.

It was observed that no projections for arrival of tourists were made in the policy. Further, the Company has introduced *panchkarma* and spa facilities only in Hotel Rajhans at Surajkund but not initiated any action for implementation of other aspects so far (July 2009). A summarised break-up of tourists visiting the complexes of the Company during 2004-09 is given below:

Year	Number of tourist visited in Company's complexes		
	Domestic	Foreigners	Total
	(Number in lakh)		
2004-05	60.14	0.73	60.87
2005-06	65.20	0.73	65.93
2006-07	59.62	0.72	60.34
2007-08	57.69	0.63	58.32
2008-09	59.45	0.79	60.24

(Source: The figures of tourist arrival were provided by the Tourism Department, Haryana Government)

The above table shows that the arrival of tourists ranged between 58.32 lakh and 65.93 lakh during 2004-09. Inflow of domestic tourists which was 65.20 lakh in 2005-06 declined to 59.45 lakh in 2008-09. Similarly, inflow of foreign tourists which was 0.73 lakh in 2004-05 started declining from 2006-07 onwards. However, it increased to 0.79 lakh during 2008-09. The Company had not analysed the reasons for declining trend in inflow of tourists after 2005-06 for taking remedial steps.

* Panchkarma is ayurvedic therapy for body rejuvenation.

During discussion in the Exit Conference, the Financial Commissioner (Tourism) intimated that figures given by the Tourism Department were not reliable and to arrive at correct data, some mechanism would be worked out.

Action plan and its implementation

2.2.10 The Company did not prepare any short or long term action plan for development of tourism in the State. In the absence of which the adequacy of achievement of the objectives of the Company could not be assessed. Further, activity wise physical and financial targets were not prepared before the commencement of financial year. However, the turnover targets in respect of only core activities were fixed by the Company on quarterly basis from August 2006 and during the year 2007-08, 32 complexes could not achieve the turnover targets.

Operations of the Company

2.2.11 The revenue of the Company of Rs. 615.61 crore during 2004-08 comprised sale of petroleum products (Rs. 438.42 crore), sale of food stuff and liquor (Rs. 104.11 crore), room rent (Rs. 35.17 crore), lease money (Rs. 10.40 crore), interest (Rs. 10.93 crore) and other income (Rs. 16.58 crore). Against this the expenditure of the Company was Rs. 603.57 crore during 2004-08 which consisted of purchase of petroleum products (Rs. 428.07 crore), consumption of catering, liquor and other purchases (Rs. 48.72 crore), administrative, marketing and other expenditure (Rs. 118.80 crore) and depreciation (Rs. 7.98 crore). The Company, thus, earned profit aggregating Rs. 12.04 crore which included interest of Rs. 10.92 crore earned on fixed deposit. Though, the Company earned profit aggregating Rs. 1.12 crore during 2004-08 from its operational activities, there is immense potential for improvement in the activities of the company as evident from analysis in the succeeding paragraphs.

Occupancy of the complexes

2.2.12 The Company was operating (March 2009) 41 motels with total room capacity of 768. The Company had neither fixed any targets for occupancy nor worked out break even level in running its motels. As per hotel industry, average occupancy of 60 *per cent* was considered desirable. A summarised break-up of average annual occupancy of the Company during 2004-09 is given below:

Year	Occupancy		
	Room days available	Room days let out	Percentage
2004-05	259837	168921	65
2005-06	260221	184956	71
2006-07	262885	200281	76
2007-08	273782	212490	78
2008-09	280360	216097	77

The Company had been able to improve its occupancy position from 65 *per cent* during 2004-05 to 77 *per cent* during 2008-09. The average tariff also increased from Rs. 971 per room day during 2004-05 to Rs. 1,299 per room day during 2007-08. There was increase in tariff by 33.78 *per cent* during 2004-05 to 2007-08. However, the increase in occupancy and tariff did not substantially add to overall profitability of the Company as administrative marketing and other expenditure* also increased by 51.93 *per cent* during the period. An analysis of occupancy of individual complexes revealed that the occupancy in 11 to 25 complexes was below the hotel industry norm of 60 *per cent* as detailed below:

Sl. No.	Occupancy percentage	Number of motels				
		2004-05	2005-06	2006-07	2007-08	2008-09
1	Less than 20	4	1	2	2	2
2	Between 20 and 39	4	5	6	4	5
3	Between 40 and 59	17	14	11	9	4
	Total (below 60)	**25**	**20**	**19**	**15**	**11**
4	Between 60 and 79	10	12	10	12	15
5	80 and above	8	9	12	14	15
	Total (above 60)	**18**	**21**	**22**	**26**	**30**
	Total	**43**	**41**	**41**	**41**	**41**

Out of these, the occupancy of nine• motels was consistently less than the norm of 60 *per cent* in all the five years ended 31 March 2009. The low occupancy was due to lack of adequate publicity, lack of adequate tourist facilities, non providing of powers to the officers/incharge of the tourist complexes for flexible rates of rooms to compete with the private hotels and motels. Further, frequent changes♦ of Managing Directors resulted in lack of continuity at the top level to formulate and implement long term action plan for improvement in the working of the Company. Audit also observed that 4 to 9 motels where occupancy was more than the desirable norm of 60 *per cent* were incurring losses during 2004-09 indicating immense scope of improvement in operation of these motels.

The Management stated (September 2009) that occupancy of the complexes depends on their location and type of clientage. However, targets of occupancy for each Unit have been fixed in July 2009.

Food cost

2.2.13 The Company had fixed (August 2003) complex wise food cost norms ranging between 25 and 35 *per cent* of catering turnover for various complexes keeping in view the location and sale. These were revised to 20 to 30 *per cent* of catering turnover in August 2008. Based on the norms fixed, the actual food cost was more in 13 complexes in 2004-05, 16 complexes in 2005-06, 18 complexes in 2006-07, 24 complexes in 2007-08 and 36 complexes in 2008-09. The actual cost in excess of norms during 2004-09 resulted in extra expenditure of Rs. 1.81 crore. Excessive food cost was mainly due to low catering turnover and higher overheads.

* The administrative, marketing and other expenditure are in respect of overall Company as separate expenditure details in respect of motels are not prepared by the Company.

• Damdama, Fatehabad, Hansi, Morni Hills & Tikkar Taal, Ottu, Pehowa, Rewari, Sirsa and Yamunanagar.

♦ The post of MD was held by four incumbents during 2004-09 with the tenure ranging from 4 to 33 months.

The Management stated (September 2009) that monitoring of loss making Units is made regularly and effective steps are being taken for improvement. However, Audit observes that this is not reflected in the results.

Food and fuel cost in excess of norms resulted in extra expenditure of Rs. 2.92 crore.

Fuel cost

2.2.14 The percentage of fuel cost to catering turnover was fixed (August 2003) between 4 and 14 *per cent* for various complexes whereas fuel cost norms in Orissa Tourism Development Corporation Limited, Rajasthan Tourism Development Corporation Limited and Punjab Tourism Development Corporation Limited (PTDC) were three, three and six *per cent* respectively. The Company revised norms (August 2008) which ranged between 5 and 12 *per cent*. The actual fuel cost was in excess of norms (ranging between 4.01 to 33.33 *per cent)* in 29 complexes in 2004-05, 36 complexes in 2005-06, 36 complexes in 2006-07, 37 complexes in 2007-08 and 21 complexes in 2008-09 which indicates poor performance. The fuel cost in excess of norms during 2004-09 resulted in extra expenditure of Rs. 1.11 crore.

The Management stated (September 2009) that increase in price of fuel, non match with the food rates and low sales of food contributed for higher cost. Efforts were being made to keep it at desired levels.

Cost of electricity

2.2.15 The Company had not fixed any norms for consumption of electricity in its tourist complexes whereas PTDC had fixed a norm of five *per cent* of the turnover in its complexes. The complexes having turnover of Rs. 168.84 crore, incurred electricity expenditure of Rs. 13.54 crore against the norms of Rs. 8.44 crore (based on PTDC norm) resulting in excess consumption of electricity to the extent of Rs. 5.10 crore during 2004-09.

The Management stated (September 2009) that attempt would be made to fix the norm in near future.

Uneconomic fast food counters

Two fast food counters incurred loss of Rs. 83.03 lakh.

2.2.16 As per guidelines issued (January 1999) by the GOI, fast food counters should be constructed at a distance of 50 KM from any tourist centre/existing complex of the Company to meet the requirement of tourists travelling to the tourist destinations by Road. In contravention of the guidelines, the Company constructed seven# fast food counters around its existing complexes without feasibility survey. The Company leased out two* fast food counters during 2004-09 to private parties due to poor sale. No separate accounts have been maintained in three♣ fast food counters in the absence of which their working could not be reviewed. In the remaining two♦ fast food counters, where separate accounts were maintained, the Company suffered a loss of Rs. 83.03 lakh during 2004-09 due to excess food, fuel, electricity and salary cost.

The Management stated (September 2009) that the losses were due to

Daruhera, Hodal, Karnal, Panipat, Pinjore, Pipli and Rohtak.
* Daruhera and Hodal.
♣ Karnal, Panipat and Pipli.
♦ Pinjore and Rohtak.

excessive administrative overheads. However, with control on food, fuel and salary cost, these counters could be made viable.

Performance of liquor activities

2.2.17 The Company operated 36 to 39 bars in its various complexes during 2004-09. No separate accounts were maintained for these bars. Out of 15 bars test checked, 8 to 10 bars had been incurring losses during 2004-09 as detailed below:

Year	Bars running in losses	Income	Expenditure	Loss
	(number)	(Rupees in crore)		
2004-05	10	1.11	1.38	0.27
2005-06	8	1.01	1.23	0.22
2006-07	8	0.84	1.20	0.36
2007-08	10	1.08	1.54	0.46
2008-09	8	0.76	0.88	0.12
Total		**4.80**	**6.23**	**1.43**

The Company had suffered a loss of Rs. 1.43 crore♠ in 8 to 10 bars during 2004-09. Four[ϒ] bars had consistently been running in losses during this period and incurred loss aggregating to Rs. 81.51 lakh during 2004-09. The Management attributed the losses to low sale of liquor; non availability of popular brands of liquor/beer; old infrastructure and higher rates as compared with private bars. However, no remedial measures were taken to increase to sale.

The Management stated (September 2009) that the figures of loss were not authentic as no separate account of the bars were maintained. The reply is not acceptable as the figures of losses were provided by the complexes.

Development of unviable project

Ottu complex undertaken despite adverse report and resulted in unfruitful expenditure of Rs. 47.65 lakh.

2.2.18 The feasibility report conducted for development of Ottu complex stated (July 2001) that due to locational disadvantage and low occupancy rate, there would be loss of Rs. 8.74 lakh *per annum*. Despite these findings, and without recording any reasons, the Company got sanctioned (December 2003) grant of Rs. 1.48 crore from GOI for construction of this complex. The GOI released Rs. 1.15 crore in two installments during 2003-05. As per terms and conditions of the sanction, the unutilised funds were to be surrendered to GOI or formal approval was to be taken to transfer/adjust the amount against other projects. The Company incurred an expenditure of Rs. 47.65 lakh up to October 2005 and has abandoned this project since May 2008 on its closure. Thus, decision of the Company to go in for this project, despite adverse feasibility report, lacked justification which had resulted in unfruitful expenditure of Rs. 47.65 lakh. The Company had also not taken any action to transfer/adjust the unutilised amount of Rs. 67.58 lakh.

The Management stated (September 2009) that the unutilised grant would be refunded on getting approval of closure from the State Government.

♠ Worked out on the basis of income on sales and expenditure on permit fee paid, salary and electricity.

ϒ Pehowa, Jind, Morni Hills and Oasis-Karnal.

Loss in running of Haryana Bhawan canteen at Delhi

2.2.19 The Haryana Bhawan canteen at Delhi run by the private contractor was transferred by the State Government to the Company in June 2002. As per conditions of transfer the canteen was to be run on no profit no loss basis and rates of food and beverages items, which were subsidised, were to be fixed by the State Government and the Company had no authority to revise the same. As per conditions, any losses in running of canteen were to be reimbursed by the State Government. The Company suffered a loss of Rs. 66.78 lakh in operation of canteen during 2002 to 2005 and the canteen was later on handed over to the Hospitality Department, Haryana in October 2005. The State Government, however, had reimbursed only Rs. 10 lakh in July 2005. The Company has not taken up the matter with the State Government for re-imbursement of the remaining amount resulting, thereby, in loss of Rs. 56.78 lakh.

Construction activities

2.2.20 The Company has its own construction wing headed by a Chief Engineer with 57 employees (March 2009). It undertakes construction work of tourist complexes on behalf of State Tourism Department against the funds received from Government of India and State Government.

The Government of India and State Government sanctioned Rs. 111.97 crore (Government of India: Rs. 70.95 crore and State Government: Rs. 41.02 crore) for 213 projects during 2004-09. Against this the Company received Rs. 78.70 crore (Government of India: Rs. 37.68 crore and State Government: Rs. 41.02 crore) and incurred expenditure of Rs. 48.44 crore up to March 2009.

Execution of Central assisted projects

Grant of Rs. 18.33 crore received from GOI remained unutilised.

2.2.21 GOI has been granting financial assistance through the State Government for augmentation of tourist infrastructure facilities like addition, alteration and renovation etc. The assistance was provided every year on the specific proposals from the State Government. The State Government was required to provide developed land free of cost with facilities like electricity, water supply, sewerage and approved roads. The Company received Rs. 37.68 crore from GOI against sanctioned amount of Rs. 70.95 crore for development of 16 projects during 2004-09. The Company incurred expenditure of Rs. 19.35 crore up to March 2009 and unutilised grant of Rs. 18.33 crore was lying with the Company as on 31 March 2009.

Table below indicates the status of projects sanctioned during the last five years ended March 2009.

Year	Projects					Rupees in crore			
	Sanctioned	Completed	In progress	Dropped	Yet to be taken up	Sanctioned	Received	Yet to be received	Expenditure incurred
2004-05	3	1	1	1	-	6.32	5.05	1.27	2.82
2005-06	2	1	1	-		6.00	4.80	1.20	5.39
2006-07	3	-	3	-	-	21.78	10.64	11.14	10.16
2007-08	4	-	4	-	-	12.35	9.95	2.40	0.98
2008-09	4	-	-	-	4	24.50	7.24	17.26	-
Total	**16**	**2**	**9**	**1**	**4**	**70.95**	**37.68**	**33.27***	**19.35**
Dropped				**1**		**1.46**	**1.17**	**-**	**0.03**

* This includes Rs. 0.29 crore for the dropped project.

Out of 16 projects sanctioned by GOI during 2004-09, only two projects• were completed after a delay of 8 and 36 months against time schedule of 30 and 6 months respectively. One project♦ was dropped on feasibility grounds and out of Rs. 1.17 crore received for this project, the unutilised amount of Rs. 1.14 crore has been got adjusted by the Company against another work during September 2008. The Company was yet to receive Rs. 32.98 crore♈ from GOI due to delay in implementation of the projects. The projects were delayed due to reasons like change/increase in scope of work, delay in planning and finalisation, delay in supply of cement and steel and delay in execution of works.

Execution of State assisted projects

2.2.22 The State Government sanctioned Rs. 41.02 crore for 197 projects during 2004-09 for repair and maintenance, renovation, addition and alteration of complexes against which the Company could complete 96 projects up to March 2009 by spending Rs. 29.09 crore and the remaining amount of Rs. 11.93 crore was kept in term deposits. As of March 2009, 90 projects were in progress and nine projects were yet to be taken up. The Company dropped two projects♣ due to unviability. The projects were delayed due to reasons like change/increase in scope of work, delay in planning and finalisation, delay in supply of cement and steel and delay in execution of works with consequential delayed addition of facilities to the complexes. The Company, thus, could not fully utilise funds for promotion of tourism in the State.

The Management stated (September 2009) that statement prepared by audit is not proper and funds sanctioned by the State Government have been properly and timely utilised. The reply is not acceptable as the data was provided by the Company itself and funds were not utilised timely since 90 projects relating to 2005-06 to 2008-09 are still in progress and nine works are yet to be taken up (August 2009).

Convention centre

2.2.23 The GOI and State Government sanctioned (March 2004) funds amounting to Rs. 4.22 crore for construction of convention centre at Surajkund, Faridabad. The work was completed by the contractor in July 2008 against the scheduled completion date of July 2005. The contractor attributed the delay in completion of work to delayed supply of cement and steel, change in original layout plan and non release of payment of running bills in time. The Company received Rs. 1.16 crore from GOI (April 2004 and May 2007) and Rs. 3.83 crore from State Government (May 2004 to March 2008). The expenditure on the centre amounted to Rs. 5.11 crore which exceeded the original cost estimated by Rs. 0.89 crore (Rs. 0.79 crore due to change in original layout plan and Rs. 0.10 crore due to cost over run).

• Development of Surajkund, Faridabad and Tilyar, Rohtak.

♦ Development of Badkal lake, Faridabad.

♈ excluding Rs. 0.29 crore in respect of dropped project.

♣ Jyotisar fast food and Blue bird, Hissar.

Office Building

Due to delayed completion of office building, cost overrun was Rs. 0.46 crore and loss of revenue towards rent was Rs. 0.80 crore.

2.2.24 The Company planned to construct its office building at Panchkula at an estimated cost of Rs. 2.74 crore. The civil work for construction of the office building was allotted (March 2005) to a contractor at a cost of Rupees two crore with a time limit of 15 months i.e by June 2006. With the increase in scope of work the estimates were increased (October 2007) to Rs. 4.20 crore. The building was, however, completed in April 2008 at a total cost of Rs. 4.66 crore (excluding final bill). The delay in construction occurred due to delay in providing cement, steel, frequent changes in original layout plan and increase in scope of work. Thus, the work of building was delayed due to improper planning which caused cost overrun of Rs. 0.46 crore (Rs. 4.66 crore minus Rs. 4.20 crore).

The Company decided in July 2008 to let out the whole building instead of self occupation. Accordingly, the building was rented out to four departments at the rate of Rs. 8.93 lakh per month from May 2009. Due to lack of planning the Company took a time of one year to rent out the building from the date of completion. Had the Company rented out the building from August 2008 after decision taken in July 2008 for renting it out, it could have earned revenue of Rs. 80.37 lakh at the rate of Rs. 8.93 lakh *per* month up to April 2009.

The Management stated (September 2009) that delay in letting out the building was due to delay in finalising the departments to be accommodated. The reply is not convincing since the issue should have been sorted out immediately after the decision (July 2008) to rent out the building.

Inadequate marketing

The expenditure on advertisement and publicity was negligible ranging between 0.14 and 0.24 *per cent* of the turnover.

2.2.25 Adequate marketing is essential for any business to attract customers. To attract steady inflow of tourists, the tourism industry offers various attractive sight seeing packages to different groups of customers which *inter alia* include catering, transportation, tourist guide etc. Such packages are widely advertised through press, electronic media etc. Besides, commission agents are also engaged to attract more tourists. It was noticed in audit that the Company had not resorted to such marketing practices and the expenditure on advertisement/publicity during 2004-09 ranged between Rs. 20.73 lakh and Rs. 50 lakh which worked out to 0.14 and 0.24 *per cent* respectively of the turnover during these years.

The Company was not fully utilising the financial assistance received on year to year basis from the State Government for advertisement and publicity as per demands submitted by it through Tourism Department. During 2004-09 against demand of Rs. 2.40 crore, the Company received Rs. 1.65 crore and utilised Rs. 1.55 crore. Due to delay in submitting demand (July 2004) for publicity and advertisement to the State Government for the year 2004-05 and non pursuance of the case, the Company could not get an amount of Rs. 55.40 lakh from State Government. The State Government also released Rs. 46.89 lakh for participation in fair at Berlin (Rs. 23.20 lakh in 2006-07) and for participation in World Trade Mart, London (Rs. 23.69 lakh in 2007-08) in addition to above assistance. The Company incurred expenditure of

Rs. 42.30 lakh but unutilised amount of Rs. 4.59 lakh had not been surrendered to the State Government (August 2009).

The Management stated (September 2009) that expenditure on publicity/marketing should be with reference to necessity and not with reference to percentage of turnover. However, the Company spent on an average only Rs. 31 lakh per annum and even did not appoint any event manager for promotion of tourism as contained in the tourism policy.

Quality of services

Inadequate essential services

2.2.26 Providing services to the satisfaction of the customer is benchmark for success in hospitability business. However, the Company has not fixed any benchmarks to assess the quality of services provided to tourists. A review of services and other amenities available in the complexes test checked in audit revealed:

- non maintenance of records pertaining to the visits of public health authorities and their findings with regard to maintenance of hygiene in the complexes;
- absence of any system of periodical medical check up of the cooks and bearers;
- non availability of test reports of food inspectors on the quality of food provided in the complexes;
- the Company had not entered into any contract for maintenance of fire fighting equipments in the complexes;
- non display of information regarding availability of items (room inventory) in the rooms of the complexes except Yamunanagar complex; and
- non display of information at the reception counters regarding availability of medical facilities.

The Management stated (September 2009) that steps are being taken to improve quality of services at the complexes.

Assessment of customer satisfaction

2.2.27 With a view to assess the degree of satisfaction of customers, with regard to accommodation facilities and quality of food served, the complexes are required to maintain suggestion/complaint register. The Company issued (August 2004) instructions to all field offices to place the suggestion book on the counter. It was, however, observed that out of 19 complexes visited; the suggestion books were not made available to the customers in 10* complexes

* Hotel Rajhans, Sunbird Motel, Hermitage Huts, Yamunanagar, Morni Hills, Pehowa, Jind, Tilyar Lake, Magpie and Ottu.

for getting their comments and suggestions for taking remedial measures. Suggestion/complaints made by the customers in other complexes were not being regularly forwarded to head office for taking timely action. In respect of complaints received at head office, no follow up action was taken. Against 50 complaints received from the complexes at head office during 2004-09, charge sheet was issued only in one case. There was lack of proper feed back system like customers satisfaction response sheet, standard service norms; postage pre paid feed back forms etc. in the absence of which the adequacy of customers' satisfaction could not be assessed in audit.

The Management stated (September 2009) that corrective measures are being taken to further improve customers' satisfaction.

Leasing of shops/sites

2.2.28 The Company has been leasing out its 190 shops/sites located within its tourist complexes to private parties through public auction/open tenders process. The Company earned lease rent of Rs. 10.44 crore from leasing during 2004-08. The Company has been timely leasing out its shops/sites. However, the following irregularities were noticed in auction of shops/sites.

Non-recovery of license fee

2.2.29 The Company allotted (July 2006) on lease a fast food counter to a contractor# on a license fee of Rs. 7.50 lakh from 01 July 2006 to 30 June 2009 at Dharuhera. The contractor deposited Rs. 1.12 lakh (15 *per cent* of bid amount) as security and Rs. 0.75 lakh (1/10th of the bid amount) as the first installment at the fall of hammer. As per terms of the agreement, contractor was required to deposit remaining amount of license fee in nine equal installments along with the electricity charges, House tax, Service tax and all other taxes from October 2006 to April 2009. In case of default, interest at the rate of 12 *per cent* per day for the defaulted amount for a maximum period of 15 days was to be charged. Thereafter, the Company was to take over possession of the site along with goods of the licensee, if any, to recover the outstanding amount. The cheque for Rs. 0.84 lakh, issued in October 2006, being the second installment, was dishonoured due to insufficient funds.

Audit observed that the Company did not take possession of the site as per terms of the agreement but moved (August 2007) the court for recovery. The decision was still pending (July 2009). The site was still in the possession of the licensee (July 2009). Thus, inaction on the part of the Company to take possession of the site as per terms and conditions of the agreement resulted in loss of revenue of Rs. 9.60 lakh up to May 2009 on account of lease money (Rs. 6.75 lakh), electricity charges (Rs. 0.73 lakh), and water charges (Rs. 0.26 lakh) and interest (Rs. 1.86 lakh). No action has been taken by the Company against the defaulting official for the lapse.

Loss in running of golf course

2.2.30 The Aravali golf course, Faridabad set up in 1966, was taken over by the Company in 1988. The club's revenue included entry fee, monthly subscription

Shri Om Prakash Sharma.

from members, green fee from non members and equipments hiring charges etc. Audit noticed that monthly subscription fee of Rs. 33.75 lakh was recoverable from 585 members of the club as on 31 March 2009 including Rs. 13.40 lakh from 78 defaulting members whose default amount exceeded Rs. 0.10 lakh as on 31 March 2009 and issuing of bills to them had been discontinued with effect from April 2008 by the Company though they are still members of the club. Besides, annual membership fee of Rs. 71.86 lakh recoverable from 268 members since October 1997 to March 2008 had not been recovered as their membership was terminated by the in-charge of the complex who was not competent to do so. In the absence of specified rules and regulations, no legal action/remedy could be taken by the Company to recover the outstanding dues from defaulting members. In view of this, the amount of Rs. 1.06 crore remained unrecovered as on 31 March 2009.

The Management stated (September 2009) that the members whose membership has been terminated are not required to pay subscription and arrears before/after their termination. Membership of the defaulters would be terminated and amount recoverable written off.

Loss in running of horticulture nursery

2.2.31 The Company had been running horticulture nursery in Mehrauli, Delhi since 1975. The Company mainly made purchases from outside agencies (Rs. 88.59 lakh) and had only negligible plantation activity inside the nursery. Out of total sales of Rs. 1.16 crore, sale to its complexes and outside agencies during 2004-09 were Rs. 18.14 lakh and Rs. 98.22 lakh respectively.

Due to running of unviable horticulture nursery, the Company suffered a loss of Rs. 42.83 lakh.

The Company sustained a loss of Rs. 42.83 lakh during 2004-09 on running of the nursery due to high cost on salary and wages (51.80 *per cent* of sale). Further, the Company did not follow its purchase procedure requiring calling of press tenders for purchase of materials exceeding Rs. 0.25 lakh and placed 96 orders exceeding Rs. 0.25 lakh aggregating to Rs. 82.11 lakh during 2004-09 without inviting tenders. Due to non following of purchase procedure, the payment of extra expenditure, if any, on this account could not be ascertained. The Company did not review the performance of nursery to operate it economically or to decide on its closure.

The Management stated (September 2009) that efforts are being made to get the change of land use for setting up recreational/amusement centre.

Operation of petrol pumps

2.2.32 The Company operated 13 petrol pumps in 2004-05 and 14 in 2005-06 to 2008-09. No sales targets of petrol pumps had been fixed by the Company. The profitability from this activity remained stagnated which ranged between 0.66 to 1.27 *per cent* of turnover during 2004-09. Two petrol pumps (Pehowa and Narwana) suffered losses aggregating Rs. 10.90 lakh during 2004-09 due to less sales and higher cost of staff salary. The loss of petrol and diesel worth Rs. 7.14 lakh at Rohtak and Narwana petrol pumps was unauthorisedly adjusted against evaporation/handling losses. Considering the thin margin, the Management needs to monitor this activity closely.

The Management stated (September 2009) that department action is being taken against the defaulters.

Unfruitful investment

The investment of Rs. 1.72 crore made on urban haat proved partially unfruitful in providing benefit to handicraft persons/weavers.

2.2.33 The Company set up (September 2002) an urban haat at Oasis Tourist Complex, Karnal. Forty eight shops for crafts persons, two exhibition halls, dormitory, kiosk for ethnic fast food, public toilet, office and store were constructed at a cost of Rs. 1.67 crore against sanctioned cost (March 2000) of Rs. 1.23 crore revised to Rs. 1.72 crore (July 2004). Funds amounting to Rs. 1.72 crore were contributed by GOI (Rs. 0.86 crore) and State Government (Rs. 0.86 crore). The urban haat was to operate round the year with a change in craft persons and festivities every 15 days. As per the project report, annual income and expenditure of Rs. 16.50 lakh was projected. This work/project was a promotional activity of Tourism Department under which the crafts. persons/weavers of the area were to be benefited in a big way and the project was to be a source of great attraction for tourists. Audit observed that the Company organised only five melas/festivals for total 50 days against projection of 120 melas round the year during 2004-09 and sustained loss of Rs. 40.04 lakh due to less income and more expenditure on organising of melas/festivals and on salary and wages of staff. Thus, the object of giving direct benefit to handicraft persons/weavers by creating platform for selling their products at urban haat had been defeated despite investment of Rs. 1.72 crore.

The Management stated (September 2009) that all possible efforts have been made and being made to keep the shops/huts occupied throughout the year but, craftsmen/artisans were not willing to stay for longer period.

Financial management

Doubtful recovery of sale on credit

2.2.34. The Company had not laid down any credit policy for sale. In various meetings of Drawing and Disbursement Officers (DDOs) held under the chairmanship of Chairman/MD, the DDOs were directed to ensure that outstanding dues be recovered immediately from the debtors and it was made clear that no credit facility be extended to any individual, commission, organisation, office etc. except functions organised by Raj Bhawan, Hospitality Department and Deputy Commissioners concerned and in these cases also the credit bill must be got verified from their representatives and DDO must follow up these cases for early recovery.

The position of the sundry debtors during five years up to March 2009 was as under:

Year ending	Government	Semi Government	Private parties	Court cases	Lease money	Total
	(Rupees in lakh)					
March 2005	24.15	32.68	27.21	7.38	18.00	109.42
March 2006	20.53	26.97	42.71	22.83	24.55	137.59
March 2007	24.82	10.62	83.70	23.50	22.29	164.93
March 2008	22.82	14.72	60.23	23.24	8.95	129.96
March 2009	27.23	10.80	121.94	17.75	26.76	204.48

The outstanding from private parties increased from Rs. 0.27 crore to Rs. 1.22 crore despite directions of BOD.

It would be seen from the above that due to credit facilities allowed for accommodation and catering, the debtors increased substantially from Rs. 1.09 crore in March 2005 to Rs. 2.04 crore in March 2009. Further, out of Rs. 1.30 crore sundry debtors as on 31 March 2008, Rs. 70.45 lakh were outstanding for more than three years and Rs. 55.32 lakh for more than five years which were doubtful of recovery. The outstandings from private parties increased from Rs. 27.21 lakh during 2004-05 to Rs. 1.22 crore up to March 2009 despite directions of the BOD for not extending the credit facility.

The Management stated (September 2009) that credit sales are totally prohibited by the Company. Efforts are being made to recover the outstandings by fixing responsibility of the concerned officials/officers.

Monitoring by top management

Management information system

2.2.35 For updation of information system and computerisation of various complexes and linking through network, the Company formulated (1999-2000) a project costing Rs. 96.22 lakh. The cost was to be shared equally by GOI and State Government. The GOI and State Government released funds amounting to Rs. 43.30 lakh (in three installments up to 2005) and Rs. 20 lakh (March 2008) respectively. The Company utilised the funds of Rs. 48.29 lakh and the balance amount of Rs. 15.01 lakh remained unutilised. Due to slow pace in implementation, the Company could not get balance amount of Rs. 32.92 lakh (GOI: Rs. 4.81 lakh, State Government: Rs. 28.11 lakh) and the benefit of effective MIS like compilation of data, analysis of business activities including realisation of revenue and matching of expenses, control over funds receivable/payable, effective managerial control in key areas of the business etc., could not be achieved.

Due to slow implementation of project, Rs. 32.92 lakh could not be received from GOI/State Government.

The Management stated (September 2009) that due to closure of scheme in 2006 by Government of India balance amount was not released. The reply is not convincing since the scheme was formulated in 1999-2000 and due to slow implementation of the project, the Company could not avail the benefit of the scheme.

Manpower

2.2.36 As on 31 March 2008, the Company was having 2,045 employees. During 2004-08, the aggregate turnover of the complexes (excluding the turnover from petroleum products) was Rs. 198.60 crore and the expenditure towards pay and allowances of staff deployed in the complexes was Rs. 53.33 crore (26.85 *per cent* of turnover). The Company decided in March 1989 that the salary cost should not exceed 20 to 25 *per cent* of the total turnover of the respective complexes. The Tamil Nadu Tourism Development Corporation Limited had fixed uniform salary norm at 10 *per cent* of the turnover for all the complexes. Audit scrutiny revealed that actual salary cost was more than the norm (ranging between 25.48 and 111.94 *per cent*) in 35 complexes in 2004-05, 33 complexes in 2005-06, 31 complexes in 2006-07

Salary cost in excess of norms resulted in extra expenditure of Rs. 9.48 crore.

and 32 complexes in 2007-08. This has resulted in extra expenditure of Rs. 9.48 crore during 2004-08♦ on the salary component taking the highest norm of 25 *per cent* for all the complexes. As the company's overall occupancy is well above desirable 60 *per cent* norm, the manpower cost should have been maintained within the specified norms. No analysis of excess manpower cost was done by the Management. As this cost affects the profitability, the Management needs to look into rationalisation of manpower.

The Management stated (September 2009) that efforts are being made to reduce the salary cost.

Internal control

2.2.37 Internal control is a management tool used to provide reasonable assurance that the management objectives are being adhered to in an efficient and effective manner. A good system of internal control should comprise, *inter alia*, proper allocation of functional responsibilities within the organisation, proper operating and accounting procedure to ensure accuracy and reliability and accounting data, efficiency in operation and safeguarding of assets. A review of the internal control procedures adopted by the Company revealed the following deficiencies:

Annual accounts of the Company have not been finalised since 2006-07.

- Annual accounts were not finalised by the Company in time and were in arrears since 2006-07. This was fraught with the risk of embezzlement/misappropriation, if any, remaining undetected.

The Management stated (September 2009) that efforts are being made to clear the backlog of the accounts.

- The Company has not evolved any system for preparing annual budget/action plan to promote tourism and monitor the activities in an effective manner. Activity wise physical and financial targets were not fixed before the commencement of financial year. Sales targets in respect of only core activities were fixed by the Company on quarterly basis from August 2006.
- There was no adequate Management Information System (MIS) as segment wise matching of income and expenditure was not compiled for effective control by the Management.
- The fixed assets registers showing full details of quantity, location and cost etc. had not been maintained by the field offices.
- Fixed assets register for the assets created out of grants received from the State Government/GOI has not been maintained at head office of the Company. The project wise and contractor wise registers were not maintained.
- There was no system of conducting reconciliation of accounts relating to grants received, between construction wing and head office. The

♦ Figures of salary for the year 2008-09 not available.

Company had accumulated unutilised grants of Rs. 91.35 crore as on 31 March 2008[♦] but year wise details of the same were not available.

Internal audit

2.2.38 The Company had not prepared internal audit manual prescribing the scope and extent of internal audit checks. Internal audit of only seven to nine field units of the Company was got conducted from the firms of Chartered Accountants during 2003-04 to 2005-06. Internal audit reports of Chartered Accountants contained points of routine nature and did not point out any system lapses/deficiencies. For the local audit of 13 units for the year 2006-08, the Company appointed (March 2008) three firms of Chartered Accountants but their reports were still awaited (August 2009). The Audit Committee had expressed (September 2008) concern regarding inadequate internal audit system as the present system of conducting internal audit was not commensurate with the nature and size of the business of the Company. It was further noticed that internal audit of head office, where major expenditure/decisions were taken, had not been conducted since inception. The internal audit reports were not put up to the BOD for taking corrective action as per guidelines (November 2002) of Bureau of Public Enterprises. Neither the head office nor the field offices kept record of internal audit observations for monitoring the pursuance.

The Management stated (September 2009) that Chartered Accountant firms are being appointed for conducting internal audit.

The above matters were referred to the Government in June 2009, their reply had not been received (September 2009).

Conclusion

- **The data showed a decline in inflow of tourists from 65.93 lakh in 2005-06 to 60.20 lakh in 2008-09. However, this data is not reliable and, therefore, it is not possible to offer comment on promotion/development of tourism in the State during 2004-09.**
- **There was no system of preparing the annual budget and no short term/long term action plans were prepared to improve the performance of the complexes and for their upgradation and renovation.**
- **The Company was earning negligible profits from its operations inspite of increase in occupancy and tariff due to low sale in catering/bar and high food, fuel, electricity and establishment costs in its complexes. Its petroleum business operated on a thin margin.**

[♦] Figures for 31 March 2009 were not available.

- **Services provided to the customers were found inadequate and there was lack of proper feedback system to assess the adequacy of customers' satisfaction.**

- **Utilisation of grants received for creating/developing tourism infrastructure was very slow due to which there was delay in creation of projected facilities and unutilised amounts remained parked in fixed deposits. Further, the instructions of not allowing sale on credit to private parties were not strictly followed.**

- **The governance of the Company was poor due to ineffective MIS, internal control, internal audit, inadequate size of the BOD and frequent changes of Managing Directors.**

The deficiencies in the Company's functioning are controllable and there is immense scope to improve the performance through better management of its operations.

Recommendations

- **The Company should prepare annual budget and long term plan to promote and monitor the activities in a planned manner.**

- **The Company should analyse the reasons for high costs and devise measures to reduce cost on various overheads to improve its profitability from main operations. The Management should closely monitor Company's petroleum business which operates on a thin margin.**

- **The Management should take effective steps for properly sensitizing the staff to provide high level of services as required in hospitality sector. The feedback system should be strengthened to assess and improve quality of services rendered.**

- **Suitable monitoring system should be devised to ensure that the Government grants are drawn and utilised as per terms and conditions for release of grants so that the complexes are upgraded and renovated within stipulated time in order to tap the full tourist potential.**

- **The Company should improve its internal control procedures including MIS and internal audit for achieving its objectives.**

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

2.3 Computerised billing of Domestic Supply (DS) and Non-Domestic Supply (NDS) consumers of UHBVNL and DHBVNL by HARTRON

Executive summary

The performance IT Review of computerised billing by Haryana State Electronics Development Corporation Limited (HARTRON) in five operation circles namely Ambala (except Panchkula Division), Panipat and Sonepat of Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Faridabad and Gurgaon of Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) was conducted to evaluate the application and general controls of the computerised set-up.

Input Controls

There were inadequate controls over input resulting into short recovery of meter rent, non-posting and non-realisation of sundry charges, excess allowances to consumers, non-availability of date of connection, in the absence of which timely issue of first bill could not be ascertained and non-availability of amount of security deposit resulting in non-compliance of provision of Electricity Supply code.

Output Controls

There were inadequate controls over outputs. Either various Management Information System (MIS) reports were not obtained or the same were not analysed and acted upon by Distribution Companies (DISCOMs') staff to address loss of revenue due to defaulting consumers and systemic delays in realisation of revenue. There were abnormal delays in issue of bills in case of large number of consumers involving huge amount of revenue. In a number of cases, supply of electricity to defaulting consumers was not disconnected which adversely affected ways and means position of DISCOMs besides loss of interest due to default.

In case of sizeable number of consumers, consumption of electricity was more than the maximum units that they could consume on the basis of their sanctioned load which indicated unauthorised usage of load resulting in recurring losses due to average charges, short levy of consumption security etc.

General Controls

The general controls were largely inadequate as no documented user requirement specifications (URS), software requirement specifications (SRS) and other system design documents were found to exist. There was no documentation of change management policy, business continuity, disaster recovery and security policies.

Introduction

2.3.1 The erstwhile Haryana State Electricity Board (Board) had outsourced the work of computerised revenue billing of its domestic supply (DS-power supplied for domestic use/purpose) and non-domestic supply (NDS-power supplied for commercial use/purpose) consumers since 1986-87. The Board was unbundled in August 1998 into two companies namely Haryana Vidyut Prasaran Nigam Limited (HVPNL-for transmission and distribution of power) and Haryana Power Generation Corporation Limited (HPGCL-for power generation). The distribution of power was further transferred to two newly incorporated DISCOMs namely Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) from 1 July 1999. UHBVNL and DHBVNL are the subsidiaries of HVPNL and are engaged in distribution of power in the northern and southern regions of the state respectively. The two DISCOMs consist of 16 operation circles (UHBVNL: 10 and DHBVNL: 6). As on 31 March 2006, out of 76.32 lakh consumers in the state, there were 37.89 lakh DS and NDS consumers. They accounted for revenue to the tune of Rs. 1,352.86 crore out of total revenue of Rs. 3,683.12 crore during the year 2005-06.

Revenue billing of DS and NDS consumers continued to be outsourced and since June 2003, two billing agencies namely HARTRON and DOEACC (formerly Regional Computer Centre) executed this work as per work orders issued (June 2003) to them. Both the billing agencies were generating bills on a recurring bill preparation charge of 84 paise per bill. Bill format was revised as per Electricity Supply Code of Haryana Electricity Regulatory Commission (HERC) and bill preparation charge was revised (April 2007) to Rs. 2.44 per bill. In addition to bill preparation charge, one time master file creation charges were fixed at 76 paise per new connection. Terms of the work orders inter-alia included cost of billing, related outputs[*], checking of correctness of punched data by generating checklists of input data, stub lists, reading records and changes required in the software etc.

During the period of review (2006-09), in 10[ϒ] out of 16 operation circles, billing was primarily being done by HARTRON on behalf of UHBVNL (four circles) and DHBVNL (six circles). In the remaining six circles, billing was being done by DOEACC. Billing in respect of urban areas of Faridabad was withdrawn from HARTRON and outsourced to Telecommunication Consultants India Limited (TCIL) in February 2008.

Organisational set-up

2.3.2 The operation work of the two DISCOMs is taken care of by the Managing Directors who are assisted by Chief Engineers (Operation),

* Bills, consumer ledger, various exception lists, assessment summary, defaulter consumer statement, stub-checklist etc.

ϒ Ambala (except Panchkula division), Bhiwani, Faridabad (up to January 2008), Gurgaon, Hisar, Karnal, Narnaul, Panipat, Sirsa, Sonepat (from April 2007).

Superintending Engineers (Operation), Executive Engineers (Operation) and Assistant Executive Engineers/Sub Divisional Officers (Operation). Assistant Executive Engineers/Sub Divisional Officers (Operation) are the executing agencies involved in receiving application from consumers, release of connection, billing and collection of revenue for sale of energy. Tariff is fixed by Haryana Electricity Regulatory Commission (HERC) based on Annual Revenue Requirement Reports (ARR) submitted by the two distribution companies. Deputy General Manager, Information Technology (DGM IT) in DHBVNL and the Chief Engineer, Commercial in UHBVNL look after the computerised billing work/process. Inputs like Master data relating to change of static information, meter details, connected load, average units and service rentals, permanent disconnection order, reconnection order and temporary disconnection order, requests for change of meter, sundry charges/sundry allowances, cash receipt stubs along with details of stub packets are submitted to billing agencies for punching, processing and finally preparation of bills and consumer ledgers. Meter reading is taken by departmental staff (Meter Readers) and personnel of Haryana Ex-Services League (HESL). Outputs like bills, consumer ledgers, assessment summary and exception lists are generated by billing agencies as per scheduled dates of billing prescribed by the management of the companies.

Audit objectives

2.3.3 To assess whether

- the DISCOMs undertook effective measures to ensure that the IT application of the billing agency had in-built controls to ensure that the data input was accurate, valid and complete;
- the DISCOMs had an effective system in place to ensure that the errors and exceptions in the output generated by the billing agency were properly investigated and acted upon and
- the DISCOMs had adequate general IT controls in place so as to ensure smooth operation of the computerised system.

Scope and methodology of Audit

2.3.4 Out of 10 operation circles (UHBVNL: four and DHBVNL: six) where billing was outsourced to HARTRON during 2006-09, five operation circles (UHBVNL: three and DHBVNL: two) namely Ambala* (except Panchkula division), Panipat, Sonepat♣, Faridabad# and Gurgaon•, respectively were

* Panchkula division outsourced to DOEACC.

♣ Data for the period 2007-09 only as the work here was done by DOEACC in 2006-07.

\# Data for the period April 2006 to January 2008 as work outsourced to TCIL from February 2008.

• Some data of the year 2007-08 of eight sub-divisions was not available.

selected for audit.

Data generated by computerised billing software (FOXPRO based) in selected circles for the period from April 2006 to March 2009 was analysed (28 May 2009 to 27 July 2009) using a computer assisted audit technique called IDEA Version 7. The Information Technology (IT.) controls were evaluated to ascertain compliance to the provisions of sales circulars, sales instructions, Electricity Supply Code issued by HERC and concerned provisions of the Electricity Act, 2003.

Methodologies and procedures followed by the two distribution companies (DISCOMs – UHBVNL and DHBVNL) were evaluated against best practices of I.T. governance and various rules. The evaluation was carried out by scrutiny of records maintained at headquarters of the two DISCOMs and five selected operation circles.

Audit findings

2.3.5 Although the DISCOMs had outsourced the work of computerised billing of their DS and NDS consumers in the five audited operation circles to HARTRON, it was their responsibility to ensure that all business rules pertaining to tariff of these consumers were correctly followed in the computerised set-up. Further, in order to avail full benefits of computerisation, it was imperative on the part of DISCOMs to clearly define their reporting requirements and then analyse and take appropriate action on the various MIS reports generated by the IT. application. Audit noticed absence of certain key validation checks in the billing software that had an adverse impact on revenue realisation. Further, it was noticed that certain reports were either not sought for from the billing agency or if available, were not acted upon, leading again to an adverse impact on revenue realisation. The audit findings, discussed in the succeeding paragraphs, were communicated to the DISCOMs/ State Government in August 2009. Replies of the UHBVNL had been received (3 September 2009) but replies of the State Government and DHBVNL were awaited. An Exit conference was held on 3 September 2009, which was attended by the Special Secretary Power, Government of Haryana, Managing Director of the UHBVNL and Chief Auditor of the DHBVNL wherein all the audit observations were accepted by them.

Inadequate controls over input

2.3.6 Input controls in an IT application ensure that the data received for processing is genuine, complete, valid, accurate and properly authorised. It was the primary responsibility of the DISCOMs to ensure that adequate input controls were in place and that the IT application used by HARTRON had in-built controls which automatically check that data input is accurate and valid. Analysis of data revealed various instances of absence of input controls and lack of validation checks in the billing software as discussed in the subsequent paragraphs:

Short Recovery of Meter Rent

2.3.7 As per standing instructions of the UHBVNL and DHBVNL, single phase meters were to be installed where connected load of the consumer was less than 5 KW and three phase meters were to be installed for loads above that limit. DHBVNL issued instructions (December 2005) that new DS and NDS connections with load of 10 KW and above be released on three phase meters. The monthly meter rent for single phase meter and three phase meter was Rs. 9 and Rs. 20 respectively.

Lack of validation check in the software so as not to allow single phase meter where connected load is above 5 KW (for UHBVNL) and 10 KW (for DHBVNL) resulted in short recovery of Rs. 17.16 lakh.

Analysis of available billing data of Ambala, Panipat and Sonepat circles of UHBVNL revealed that in case of 6,382 out of 6.39 lakh consumers (Ambala: 3,886 out of 2.19 lakh, Panipat: 990 out of 1.72 lakh and Sonepat: 1,506 out of 2.48 lakh consumers), the connected load was more than 5 KW but single phase meters were shown as installed. This may be either due to incorrect entries in the database or three phase meters were not installed by the operation staff of the Company. In these cases, meter rent was charged at the rate of Rupees nine per month instead of being charged at the rate of Rs. 20 per month. This resulted in loss of Rs. 15.85 lakh* to UHBVNL due to short recovery of meter rent.

During analysis of available data of Faridabad and Gurgaon circles of DHBVNL, audit noticed that in 3.20 lakh out of 4.19 lakh and in 2.38 lakh out of 3.23 lakh consumers respectively, date of connection was not recorded in the database. Further, in 322 out of 4.19 lakh consumers in Faridabad and in 533 out of 3.23 lakh consumers in Gurgaon, the connected load was more than 10 KW♠ but single phase meters were shown as installed. This may be either due to incorrect entries in the database or three phase meters were not installed by the operation staff of the Company. In these cases, meter rent was charged at the rate of Rupees nine per month instead of being charged at the rate of Rs. 20 per month. This resulted in a loss of atleast Rs. 1.31 lakh (Faridabad: Rs. 0.55 lakh and Gurgaon: Rs. 0.76 lakh) to DHBVNL.

The short recovery of meter rent was primarily attributable to lack of a compulsory validation check that should be in-built in the software so as not to allow single phase meter status in cases where the connected load was above 5 KW and above 10KW in UHBVNL and DHBVNL respectively. Managing Director, UHBVNL, *inter alia,* stated (September 2009) that software of both the billing agencies (DOEACC and HARTRON) would be got amended to incorporate the validation checks pointed out by the audit and the amount would be got recovered.

* Ambala: Rs. 10.63 lakh; Panipat: Rs. 2.40 lakh and Sonepat: Rs. 2.82 lakh.

♠ For records where date of connection was not available, audit has taken a conservative load limit of 10 KW for the purpose of calculating short recovery of meter rent.

Loss of revenue due to erroneous posting of 'Sundry Charges and Allowances'

2.3.8 As per procedure in vogue, the bills for consumption of energy are issued on the basis of consumption recorded by the meters. In case of defective meter or where the bill is found to be incorrectly prepared, the account of the consumer is overhauled by preparing sundry charges/sundry allowances as the case may be which are recorded in Sundry Charges and Allowances Register. Sundry charges and allowances are sent to billing agency through Advice No. 75 by various sub-divisions for entering them into the database so as to incorporate these amounts in the bills and ledgers of consumers. Audit noticed that sundry charges in a number of cases were not entered and sundry allowances were entered/allowed more than once in the database resulting in loss to the DISCOMs in the form of short recovery of sundry charges and excess allowance of sundry allowance as discussed below:

Short recovery of sundry charges

There was short recovery of Rs. 92.51 lakh due to incorrect posting of sundry charges and allowances.

2.3.9 Comparison of data in the database with that in Advice No. 75 revealed that in Sonepat (UHBVNL), Faridabad and Gurgaon (DHBVNL), 58 items, 104 items and 29 items respectively involving a sum of Rs. 17.52 lakh (Sonepat: Rs. 1.18 lakh; Faridabad: Rs. 11.47 lakh and Gurgaon: Rs. 4.87 lakh) were not posted by the HARTRON staff with the results that the items remained un-posted and caused loss of Rs. 17.52 lakh to UHBVNL (Rs. 1.18 lakh) and DHBVNL (Rs. 16.34 lakh).

Excess Allowances to Consumers

2.3.10 Analysis of electronic data of Ambala, Panipat, and Sonepat circles of UHBVNL and Gurgaon and Faridabad circles of DHBVNL revealed that allowances were posted twice or more for a single item. This had resulted in excess allowances in 822 cases (Ambala: 69, Panipat: 85, Sonepat: 241, Gurgaon: 267 and Faridabad: 160) to the extent of Rs. 74.99 lakh (Ambala: Rs. 1.56 lakh, Panipat: Rs. 6.48 lakh, Sonepat: Rs. 26.56 lakh, Gurgaon: Rs. 25.51 lakh and Faridbad: Rs. 14.88 lakh). This had resulted in loss of Rs. 34.60 lakh to UHBVNL and Rs. 40.39 lakh to DHBVNL.

Analysis of reasons of the above discrepancies by Audit revealed that while sending items of sundry charges and allowances through Advice No.75, the sub-division staff did not prepare a summary regarding total number of items and total amounts of 'Sundry Charges & Allowances' in the advice. Due to absence of these control totals, the billing agencies could not work out the difference, if any, in the items posted in the computerised ledger and the amount sent by the sub-divisions through Advice No. 75. Further, the sub-division staff of the DISCOMs also did not reconcile the amount of sundry charges and allowances posted by the data entry operators of HARTRON with those sent by them.

Chief Auditor, DHBVNL, Hisar stated (September 2009) that some of these cases of non-posting of sundry charges might be due to mentioning of wrong account numbers in advice 75. However, these cases would be got checked and the outstanding sundry charges as well as excess allowances allowed would be recovered.

'Date of Connection' of consumers not available

2.3.11 For creation/updating of master data file, basic data was provided through Advice No. 71 which, *inter alia,* contained name, address, date of connection, ledger number, account number, amount of security, sanctioned load, etc. of new consumers. 'Date of connection' is a key field and is mandatory in nature. During analysis of data it was found that the software accepted 'Null' value in this field. Analysis of data for the year 2008-09 revealed that in case of 1.23 lakh out of 5.57 lakh consumers of three operation circles of UHBVNL (Ambala: 11,543 out of 1,71,285; Panipat: 1,10,718 out of 1,49,637 and Sonepat: 1,086 out of 2,36,272 consumers), date of connection was not entered. Similarly in Faridabad and Gurgaon Operation Circles of DHBVNL, date of connection was not entered in 3.20 lakh out of 4.19 lakh and 2.38 lakh out 3.23 lakh consumers respectively. Presence of incomplete data in an important field like 'date of connection' undermined the reliability of the computerised system particularly in cases where this field is required.

Chief Auditor, DHBVNL, Hisar stated (September 2009) that date of connection in respect of cases prior to the implementation of the computerisation was not available in some cases and some cases might be due to transfer of billing work from one entity to another. He informed that no new connection was now being released without entering the date of connection.

'Amount of Security Deposit' of consumers not available

2.3.12 As per Haryana Electricity Regulatory Commission (Electricity Supply Code) Regulation, 2004 notified on 10 August 2004, the licensee companies were to print on bills the amount of security deposited and interest thereon (once in a year in the month of April). Analysis of data for 2008-09 in respect of operation circles Ambala, Panipat and Sonepat in UHBVNL and for 2006-08 (up to January 2008) in respect of Operation Circle Faridabad and for 2006-09 in respect of operation circle, Gurgaon revealed that although provision for entering/recording the amount of security deposited existed in the software, the amount of security deposited was not entered in 10.64 lakh out of 12.99 lakh consumers (Ambala: 1.17 lakh out of 1.71 lakh, Panipat: 1.27 lakh out of 1.50 lakh and Sonepat: 2.08 lakh out of 2.36 lakh consumers in UHBVNL and Faridbad: 3.12 lakh out of 4.19 lakh and Gurgaon: 3.00 lakh out of 3.23 lakh consumers in DHBVNL). Due to capture of incomplete data, the DISCOMs could not calculate the amount of interest electronically to abide by the provisions of Electricity Supply Code. DISCOMs also could not adjust the amount of interest for the year in the bills of consumers issued in April/May of 2008 and 2009. This discrepancy was primarily attributable to the absence of a mandatory validation check in the software that disallows entering 'Null' in the 'Amount of Security Deposit' field.

Chief Auditor, DHBVNL, Hisar stated (September 2009) that work of data entry of security deposit field had been allotted to a third party and would be got completed.

Data pertaining to 'Meter readings' not reliable

2.3.13 Data analysis revealed that the data in the fields 'Current Reading', 'Previous Reading' and 'Date of meter reading' failed to satisfy certain basic validation checks, thereby casting doubt over its accuracy, validity and reliability as discussed below:

Acceptance of Current Reading less than the Previous Reading

Current reading of 1.51 lakh consumers was less than the previous reading due to absence of validation check.

2.3.14 Current reading of a meter should not be lesser than its previous reading unless a full cycle is completed by the meter. There should be a validation check to ensure that current reading is not less than the previous reading. Audit noticed that this validation check was absent in the software. As a result, the software accepted current reading lesser than the previous reading. Analysis of data of Operation Circles, Ambala, Panipat and Sonepat for the year 2008-09 in UHBVNL revealed that current reading was lesser than the previous reading in 0.16 lakh out of 5.57 lakh consumers (Ambala: 0.06 lakh out of 1.71 lakh; Panipat: 0.05 lakh out of 1.50 lakh; Sonepat: 0.05 lakh out of 2.36 lakh consumers). Similarly, in Operation Circles, Faridabad and Gurgaon for the years 2006-08 (up to January 2008) and 2006-09 respectively in DHBVNL revealed that current reading was lesser than the previous reading in 1.35 lakh out of 7.42 lakh consumers (Faridabad: 0.65 lakh out of 4.19 lakh and Gurgaon: 0.70 lakh out of 3.23 lakh consumers). Presence of invalid data undermined the integrity of the computerised system.

Chief Auditor, DHBVNL, Hisar stated (September 2009) that these cases might be due to manipulation of meters. Necessary modifications in the software would be made so that correct bills are issued to the consumers.

Date of previous meter readings greater than the System Date

2.3.15 Billing software should not accept a date of previous reading or current reading which is greater than the system date. During test check it was noticed that an input validation check in field relating to date of previous reading or current reading should not be a date later than system date was not provided in the billing software. Due to absence of this validation check in the software, the date of current reading/previous reading in the database was accepted even beyond July 2009. Analysis of data of Operation Circles, Ambala, Panipat and Sonepat in UHBVNL for the year 2008-09 revealed that in case of 7, 1 and 11 consumers dates of previous readings were beyond the system date (July 2009). Similarly in Operation Circles, Faridabad for the years 2006-08 (up to January 2008) and Gurgaon for the years 2006-09 in DHBVNL revealed that in case of 3 and 49 consumers dates of previous readings were beyond the system date (July 2009).

In respect of date of readings beyond system date, Managing Director, UHBVNL informed (September 2009) that this might be due to defect in BIOS batteries and these batteries were being replaced.

Meter readings taken by HESL not cross-checked

2.3.16 The companies had outsourced meter reading, bill distribution and cash collection activities to HESL. As per agreement, 10 *per cent* of the meter readings taken by HESL staff were required to be cross-checked by companies' officers/officials to ensure that authorised persons of HESL had taken the meter readings correctly and lapses, if any, would be reported to a Committee of Chief Engineer Operation and President, HESL or his nominee.

During test check of records of the selected operation circles, audit noticed that in 28 Sub-divisions* (Sonepat:7; Faridabad:11 and Gurgaon:10) the operation staff did not cross-check 10 *per cent* of the meter readings taken by the personnel of HESL. Due to by-passing the contractual provision, the correctness of readings taken by HESL personnel could not be ascertained. Thus, possibility of incorrect generation of energy bills could not be ruled out. Managing Director, UHBVNL stated (September 2009) that a system to ensure mandatory cross-checking of readings would be put in place.

Inadequate control over outputs

2.3.17 Output controls ensure that errors and exceptions in the output are properly investigated and acted upon. It was the primary responsibility of the DISCOMs to ensure that the billing agency generates such MIS reports so that issues like loss of revenue due to defaulting consumers and systemic delays in realisation of revenue could be addressed. Audit noticed that although sufficient data was available in the database, either such reports were not sought for or if available, were not acted upon by the DISCOMs as brought out in the following paragraphs.

Delay in issue of bills to consumers

2.3.18 As per instructions of the DISCOMs, the energy bills of DS and NDS supply consumers were to be issued bi-monthly. Further, paragraph 4(4) of the HERC (Electricity Supply Code) Regulation 2004 notified on 10 August 2004 provided that the DISCOMs should issue the first bill for all services energised during a billing cycle before the end of the next billing cycle. Audit noticed that there were abnormal delays in issue of first bills and subsequent bills leading to delay in realisation of revenue.

First Bill

There were delays ranging between 3 to 186 months in issue of first bill involving Rs. 33.47 crore.

2.3.19 Analysis of electronic data of Ambala, Panipat and Sonepat circles of UHBVNL and Faridabad and Gurgaon circles of DHBVNL revealed that for records where date of connection was available, there was a delay in issue of first bills of 1.31 lakh consumers involving Rs. 33.47 crore. The delay ranged between 3 to 186 months from the date of connections contrary to the instructions of the Companies and Electricity Supply Code issued by HERC

* Operation Sub-divisions Rai, Gannaur, Kathura, Kundli, City Sonepat, Industrial Area Sonepat and Model Town Sonepat of Operation Circle, Sonepat; Operation Sub-divisions, Kheri Kalan,Sub-Urban Ballabgarh,Badrola, pali, Chhainsa, City-2 Ballabgarh, Sub-Urban Palwal, Hodal, Deeghot, Hathin and Hasanpur of Operation Circle, Faridabad; and Operation Sub-divisions Pataudi, Farukhnagar, Bhora Kalan, Badshahpur, Sohna, Taurou, Nuh, Ferozpur Zhirka, Punhana and Nagina of Operation Circle, Gurgaon,

as per details given below:

Operation Circle	Period	No. of records	No. of consumers	Revenue (Rs. in crore)	First bill issued after (period in months)
Ambala	2006-09	16,078	14,656	3.06	3-86
Panipat	2006-09	18,648	18,328	4.59	3-77
Sonepat	2007-09	17,273	16,663	3.10	3-108
Faridabad	2006-08 (up to January 2008)	37,031	34,973	8.34	3-186
Gurgaon	2006-09	47,854	45,930	14.38	3-149
Total		**1,36,884**	**1,30,550**	**33.47**	

Reasons for difference in records over number of consumers as analysed by Audit were that more than one first bill were issued to the consumers and in some cases more than one record existed for first bill in the database. Further, the difference of 6,334 records over the number of consumers was due to existence of two or more records against 5,580 consumers as elaborated in the following table:

Periodicity of records	Operation Circle					Total number of consumers	Excess records
	Ambala	Panipat	Sonepat	Faridabad	Gurgaon		
Twice	1,290	179	492	1,639	1,341	4,941	4,941
Thrice	52	66	49	95	275	537	1,074
Four times	8	3	4	67	11	93	279
Five times	1	0	2	2	0	5	20
Six times	0	0	0	4	0	4	20
Total	**1,351**	**248**	**547**	**1,807**	**1,627**	**5,580**	**6,334**

Subsequent Bills

There were delays ranging between 3 to 204 months in issue of bills other than first bill involving Rs. 126.80 crore.

2.3.20 Audit further noticed that in some cases consumers were not billed regularly and bills after issue of first bill were issued with a delay of 3 months or more. Analysis of data of the above circles for the same period revealed that in case of 3.74 lakh consumers, bills were issued with a delay ranging between 3 to 204 months involving revenue of Rs. 126.80 crore as detailed below:

Operation Circle	Period	No. of records	No. of consumers	Revenue (Rs. in crore)	Subsequent bills issued with a delay of (period in months)
Ambala	2006-09	60,733	40,618	9.24	3-101
Panipat	2006-09	82,855	57,072	16.16	3-153
Sonepat	2007-09	65,879	52,254	9.84	3-197
Faridabad	2006-08 (up to 1/08)	1,42,044	1,13,227	36.27	3-186
Gurgaon	2006-09	1,53,263	1,10,809	55.29	3-204
Total		**5,04,774**	**3,73,980**	**126.80**	

Reasons for difference in records over number of consumers as analysed in Audit were that more than one subsequent bill were issued to the consumers and in some cases more than one record existed for subsequent bill in the database. The difference of 1,30,794 records over the number of consumers was due to existence of two or more records against 96,610 consumers as tabulated below:

Periodicity of records	Operation Circle					Total number of consumers	Excess records
	Ambala	Panipat	Sonepat	Faridabad	Gurgaon		
Twice	8,388	12,464	8,024	18,361	22,916	70,153	70,153
Thrice	3,308	4,119	2,181	3,735	6,873	20,216	40,432
Four times	1,084	1,185	367	817	1,582	5,035	15,105
Five times	342	293	32	63	233	963	3,852
Six times	85	60	2	47	18	212	1,060
Seven times	11	9	0	2	4	26	156
Eight times	-	-	-	4	-	4	28
Nine Times	-	-	-	1	-	1	8
Total	**13,218**	**18,130**	**10,606**	**23,030**	**31,626**	**96,610**	**1,30,794**

Thus, delay in issue of first bills and non-issue of subsequent bills within the prescribed billing period of 2 months had resulted in loss of interest due to delay in collection of revenue. No effort was made by the DISCOMs to extract data regarding delayed issue of bills from the database and take necessary action to rectify the situation. Further, in cases where bills are re-issued, the software creates new record for the same consumer instead of updating the existing record leading to duplicacy and voluminous database.

Chief Auditor stated (September 2009) that these cases might belong to the period when internal audit was in arrear. These cases would be got investigated and action would be taken accordingly.

Non Recovery of Energy Charges

2.3.21 As per terms of Supply and HERC (Electricity Supply Code) Regulation, 2004, every consumer is required to pay his energy bill along with other dues by due date mentioned in the bill. Where a consumer neglects to pay any consumption charges for electricity or any other amount due from him to the DISCOMs by the due date, after giving not less than 15 clear days' notice in writing to such person and without prejudice to right to recover such charge or other sum by suit, the DISCOMs may cut off the supply of electricity from the supply line and may discontinue the supply until such charges or other sum together with any expenses incurred by the DISCOMs in cutting off and reconnecting the supply, are paid by the consumer.

Analysis of data revealed that in many cases, supply of electricity to defaulting consumers, where the default in payment was for more than six billing cycles, was not disconnected. Since billing cycle of DS and NDS consumers is bi-monthly, Audit had taken into account the number of live consumers who were defaulters even in the month of February and March 2009. Analysis of data for the year 2008-09 in respect of Ambala, Panipat, Sonepat and Gurgaon circles and data for the years 2006-08 (up to Jan 2008) for Faridabad circle revealed that in case of 15,261 defaulting consumers (Ambala: 449; Panipat: 3,178; Sonepat 2,703 consumers in UHBVNL and Gurgaon: 2,606 and Faridabad: 6,325 consumers in DHBVNL) where default was for more than Rs. 25,000, bills were being issued regularly and payments were not being received by the companies from these consumers. Supply of electricity to their premises was not disconnected. This had resulted in lock up of revenue of Rs. 99.00 crore

(Ambala: Rs. 1.85 crore; Panipat: Rs. 19.34 crore; Sonepat: Rs. 14.33 crore, Faridabad: Rs. 49.02 crore and Gurgaon: Rs. 14.46 crore).

No effort was made by the DISCOMs to review these cases to avoid recurring loss to the companies.

Managing Director, UHBVNL admitted (September 2009) that such cases exist. In case of urban connections, he assured that action to disconnect defaulting consumers would be taken within 4 months.

Consumption of electricity beyond sanctioned load

2.3.22 Consumption of units shown in a bill denotes the difference between current and previous readings. The units consumed should not be more than the number of hours in a billing period multiplied by the sanctioned load. Units consumed in excess of this limit indicate unauthorised usage of load by the consumers.

Analysis of electronic data for the years 2006-09 in respect of Operation Circles, Ambala and Panipat and for the years 2007-09 in respect of Operation Circle, Sonepat of UHBVNL and for the years 2006-08 (Up to January 2008) in respect of operation circle Faridabad and for the years 2006-09 in respect of Operation Circle, Gurgaon of DHBVNL revealed that the actual number of units of electricity consumed in case of 43,840 out of 13.81 lakh consumers (Ambala: 10,823 out of 2.19 lakh; Panipat: 3,740 out of 1.72 lakh; Sonepat: 5,497 out of 2.48 lakh; Faridabad: 9,542 out of 4.19 lakh and Gurgaon: 14,238 out of 3.23 lakh consumers) was more than the maximum units* that they could consume on the basis of their sanctioned load. These consumers consumed 8.74 crore (Ambala: 1.02 crore, Panipat: 0.91 crore, Sonepat: 0.98 crore, Faridabad: 2.16 crore and Gurgaon: 3.67 crore) excess units valued at Rs. 37.27 crore (Ambala: Rs. 4.35 crore, Panipat: Rs. 3.89 crore, Sonepat: Rs. 4.18 crore, Faridabad: Rs. 9.21 crore and Gurgaon: Rs. 15.64 crore) over and above the maximum units they could consume for their sanctioned load. DISCOMs did not review these cases in order to avoid recurring losses despite availability of data in the database. Impact of excess usage of load on transformer damage, short-levy of consumption security, average charges etc. could not be ruled out.

Managing Director, UHBVNL stated (September 2009) that extension in connected load was not being declared by the consumers. He further stated that the option of introducing latest technology to detect un-authorised extension of load was being explored.

General controls

2.3.23 General controls are the policies, procedures and working practices that create the environment in which the I.T. application works. Management

* Assuming they consumed electricity for 24 hours a day during the entire billing cycle (two months).

has the ultimate responsibility to ensure that an adequate system of general controls is in place. Scrutiny of records of DISCOMs revealed lack of involvement of management in development, operation and maintenance of the computerised system as brought out in the following paragraphs.

2.3.24 Lack of proper documentation

- Before developing any computer system, URS and SRS, which give the complete description of the system to be developed, should be approved by the higher management so that the vendor understands the needs of the organisation. Also, documentation such as URS, SRS, detail design, data flow diagram, data dictionary, relationship between tables etc. is crucial for continuity of the computerisation project as the work of billing of DS and NDS consumers was fully outsourced. If there is a change in the billing agency, subsequent vendor who is awarded the contract needs to have proper documentation to understand the existing application and effectively discharge the functions. Audit noticed that the DISCOMs had none of the documents mentioned above.

- There was no system in the DISCOMs to test and formally accept the IT application developed by the vendor before they were implemented. Also, there was no change management policy or acceptable formal procedure for making changes to the software. The DISCOMs did not formally authorise the changes that were to be carried out in the software by the vendor. The details of amendments made indicating the reasons for changes, nature of changes, details of testing conducted, version of the software and date of approval by the competent authority were not documented and maintained.

- The DISCOMs as well as billing agencies were required to have a business continuity and disaster recovery plan* to ensure uninterrupted continuity of business in the event of any temporary or permanent disaster leading to loss of data. Provisions related to this could have easily been specified in the contract with the billing agencies. Data backups were also required to be checked up regularly after certain intervals. Audit observed that though the data backups were taken by billing agencies regularly and were kept at a place other than that where the same were maintained yet these were not checked up regularly after certain intervals to ensure uninterrupted continuity of business in the event of any disaster. The work orders placed on the billing agencies by the DISCOMs were silent about these issues. Audit further observed that complete data could not be provided by the billing agency (HARTRON) at Operation Circle, Gurgaon as data files relating to various groups/cycles for the month of January 2008 in respect of Operation Sub-divisions, Kadipur (G-14), Maruti (G-24) and Udyog Vihar (G-25) was found corrupted as confirmed by System Analyst, HARTRON, Gurgaon.

* A plan of an organisation to continue to function even after a disastrous event occurred.

Managing Director, UHBVNL stated that the required documents would now be got prepared as pointed out by audit.

The above matters were reported to the Government and the Companies in August 2009, replies of the Government and DHBVNL were awaited (September 2009).

Conclusion

DHBVNL and UHBVNL had outsourced computerised billing of DS and NDS consumers. It was, however, the primary responsibility of the management of these companies to ensure that adequate IT application and general controls were in place to safeguard the interests of the companies and consumers. Audit noticed lack of involvement of the DISCOMs in ensuring adequacy of input controls, validation checks and output controls which rendered the data unreliable and led to instances of loss of revenue due to short recovery of meter rent, erroneous posting of sundry charges and allowances, delay in issue of bills, inaction against defaulting consumers and consumption beyond sanctioned load. Audit revealed absence of well documented system documents, business continuity and disaster recovery plans and change management policy which adversely impacted the environment in which the computerised system operated.

Recommendations

The Managements of UHBVNL and DHBVNL should:

- **Incorporate input controls and key validation checks in the IT application so as to eliminate instances of short recovery of meter rent, erroneous posting of sundry charges and allowances and null values in mandatory fields like 'date of connection' and 'security deposit';**

- **Ensure adequate monitoring of HESL and introduce validation checks on the fields related to meter readings so that correct bills are issued to the consumers;**

- **Ensure timely/regular issue of bills to the consumers, timely disconnection of consumers who default on payments and periodic review of cases where consumption is in excess of sanctioned load; and**

- **Formulate, document and implement a comprehensive IT policy enumerating security policy, change management policy, business continuity and disaster recovery plans etc and incorporate the same in its contract with the billing agencies so as to ensure smooth operation of computerised system.**

Chapter III

3. Transaction audit observations relating to Government companies

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

Government companies

Haryana State Industrial and Infrastructure Development Corporation Limited

3.1 Loss of revenue

The Company suffered loss of revenue of Rs. 1.16 crore due to waiving of transfer and extension fee.

For setting up a project, Automotive Research Association of India (ARAI) was issued regular letter of allotment in January 1999 for a plot measuring 31,249.57 square meters at Industrial Model Town, Manesar. Physical possession of the plot was offered on 26 October 1999. The Company framed the Estate Management Procedures (EMP) in November 1999. As per the provisions of the EMP, the allottee was required to start commercial production within a period of three years from the date of offer of possession i.e. up to 25 October 2002. In case the allottee was not able to start the commercial production, extension in the period for one year beyond three years could only be granted by levying extension fees at the rate of Rs. 50 per square meter per annum. Further, as per the EMP 2005, transfer fee was to be charged at the prescribed rates for transfer of allotted plots/sheds. However, no transfer fee was leviable in the case of (a) industrial units which were in commercial production for more than five years and free from encumbrances and (b) transfer necessitated on account of inheritance, family transfer or take over by a financial institution.

ARAI could not implement the project in time i.e. up to October 2002 and requested for extension. The Board of Directors (BOD) granted (October 2002) extension and asked ARAI to deposit extension fee of Rs. 15.62 lakh up to 25 October 2002 (at the rate of Rs. 50 per square meter) without interest and interest at the rate of 18 *per cent* per annum thereafter. The request of allottee and recommendation of the Department of Heavy Industries, GOI for waiver of extension fee on the plea that Regional Centre North (RCN) project was funded by this department through release of funds as grant-in-aid to ARAI and delay was mainly due to change in scope of project and consequent delay in its funding, was turned down (June 2003 and August 2003) as there was no provision for such waiver in the EMP. The allottee requested (September 2003) for further extension and the same was granted (March 2004) without extension fee up to May 2004 on the basis of reasons given earlier. The waiver was not justified as extension should have been given by charging the requisite extension fee as per EMP. The allottee could complete the project only in October 2004. The Company granted (July 2005) extension up to October 2004. Thus, the Company suffered loss of revenue of Rs. 21.75 lakh (including interest of Rs. 6.13 lakh) due to waiving of extension fee at the rate of Rs. 50 per square meter.

ARAI requested (January 2007) for transfer of the aforesaid plot of land in favour of Department of Heavy Industry, Government of India without charging transfer fees on the plea that it was being transferred to the parent department. The Company acceded to the request of allottee and approved (February 2007) the transfer without charging the transfer fee of Rs. 93.75 lakh at the rate of Rs. 300 per square meter, which was not justified as there was no provision for transfer without transfer fee in such cases.

The Management stated (July 2009) that as per EMP 2005, in case the original allottee or the family member retain a minimum of 51 *per cent* share in the project/company/firm, the same is considered as a case of change in constitution and not a case of transfer. Further, the Board of Directors is competent to revise the provisions contained in EMP 2005 and also consider any issue not covered under EMP 2005 guidelines. The reply is not acceptable since this was not the case of change in shareholding as the RCN project had been handed over to Government of India and funds spent by ARAI out of its own corpus reimbursed to it. Further, BOD had not revised the provisions of EMP 2005 as a policy decision.

Thus, injudicious waiving of extension and transfer fee resulted in loss of revenue of Rs. 115.50 lakh (Rs. 93.75 lakh plus Rs. 21.75 lakh) excluding interest.

The Company should recover this amount and ensure compliance with its rules and regulations in future.

The matter was referred to the Government in May 2009; the reply had not been received (September 2009).

3.2 Non recovery of dues

Non disposal of primary security resulted in non recovery of Rs. 5.66 crore.

The Company takes over possession of the defaulting Units and after assessing the realisable value, puts them on sale for recovering its dues. The Board of Directors (BOD) in October 2006 had authorised the Managing Director (MD) to reduce the reserve price by 20 *per cent* or more after two unsuccessful attempts and to dispose of the Unit even below reserve price if the merits of the case so warrant.

Panwar Steels Limited was sanctioned a term loan of Rs. 7.40 crore (Rupees five crore in July 2000 and Rs. 2.40 crore in June 2002) for manufacture of Cold Rolled Close Annealed (CRCA) Steel Strips in Bhiwani and against it Rs. 7.34 crore were disbursed during July 2001 to July 2002. Due to persistent default the Company took over the physical possession of the Unit i.e. primary security consisting of land, building and machinery in August 2007 under Section 29 of the State Financial Corporation (SFCs) Act, 1951. The valuer (NITCON) assessed the value of primary security at Rs. 5.85 crore. To recover its dues, Company made six sale attempts (during October 2007 to February 2009) for the disposal of primary security but the same had not been disposed of so far (June 2009).

Audit observed that in the first three sale attempts the Company received highest bids of Rs. 3.10 crore, Rs. 2.10 crore and Rs. 3.51 crore which were rejected, being much lower than its reserve price of Rs. 5.85 crore. In the fourth sale attempt (July 2008), Company received a bid of Rs. 5.66 crore which was 97 *per cent* of the reserve price. The Assets Sale Committee of the Company recommended for rejection of this bid, being less than the reserve price on the plea that this reserve price was mentioned in the sale notice. This recommendation of the Committee was approved by the MD. In the fifth sale attempt (October 2008) no bid was received. The valuation of the primary security was again got assessed from NITCON which assessed its realisable value at Rs. 5.31 crore (December 2008) which was less by Rs. 0.54 crore than the earlier assessed value by this valuer due to decline in the value of building and machinery. The Company made sixth sale attempt in February 2009 for which no bid was received. As the Board had authorised the MD to dispose of the Unit even below 20 *per cent* of the reserve price, the Company, taking into consideration the prevailing recessionary scenario and earlier three bids should have accepted the bid of Rs. 5.66 crore offered in July 2008 which was just three *per cent* less than the reserve price. Thus, the Company could not recover Rs. 5.66 crore out of total outstanding of Rs. 14.11 crore (Principal: Rs. 7.27 crore and interest: Rs. 6.84 crore). Acceptance of the bid would have not only resulted in recovery of Rs. 5.66 crore but also averted decrease of Rs. 0.54 crore in the realisable value of primary security.

The Company stated (June 2009) that bid of Rs. 5.66 crore could not be legally accepted being below the reserve price and it was presumed that it would fetch better price. The reply is not acceptable as the acceptance of bid price of Rs. 5.66 crore, below three *per cent* of reserve price, would have been not only as per the decision of the BOD but also commercially prudent in view of recessionary trends. This would have, further, freed its resources for alternative uses.

It is recommended that directions of the BOD should be strictly adhered to and compliance of the directions are reported to the BOD in subsequent meetings.

The matter was referred to the Government and the Company in July 2009; their replies had not been received (September 2009).

3.3 Excess payment of bonus/performance award

Grant of bonus in excess of statutory rate without approval of the Finance Department resulted in excess payment of Rs. 1.01 crore.

The State Government issued (November 2002) directions authorising Board of

Directors (BOD) of the concerned Public Enterprises to sanction payment of bonus, wherever applicable, at the statutory rate of 8.33 *per cent*. As per 'The Payment of Bonus Act, 1965' (Act) employees drawing pay up to Rs. 3,500 per month were eligible for bonus. Thus the BOD of Public Enterprises were competent to grant bonus at the statutory rate of 8.33 *per cent* to the eligible employees. The directions also specified that if the bonus was proposed to be paid above the statutory rate, the concerned Public Enterprise would send the case through Administrative Department for prior approval of Finance Department (FD).

The Company decided (November 2006) to grant bonus/performance award to all the employees at the rate of 15 *per cent* of their annual salary for the year 2005-06, without taking approval of the FD. Accordingly, payment of Rs. 1.02 crore (during November 2006 to March 2007) was made against the entitled payment of only Rs. 42,000 at the rate of 8.33 *per cent* to 12 eligible employees as per the Act/Government directions. This has resulted not only in excess payment of bonus of Rs. 1.01 crore but also non compliance with the directions of the State Government.

The Company stated (April 2008) that bonus/performance incentive was granted to the employees with the approval of the BOD for the year 2005-06 on the basis of actual performance and profit earned by the Company.

The reply does not address the issue raised by Audit. The BOD was not competent to take this decision and the prior approval of FD of State Government was required for granting bonus above the statutory rate of 8.33 *per cent* and to ineligible employees. The required approval was not obtained by the Company. Further, the proposal of the Company to grant bonus/performance award even at the rate of 8.33 *per cent* to all the employees for the year 2002-03 had been rejected by the Government (March 2005) despite profit earned by the Company. Interestingly, a nominee of the FD was present in the meeting of BOD in which the decision to grant bonus was taken. There is nothing on record about her viewpoint in this regard. The nominee of the FD should have opposed the decision. This instance points out a need for a careful stand by the nominee in discharge of duty.

Thus, grant of bonus/performance award in contravention with the Government directions compromised financial discipline and resulted in excess payment of Rs. 1.01 crore. Accountability for excess payment of Rs. 1.01 crore needs to be fixed and the Company should ensure compliance of State Government directions in future.

The matter was referred to the Government and the Company in January 2009; their replies had not been received (September 2009).

3.4 Allotment of land to ineligible bidder

The Company allotted site for a hospital to an ineligible bidder.

The Company approved (August 2006) the proposal of inviting applications for allotment of a Hospital site in IMT-Manesar. As per eligibility criteria, any individual/society/trust/institution was eligible to make an application. In response to an advertisement (February 2007), applications from five bidders were received; the offers ranged between Rs. 10.10 crore to Rs. 27.70 crore. The Committee constituted to examine the applications observed (April 2007) that the highest bidder was a Trust established in 2006 only and had since been running a hospital at Sirsa with panel of doctors. The hospital was a new one and had no track record of performance. Further, Manesar needed an institution with proven track record that could provide world class health care services in a professional manner and recommended withdrawal of the scheme floated by the Company and desired that eligibility criteria be re-worked. Accordingly, the Company returned (April 2007) Rs. 2.77 crore being 10 per cent of bid money deposited by the highest bidder stating that due to inadequate response the site has been withdrawn from the bidding process.

The Company reworked (May 2007) the criteria according to which any individual or group of persons/society/trust/institution/Company with at least 10 years proven track record in the field of institutional health care having net worth of at least Rs. 50 crore were eligible for applying. In response to bids invited (June 2007), only one bidder namely Rockland Hospitals Limited submitted a bid of Rs. 25.20 crore. The Company accepted (September 2007) the single bid and allotted (September 2007) the site to the bidder.

Audit observed that Rockland Hospitals Limited was promoted by a group which was initially involved in hospitality industry by operating Rockland Hotel and Rockland Inn. The group had set up a multi-speciality hospital which became fully operational only from the last two years (as per facts submitted to BOD on 11 May 2007) and its net worth was only Rs. 7.24 crore. As such it did not meet the criteria of 10 years of proven professional track record in world class health care and net worth of Rs. 50 crore. Further the bid of Rs. 25.20 crore was less than the bid of Rs. 27.70 crore received earlier. Thus, the allotment was made not only to an ineligible applicant on single bid basis but also at a rate lower by Rs. 2.50 crore in comparison with the highest bid of Rs. 27.70 crore received earlier. In view of single bid and previous bid of Rs. 27.70 crore, the Company should have gone for re-tender to get players satisfying eligibility criteria.

The Management stated (September 2009) that the trust initially started a clinic at New Delhi and the role of the clinic kept expanding with the setting up of a 130 bed hospital which was re-christened as Rockland Hospital Limited by the Trust. The reply does not address the point that the applicant not meeting the eligibility criteria of 10 years proven professional track record in world class health care services and net worth of Rs. 50 crore was selected. The Company, while accepting the bid, compromised on the eligibility criteria. Thus, the evaluation of bid was deficient. Responsibility needs to be fixed on personnel involved in evaluation and acceptance of the bid.

The Company should abide by the eligibility criteria while awarding the projects so as to avoid such recurrences.

The matter was referred to the Government in July 2009; the reply had not been received (September 2009).

Dakshin Haryana Bijli Vitran Nigam Limited

3.5 Extra expenditure

The Company incurred extra expenditure of Rs. 1.02 crore due to insertion of defective clause in agreement.

The purchase manual of the Company provides for inviting bids for getting competitive rates for awarding of purchase orders/work orders. The Company decided (September 2005) to outsource the work of meter reading, bill distribution and revenue collection activities. Without inviting tenders for getting competitive rates (reasons for which were not on record), the Company entered (October 2006) into an agreement with Haryana Ex-Services League (HESL) for two years which could be extended for one year. The terms and conditions of the agreement, *inter alia*, provided for payment to HESL at the rate of Rupees four per meter reading, Rupees two per bill distributed and Rupees six to Rupees eight per bill cash collected, depending upon the collection efficiency. The agreement further provided that the rate of payment at Rs. 12 or Rs. 14 per connection (for meter reading, bill distribution and cash collection) was to be calculated on average number of meters read and bills distributed during the month including cases of flat rate and locked consumers where no meter reading was involved and that the rate was not to be less than Rs. 12 per connection in any case. This defective clause in agreement entitled HESL to receive cash collection charges of Rupees six per connection even in cases where no cash was actually collected.

During audit (March 2008/March 2009) of operation circle, Faridabad and Gurgaon it was observed that HESL was paid Rs. 3.32 crore for September 2006 to January 2009 on 25,23,888 cases based on average of meters read and bills distributed, at a consolidated rate of Rs. 12 per connection. However, on actual basis of meter readings taken, bills distributed and cash collected, an amount of Rs. 2.38 crore was payable as per rates agreed to for each activity. This resulted in extra expenditure of Rs. 94.06 lakh due to defective clause in the agreement. The operation division Ballabhgarh had also pointed out (November 2006) that payment of cash collection charges without actual cash collection was not justified. In addition, the Company paid Rs. 8.07 lakh in excess at Operation Circle, Sirsa for meter readings in 1,79,812 cases during November 2006 to July 2008, for un-metered/flat rate consumers where no meter reading was involved. Audit further observed that UHBVNL, a sister concern of the Company, had not incorporated this average clause in their agreement with this firm for these activities and was paying on actual basis for each activity.

Thus, by inserting defective clause for making payment on average of meter readings and bills distributed, the Company failed to safeguard its financial interests and incurred an extra expenditure of Rs. 1.02 crore in comparison with the activity wise quantum of actual work done. The Company should remove the defective clause to ensure that it pays only for the services actually received.

The matter was referred to the Government and the Company in February 2009; their replies had not been received (September 2009).

3.6 Non recovery of monthly parallel operation charges

The Company suffered loss of Rs. 3.81 crore due to non recovery of monthly parallel operation charges from captive power plants.

Sales instruction (January 2006) of the Company provide that Captive Power Plant (CPP) owners who are consumers and also want to have interfacing with the Company's system would be eligible for utilising power for their self use and would have option to run their plant in synchronisation with the Company's system. For this, the plant owners are required to pay monthly parallel operation charges at the rate of Rs. 600 per KVA on 10 *per cent* of installed capacity of DG sets in addition to one time permission fee.

Starwire (India) Limited, Ballabhgarh and Jindal Stainless, Hissar had installed 2 x 2,745 KVA CPPs and 2 x 5,400 KVA CPPs in January 1997 and October 1990 respectively which were running parallel with interfacing at 11 KV system of the Company. In view of sales instructions of January 2006, the Starwire (India) Limited, Ballabhgarh and Jindal Stainless, Hissar were required to be billed for parallel operation charges of Rs. 3.29 lakh per month on 549 KVA and Rs. 6.48 lakh per month on 1,080 KVA per month respectively.

Audit observed (January 2007 and February 2009) that while raising monthly bills, parallel operation charges were not being charged from these consumers in contravention of the instructions. This had resulted in non recovery of Rs. 3.81 crore from these two consumers from January 2006 to March 2009 besides loss of interest of Rs. 66.36 lakh thereon calculated at the rate of 11 *per cent* per annum rate of cash credit. The Company should recover these charges from the consumers and ensure adequate internal control so that its instructions are followed invariably.

The matter was referred to the Government and the Company in January 2009, their replies had not been received (September 2009).

3.7 Extra expenditure

The Company incurred extra expenditure of Rs. 1.65 crore on the purchase of transformers due to delayed procurement and resultant purchase at higher rates.

As per reciprocal purchase arrangement, Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) procures distribution transformers for Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) also. UHBVNL requested (August 2005)

DHBVNL (Company) to procure, *inter alia,* 4,000, 25 KVA transformers for its use. However, the Company without any reasons on record did not include this demand while inviting tenders for various varieties of transformers in September 2005. As there was acute shortage of transformers in UHBVNL, the Company proposed (February 2006) the Financial Commissioner (Power) to procure transformers from Punjab State Electricity Board on cost-to-cost basis for which Financial Commissioner (Power) gave (23 February 2006) his approval. Overlooking this aspect the UHBVNL purchased (March 2006 to September 2006) 1,500 transformers from PSEB without any warranty at Rs. 63,272 per transformer against the purchase price of Rs. 44,991 of PSEB. Apart from cost price, the PSEB charged incidental charges, additional cost, octroi, supervision, storage and VAT charges.

Audit noticed (December 2006) that in subsequent tender inquiry finalised by the Company in April 2006, purchase order for 3,000 transformers of 25 KVA was placed (May 2006) on Nucon Power Control (P) Limited, Ludhiana at Rs. 49,500 (variable with base date of February 2006) per transformer. The transformers were received during July - December 2006 at the landed rate of Rs. 52,289 per transformer. Compared with this rate, UHBVNL had to incur extra expenditure of Rs. 1.65 crore* in the purchase of 1,500 transformers from PSEB.

Thus, non-inclusion of the demand of UHBVNL for 25 KVA transformers in the tendered quantity had resulted in extra expenditure of Rs. 1.65 crore.

The Management stated (May 2007) that due to acute shortage, the alternative arrangement had to be made with the approval of State Government. The reply does not address the fact that this contingency arose due to inaction of the Company to procure transformers in time. The Company needs to monitor properly the requisitions of demand received from UHBVNL and process the procurement of crucial items timely to avoid shortages and emergency purchases at higher rates.

The matter was referred to the Government and the Company in March 2009; their replies had not been received (September 2009).

3.8 Loss of revenue

The Company suffered loss of Rs. 47.06 lakh due to issue of ambiguous instructions on levy of peak load exemption charges.

As per provision of schedule of tariff for distribution and retail and supply 2000, the HT industrial consumers metered through electronic tri-vector meters, using electricity by availing permitted special dispensation or exemption during peak load hours as notified by the Company from time-to-time shall be billed at extra charge of Rupees two per unit over and above the normal tariff and Rupees four per unit over and above the normal tariff as peak load exemption charges (PLEC) if the consumption during the month exceeds the prescribed limit. All HT

* (Rs. 63,272 – Rs. 52,289) x 1,500.

industrial consumers with Electronic tri-vector Meters, who had not sought/granted special dispensation, could avail 10 *per cent* of contract demand during peak load hours subject to additional charge as mentioned above.

The Company declared (February 2007) peak load hours from 18.00 hours to 22.00 hours with effect from 16 February 2007 and accordingly, decided to levy PLEC. The Company revised the above instructions in August 2007, which, *inter alia*, stated that HT industrial consumers who have not sought special dispensation during peak load hours were out of purview of the facility and liable for disconnection if they consume power during peak load hours. If such consumers had been charged as per earlier circular (February 2007) for peak load hours the charges would be withdrawn. These instructions were defective as the Company had favoured those consumers who had not sought requisite permission though availed power during peak load hours. The Company reviewed the above instructions and withdrew (September 2007) the instructions issued in February 2007 and August 2007 with immediate effect and later on from the date of issue. Accordingly the Company refunded Rs. 47.06 lakh during September 2007 to June 2008 charged as PLEC in three subdivisions of operation circle, Hisar.

Audit observed that instructions issued (August 2007) were deficient to the extent that the Company had favoured those consumers who had availed consumption during PLEC without opting for it whereas the consumers who sought requisite permission were made to pay for the same situation. Further by withdrawing both the instructions of February and August 2007, it had to refund the PLEC though power was availed during peak load hours. Had the Company withdrawn the instructions of August 2007 alone it could have avoided refund of Rs. 47.06 lakh. The UHBVNL (sister concern) had successfully implemented the instructions issued in April 2007 relating to levy of PLEC as there was no ambiguity.

Thus, due to issue of ambiguous instructions in August 2007 and subsequent withdrawal of both the instructions from date of issue, the Company had to refund PLEC though the consumers availed power during peak load hours resulting in loss of revenue of Rs. 47.06 lakh. The Company should fix responsibility for issue and withdrawal of ambiguous instructions and ensure implementation of instructions after due deliberations.

The matter was referred to the Government and the Company in June 2009, their replies had not been received (September 2009).

Haryana Power Generation Corporation Limited

3.9 Unfruitful expenditure

The Company incurred unfruitful expenditure of Rs. 9.98 crore on fire fighting system which is not fully operational.

The Company placed (June 2002) a purchase order on Bharat Heavy Electricals

Limited (BHEL) for Design, Engineering, Manufacture, Supply of equipment and material for Steam Generator, Steam Turbine Generator alongwith Auxiliaries (Main plant) and Balance of Mechanical, Electrical and Control & Instrumentation system (Balance of plant) for Units – VII and VIII of Panipat Thermal Power Station. This work included erection, testing and commissioning of fire fighting system (FFS). The final billing break up (BBU) was to be supplied later on. The Chief Engineer/Thermal Design of the Company supplied (March 2004) the BBU to the supplier.

BHEL demonstrated (December 2004) the working of fire protection system in control room and cable galleries of unit VII. The Chief Engineer (O&M) conveyed (February 2005) some serious deficiencies in fire detection and protection system of cable gallery and the firm was asked verbally to rectify the system. In April 2005 the testing, checking and rehearsal on FFS was conducted. Overlooking the system wise deficiencies pointed out by the Chief Fire Officer, protocol for taking over was signed (April 2005) between BHEL and the Company. The Chief Fire Officer reiterated in September 2005 that serious defects were not attended and FFS at some locations had not been provided due to which not even single system of Unit VII and VIII was workable and complete. The Company asked (October 2005) BHEL to attend to the problems for making the system operative. Despite lapse of more than four years the system has not been put to auto operation. The warranty/guarantee period of FFS had expired in April 2006.

Thus, due to taking over the FFS without removal of deficiencies the expenditure of Rs. 9.98 crore failed to bring the desired results.

The Company stated (March 2009) that the system was being kept pressurised in manual mode to meet up any emergency and for pending auto system works matter was being pursued with BHEL. Further, sufficient amount of BHEL for pending works had been retained to carry out these works at the risk and cost of BHEL. The fact remains that signing of the protocol for take over of the FFS without rectification of deficiencies had resulted in non operation of FFS in auto mode as per requirements of the contract.

The Company should fix responsibility of the officers for signing the protocol without removal of deficiencies and get the work done at the risk and cost of BHEL without further delay.

The matter was referred to the Government and the Company in May 2009; their replies had not been received (September 2009).

3.10 Loss of revenue

The Company suffered loss of Rs. 3.84 crore due to non-termination of Memorandum of Understanding.

The Company entered (April 2004) into Memorandum of Understanding (MOU) with Gujarat Ambuja Cement Limited (GACL) for lifting 1.5 lakh MT fly ash per annum free of cost for 25 years, generated from Unit VII and VIII of Panipat Thermal Power Station. Another (second) MOU was signed (August 2005) with GACL for lifting of additional 2.11 lakh MT fly ash per annum from the same units free of cost for ten years, the period, prescribed by Ministry of Environment & Forests, and thereafter rates were to be decided mutually. As per the MOUs, necessary arrangements for completion of dry ash system by the Company and lifting of dry ash by GACL was to be completed in 24 months.

The Company decided (April 2006) to allocate the additional dry fly ash to prospective users through transparent bidding process. Accordingly, NIT was issued (June 2006), inviting expression of interest for supply of fly ash free of cost up to September 2009 and thereafter on chargeable basis. In response seven offers were received, two of which offered to pay Rs. 25 to Rs. 27 per MT as administrative charges. In view of this development, it was decided (April 2006) by the Board of directors of the Company to invite bids from these seven firms with administrative charges and seek opinion from the Legal Cell of Haryana Vidyut Prasaran Nigam Limited (HVPNL) for termination of existing MOUs. Accordingly, bids were invited (January 2007) from these seven firms with administrative charges and opinion was sought from Legal cell of HVPNL for terminating the existing MOU. On the basis of bids received, it was decided (April 2007) to allocate one lakh MT per annum fly ash of units VII and VIII to Grasim Industries at the rate of Rs. 312 per MT. As per opinion of legal Cell of HVPNL (September 2006) the MOUs were not legally enforceable until or unless converted into contract and thus MOUs with GACL could be terminated by giving one month notice. The Company, however, terminated only one MOU in January 2007 where specific provision for termination with one month notice existed. The second MOU was allowed to complete its tenure up to August 2007, though it could also have been terminated in view of legal opinion.

Audit observed that the Company had terminated the existing MOU (April 2004) with J K Cement in April 2006 and MOU (August 2004) with Jai Parkash Associates Limited was revised in June 2007 for payment of administrative charges whereas MOU with GACL was allowed to continue till its expiry in August 2007. Taking advantage of non cancellation of second MOU and impending administrative charges in future, the firm lifted 1,38,110 MT fly ash during February - August 2007 at monthly average of 19,730 MT whereas in the preceding period during April - December 2006 the monthly average lifting was 914 MT only against two MOUs.

Thus, the Company allowed lifting of 1,38,110 MT fly ash free of charges during February - August 2007 by GACL resulting in loss of revenue of Rs. 3.84 crore at the rate of Rs. 278 per MT (agreed with this firm from September 2008) by not terminating the second MOU alongwith first MOU in January 2007.

The Company should investigate the reasons for non-termination of the second MOU and ensure in future that financial interests of the Company are kept in view while taking decisions.

The matter was referred to the Government and the Company in June 2009, their replies had not been received (September 2009).

3.11 Avoidable expenditure

The Company incurred avoidable expenditure of Rs. 21.42 lakh due to delay in finalisation of contract for consultancy besides non availability of envisaged benefits from the plant management system for the period of delay.

The Company approached (May 2005) NTPC Limited (NTPC) for providing consultancy services for development of computerised integrated plant management system at Panipat Thermal Power station (PTPS), to support the operation and maintenance groups and other departments, thereby optimising the cost of generation. NTPC submitted (December 2005) its offer for Rs. 7.39 crore which, *inter alia,* included deployment of 11 experts/professionals for implementation of system at the rate of Rs. 1.98 lakh per expert per month up to 31 March 2006 subject to escalation at the rate of 10 *per cent* per annum on annually compounded basis. To account for the next wage revision, the applicable rates as of December 2006 were to be further enhanced by 40 *per cent* from 1 January 2007 with usual escalation at the rate of 10 *per cent* per annum from April 2007. The work was to be completed in eighteen months. The Company, however, placed order in March 2007 on NTPC at Rs. 7.35 crore and signed the agreement in May 2007.

Audit noticed (March 2008) that the Company took eight months (December 2005 to August 2006) to get the approval of Board of Directors, seven months (August 2006 to March 2007) for placing the work order and another two months (March to May 2007) for signing the agreement. Thereafter deployment of NTPC experts started with effect from July 2007. The Company could have awarded the contract by March 2006 to start the work from April 2006. The abnormal time of 17 months taken in finalisation of contract not only caused delay in completion of the project but also resulted in payment towards deployment of experts at an escalated rate of Rs. 2.77 lakh per expert per month as against rate of Rs. 2.18 lakh applicable from April 2006 to December 2006 which resulted in extra expenditure of Rs. 21.42 lakh from July 2007 to December 2008 taking into consideration the period of eighteen months for the completion of the work. Thus, the Company incurred avoidable expenditure of Rs. 21.42 lakh due to delay in finalisation of contract for consultancy apart from non availability of envisaged benefit from plant management system for the period of delay.

The Management stated (July 2009) that the contract require indepth study and detailed discussions, its activities were quite time intensive and specified procedures were to be followed for obtaining requisite approvals. The fact, however, remains that abnormal period of 17 months was taken for finalising the contract and that cannot be considered routine. The Company should ensure reasonable efficiency in finalisation of contracts.

The matter was referred to the Government in May 2009; the reply had not been received (September 2009).

Haryana State Roads and Bridges Development Corporation Limited

3.12 Loss of revenue

The Company suffered loss of revenue of Rs. 66.55 lakh due to delay in calling of fresh tenders.

The Company awarded (August 2005) toll collection rights on toll point 30 (Kotputli-Budhwal-Nangal Choudhary-Narnaul Road) to Mr. Rajiv Singla for Rs. 7.65 crore for two years from 16 September 2005 to 15 September 2007. As per provisions of the agreement, the Company with the concurrence of the contractor, could extend the period of the contract up to three months.

The contractor requested in July 2007 i.e. two months before completion of contract, for extension for further period of three months with 10 *per cent* increase. The Company, without conducting a traffic survey to assess the quantum of current toll collection, accepted his request and granted extension on 11 July 2007 for three months from 16 September 2007 to 15 December 2007. The Company, thus, failed to safeguard its financial interests as its decision for extension of contract was not based on adequate and reliable data.

Subsequently, the Company after calling bids (24 October 2007) allotted rights for two years from 25 January 2008 to 24 January 2010 at the rate of Rs. 12.22 crore to Umrao Singh Har Parshad. During 16 December 2007 to 24 January 2008, the toll collection was made departmentally and collection of Rs. 48.91 lakh was received. Audit observed (October 2008) that the new rate was 59.74 *per cent* higher than the previous rate whereas the Company had agreed to grant extension for three months at 10 *per cent* increase only.

Management stated (January 2009) that extension in contract was granted in view of provisions in the agreement. The action of the Management lacked justification as before giving extension, the Company should have assessed the current toll collections and invited fresh tenders well before completion of the existing contract.

Thus, injudicious act of the Management to grant extension without calling of fresh bids in time had resulted in loss of revenue of Rs. 66.55 lakh (Rs. 47.57 lakh for extension of contract and Rs. 18.98 lakh for loss of revenue while running departmentally).

The matter was referred to the Government and the Company in February 2009; their replies had not been received (September 2009).

Uttar Haryana Bijli Vitran Nigam Limited

3.13 Excess expenditure

The Company incurred extra expenditure of Rs. 24.37 lakh due to allotment of meter reading and bill distribution work at higher rates.

The purchase manual of the Company provided for inviting bids for awarding purchase/work order on competitive rates. The Company decided (November 2005) to out source the work of meter reading, bills distribution, cash collection and related activities/allied services. Without inviting tenders, reasons for which were not on record, negotiations were held with the Haryana Ex-serviceman League (HESL) for engaging its services for these activities. After negotiations, the work of three operation divisions of Operation Circle Ambala viz; Ambala Cantonment, Ambala City and Panchkula was entrusted (1 May 2006) to HESL for the period from May 2006 to April 2007. As per terms of agreement (May 2006), HESL was to be paid Rupees four per meter reading and Rupees two per bill distributed. In addition, HESL was to be paid Rs. 75,000 per division as one time payment for undertaking the preparatory work of finalisation of route plan.

Audit observed (October 2007) that during the same period, the Company after inviting tenders, had allotted (May 2006) the work of meter reading and bill distribution for city sub division and sub urban sub division, Panchkula (under operation circle, Ambala) to Sharma and Company for the period from May 2006 to April 2007 at Rupees two per meter reading and Rs. 1.20 per bill distributed.

Thus, assignment of work without inviting tenders resulted in extra expenditure of Rs. 24.37 lakh up to March 2007 for meter reading and bill distribution in comparison with the rates paid to other contractor in the operation circle Ambala for the same work and same period. The Company should follow its purchase manual while awarding the works to have transparency and get competitive rates.

The matter was referred to the Government and the Company in February 2009; their replies had not been received (September 2009).

3.14 Loss of revenue

The Company lost revenue of Rs. 65.85 lakh due to waiver of legitimate surcharge of two consumers.

The Company imposed (December 1999) a penalty of Rs. 25.81 lakh on Jind Co-operative Sugar Mills, a large supply consumer under Jind operation circle, for exceeding the maximum demand during July 1993 to November 1999. After depositing 50 *per cent* penalty, the consumer filed (February 2001) case against the imposition of penalty in the court of Civil Judge, Sr. Division Jind which was dismissed in March 2004. Appeal filed (March 2004) against the decision was dismissed by the District Judge, Jind in September 2007. The Company issued a notice (September 2007) for depositing Rs. 90.05 lakh (balance penalty:

Rs. 12.90 lakh and surcharge: Rs. 77.15 lakh*). The consumer, however, deposited (September 2007) only the balance penalty of Rs. 12.90 lakh and approached (September 2007) the Company for waiver of surcharge. The Board of Directors of the Company decided (December 2007) to charge 15 *per cent* simple interest arbitrarily from the due date to the date of payment on the plea that the amount kept on piling up due to pendency of court case. Accordingly, the Company recovered interest of Rs. 16.61 lakh and waived the remaining surcharge of Rs. 60.54 lakh.

Audit observed (August 2008) that the waiver of surcharge was not justified as the court case was initiated by the consumer for avoiding payment of legitimate dues of the Company.

The Company charged (February 2001) an amount of Rs. 7.61 lakh to Parkash Agro Industries, Samalakha, a larger supply consumer under Operation Circle, Karnal, for wrong application of multiplying factor (1 instead of 1.5) by the Company from October 1998 to February 2001. The consumer moved the court challenging the charged amount. The consumer paid Rs. 3.04 lakh (40 *per cent*) on the direction of the court, pending decision. After losing the case in the lower court in July 2003, the consumer filed an appeal in the court of Additional District Judge, Panipat which was dismissed in February 2005. The consumer requested (April 2005) the Company to waive the surcharge. The Board did not agree and decided (July 2005) to recover the entire amount of surcharge of Rs. 7.68 lakh. On another representation (August 2005) by the consumer, the Board decided (September 2005) to charge simple interest at 13 *per cent* per annum arbitrarily and recovered Rs. 2.37 lakh against the surcharge of Rs. 7.68 lakh resulting in waiver of Rs. 5.31 lakh.

Thus, Company lost revenue of Rs. 65.85 lakh due to waiver of legitimate surcharge of the consumers. The Company need to safeguard its interest by strictly applying its rules and regulations without any discretion.

The matter was referred to the Government and the Company in April 2009; their replies had not been received (September 2009).

3.15 Loss of revenue

The Company suffered a loss of Rs. 10.18 lakh due to non recovery of peak load exemption charge.

As per instructions (11 January 2001) of the Company, a high tension (HT) industrial consumer using electricity by availing of permitted special dispensation during peak load hours is to be billed at extra charge, called Peak load exemption charges (PLEC), of Rupees two per unit over and above the normal tariff. In case the consumption of a consumer during peak load hours in a month exceeds the permitted limit, such consumption is chargeable at Rupees four per unit over and above the

* At two *per cent* on unpaid monthly balances as per sales manual.

normal tariff. The Company directed in April 2007, *inter alia*, that industrial consumers having independent feeder and working on continuous operation in three shifts are also to be allowed special dispensation during peak load hours provided that total dispensation does not exceed 100 MVA in each case. However, no specific mention for recovery of PLEC from such consumers was made.

Audit noticed (January 2009) that EPIC Food Products Private Limited, Mohra, an HT industrial consumer under operation sub-division I, Ambala Cantt consumed 2,64,290 units during peak load hours from May 2007 to February 2008. PLEC worked out to Rs. 10.18 lakh for these months. Due to ambiguity in orders of April 2007 the sub division recovered Rs. 0.28 lakh only for February 2008 and discontinued recovery thereafter. This issue was considered by the Whole Time Directors in March 2008 and it was decided to recover these charges, where not recovered, in nine equal monthly installments commencing from April 2008. In view of these directions, the PLEC of Rs. 9.90 lakh were to be recovered in nine monthly installments of Rs. 1.10 lakh each during April-December 2008. On 4 August 2008, the consumer requested the local sub-divisional office to waive off the PLEC on the grounds that they had an independent feeder and were working on continuous operation in three shifts and there was no reference of charging PLEC in the orders issued in April 2007. Though, as per clarification (March 2008) of the Company, the special dispensation was to be allowed on the payment of PLEC, the sub-division, instead of recovering the balance in five installments of Rs. 1.10 lakh each, refunded (September 2008) the amount of Rs. 4.68 lakh recovered up to July 2008.

Thus, issue of ambiguous orders initially and non recovery/refund of peak load exemption charges even after clarifications in March 2008 resulted in loss of revenue of Rs. 10.18 lakh to the Company. The Company needs to issue clear instructions and improve its monitoring system to watch implementation of its instructions. The PLEC should be recovered from the consumer and action taken against the officers for non recovery of PLEC.

The matter was referred to the Government and the Company in March 2009, their replies had not been received (September 2009).

3.16 Loss of revenue

The Company suffered loss of interest of Rs. 12.87 lakh due to delayed transfer of funds.

Instructions of erstwhile Haryana State Electricity Board, followed by the Company, for maintenance of bank accounts under banking agreements provide that moneys tendered by the Board's offices at various branches of the bank will be transferred to the branch maintaining account of the Board daily for credit to Board's account free of charges. Further 'Manual of Duties and Responsibilities' of various functionaries of the Company, for upkeep and maintenance of consumers' accounts, requires that Sub-divisional officer (SDO) should verify from the local branch of the bank that the amount remitted into collecting bank branch by his office has been credited to Company's account and transferred daily to main account of the Company at the Head office.

Audit noticed (November 2008) that revenue receipts aggregating Rs. 12.30 crore relating to collections made during the period from 1 November 2007 to 23 January 2008 had been deposited on the respective dates by SDO, Model Town Sub-division Panipat in the local branch of Punjab National Bank. The receipts were, however, credited by the bank to the bank maintaining main account of the Company on 24 January 2008 after a delay ranging between 2 and 79 days. This delayed transfer resulted in a loss of interest of Rs. 12.87 lakh*, worked out for delays beyond three days. The Company took no action against the bank for delayed credit of this amount into its main account.

Thus inaction of the Company to ensure compliance of its codal provisions and instructions for daily transfer of revenue receipts by the branch banks to its main account resulted in loss of interest of Rs. 12.87 lakh.

The Company should fix responsibility on its concerned officers for this lapse and recover this loss of interest from the bank.

The matter was referred to the Government and the Company in May 2009; their replies had not been received (September 2009).

Haryana Vidyut Prasaran Nigam Limited

3.17 Extra expenditure

The Company incurred extra expenditure of Rs. 17.73 lakh due to acceptance of delayed supply of ACSR Panther conductor without considering the lower prevailing market rates.

The Company placed (February 2006) an order on Prem Power Construction Private Limited for supply of equipment for turnkey construction of 66 KV D/C Tepla-Army (MES) –Air Force Transmission Line. As per terms of the purchase order, 212 kms ACSR panther conductor was to be supplied at ex-works price of Rs. 1,09,264 per km including excise duty, CST and all other taxes and duties. As per terms of purchase order the prices were variable as per Cable and Conductor Manufacturers Association of India (CACMAI) circulars with base price 30 days prior to opening of the bid and applicable rates as on 30 days prior to the offer of material for inspection. The total work of design, procurement, manufacture and supply of equipment was required to be completed within 12 months of signing of the contract i.e. by February 2007. The whole time directors of Company had decided (October 1994) that while accepting delayed supplies, the prevailing

* Interest worked out for the delayed credit at the rate of 11 *per cent* per annum being cash credit rate.

market rate of the material should be ascertained and compared with the rates of delayed supplies.

Audit noticed (November 2008) that the Company, while accepting (1 March 2008) delayed supply of 108.036 km ACSR panther conductor from Prem Power Construction Private Limited at final rate of Rs. 1,23,699 per km (after escalation) did not persuade the supplier to supply the conductor at the prevailing market rates of Rs. 1,04,990* per km resulting in extra expenditure of Rs. 17.73 lakh.

Thus, the Company incurred extra expenditure of Rs. 17.73 lakh due to acceptance of delayed supplies of ACSR panther conductor at a rate higher than the prevailing market rate.

In reply, the Company stated (August 2009) that decision of WTDs pertains to 1994 when the concept of turnkey projects was not in existence and this being a turnkey project, its rates cannot be compared with the rates of individual items. The reply is not convincing as the financial propriety requires the comparison of rates with the current market trends in case of acceptance of delayed supplies. The contention that rates of turnkey contract cannot be compared with the individual items was also not acceptable as turnkey rates are quoted in turnkey contracts and payments alongwith taxes and duties are made accordingly, which are very much comparable.

The Company should fix responsibility for incurring extra expenditure by not following its rules and regulations and ensure their compliance in future to safeguard financial interests.

The matter was referred to the Government in May 2009; the reply had not been received (September 2009).

Haryana Agro Industries Corporation Limited

3.18 Undue favour

Injudicious decision to allow less out turn ratio of rice on fair average quality paddy resulted in undue favour of Rs. 19.29 lakh to the millers.

The Company procures paddy as per specifications of Government of India (GOI) for Central pool and provides the same to the millers, who deliver rice to the Food

* The Company placed an order (December 2007) for procurement of 309 km ACSR panther conductor on Dynamic Cables Private Limited, Jaipur at a firm rate of Rs. 1,04,990 per km inclusive of excise duty, CST and freight and insurance charges.

Corporation of India (FCI) at the fixed out turn ratio[π] of paddy. The GOI conveyed (1 September 2005) uniform specifications of paddy and rice for Khariff Marketing Season (KMS) 2005-06 which were circulated (9 September 2005) to procuring agencies by the State Government. Before the commencement (1 October 2005) of procurement, the State Government approached (26 September 2005) the GOI for grant of relaxation in specifications of paddy/rice due to unprecedented and incessant rains during September 2005 to avoid distress sale of paddy by farmers.

Pending grant of relaxation in specifications, the company started procuring paddy of Fair Average Quality[*] (FAQ) as per specifications with effect from 1 October 2005. The GOI relaxed (6 October 2005) the specifications of paddy for procurement during 6 - 24 October 2005 and directed the procuring agencies to separately stock and account for procurements up to 5 October 2005, up to 24 October 2005 and thereafter. The State Government again approached (14 and 24 October 2005) the GOI for relaxation in specification of rice, for lower percentage of out turn ratio and extension in period beyond 24 October 2005 to cover the entire period of KMS 2005. The GOI decided (28 October 2005) to extend the relaxation in specifications up to 15 November 2005. The State Government again approached (28 November 2005) the GOI for relaxation of specifications of paddy/rice from 1 October 2005 to the end of KMS i.e. up to 31 December 2005. The GOI, however, agreed (5 December 2005) to allow relaxation during 1 - 5 October and extended the period up to 30 November 2005. Further the out turn ratio was reduced from 67 to 66 *per cent* for the paddy with relaxed specifications. As per relaxation, the financial burden on account of reduction in out turn ratio was to be shared equally by the State Government and GOI. The Company had procured 17,171 MT (14,160 MT during 1 - 5 October 2005 and 3,011 MT during 16 - 30 November 2005) paddy of FAQ and 2,02,509 MT paddy during 6 October to 15 November 2005 with relaxed specifications.

Audit observed that benefit of reduced out turn ratio to millers was extended even on FAQ paddy (17,171 MT) along with paddy procured with relaxed specifications, on the ground that Punjab had also given this benefit. The decision lacked justification as the Company had procured paddy during 1 - 5 October and 16 - 30 November 2005 as per specifications laid down by the GOI which had an out-turn ratio of 67 *per cent.*

Thus, injudicious decision to extend the benefit of reduced out turn ratio has resulted in undue favour of Rs. 19.29 lakh to the millers and resultant loss to the Company.

The matter was referred to the Government and the Company in March 2009; their replies had not been received (September 2009).

π Ratio between quantity of custom mill rice to quantity of corresponding paddy delivered to miller.

* FAQ means within specifications fixed by the Government of India.

Haryana Roadways Engineering Corporation Limited

3.19 Extra expenditure

The Company incurred extra expenditure of Rs. 11.50 lakh due to non-invoking of risk and cost clause.

The Company invited (October 2007) tenders for purchase of CFGI pipes of various sizes. Terms and conditions of the tender document provided, *inter alia,* that the offered rates were applicable for one year and successful bidder was to furnish bank guarantee equal to 10 *per cent* value of the order. Further, in case of delay/non supply, the material was to be purchased at the risk and cost of the defaulting firm. In response to tender notice, offers from three firms were received (November 2007). Since the rates of Rs. 113.22 per meter (size 40 x 40 x 2 mm), Rs. 144.85 per meter (size 60 x 40 x 2 mm) and Rs. 91.90 per meter (size 40 x 20 x 2 mm) quoted by Swastik Pipe Limited (firm) were lowest, the Company placed order for supply of 65,000 meters, 50,000 meters and 30,000 meters, respectively during February - April 2008 on this firm. The firm requested (February 2008) for revision in rates due to rising steel prices or to cancel the order. The Company instructed (March –April 2008) the firm to make the supply as per terms and conditions of tender duly accepted, otherwise material would be purchased at its risk and cost from other suppliers. The firm neither submitted bank guarantee nor supplied any material. To meet its requirements the Company, after inviting fresh tenders/quotations (May 2008) purchased 20,616 meter pipes valuing Rs. 38.40 lakh from other sources. However, risk and cost clause was not invoked against the defaulting firm and resultantly the extra expenditure of Rs. 11.50 lakh (after adjustment of Rs. 90,000 Earnest Money Deposit) could not be recovered.

Thus, the Company had to incur extra expenditure of Rs. 11.50 lakh due to non-invoking of risk and cost clause. The Company should lodge a claim against the firm under risk and cost clause and improve the monitoring system to ensure adherence to the tender clauses.

The matter was referred to the Government and the Company in June 2009; their replies had not been received (September 2009).

Haryana State Minor Irrigation and Tubewells Corporation Limited

3.20 Loss of revenue

The Company suffered loss of Rs. 16.81 lakh by keeping surplus funds in current/saving accounts.

The Government of Haryana released (June 2002) a loan of Rs. 76.65 crore to the Company on its closure in July 2002 for payment of retrenchment compensation and other dues. As the process of payment was very slow, the Company had been keeping funds in various banks in fixed deposits/saving and current accounts.

Audit observed that as per balances in the cash books the Company had kept the funds ranging between Rs. 16.36 lakh and Rs. 99.53 lakh per month in current accounts and Rs. 72.60 lakh to Rs. 1,040.67 lakh per month in savings accounts during April 2007 to June 2008. The Company could have earned more interest by investing these funds in FDRs on quarterly basis.

Management stated (June 2009) that sanctions for more than the funds available in bank accounts had been issued, for which the cheques were to be prepared. Further, considerable amount of funds remained in saving accounts. Reply of the Management lacks justification as the computation of loss of interest has been worked out after giving cushion of Rs. 10 lakh over and above all the cheques issued and after taking into account the interest earned on the saving accounts. Further, keeping the funds in quarterly fixed deposits would not have affected the payment liabilities of the Company as the deposits could have been encashed prematurely in case of need.

Thus, by not keeping the surplus funds in short term deposits the Company suffered loss of interest of Rs. 16.81 lakh after giving a cushion of Rs. 10 lakh and excluding the interest earned on saving accounts during April 2007 to June 2008, (calculated at the minimum quarterly interest rate of 8 *per cent* per annum) on the minimum average monthly balance in current/saving bank accounts during each quarter.

The Company should evolve a system to identify surplus funds and keep them in short term deposits so that financial interest of the Company could be safeguarded.

The matter was referred to the Government in April 2009; the reply had not been received (September 2009).

General

3.21 Follow up action on Audit Reports

Replies outstanding

3.21.1 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 2005-06 and 2007-08 were presented to the State Legislature in March 2007 and February 2009 respectively, two out of eight departments, which were commented upon, did not submit replies to 14 out of 50 paragraphs/reviews as on 30 September 2009 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
2005-06	2	22	-	3
2007-08	4	22	3	8
Total	**6**	**44**	**3**	**11**

Department-wise analysis is given in **Annexure 11.** The Power department was the major defaulter with regard to submission of replies. The Government did not respond to even reviews highlighting important issues like system failures, mismanagement and deficiencies in execution of various schemes.

Outstanding action taken notes on Reports of Committee on Public Undertakings (COPU)

3.21.2 Replies to 13 paragraphs pertaining to 8 Reports of the COPU presented to the State Legislature between March 2001 and March 2009 had not been received (September 2009) as indicated below:

Year of the COPU Report	Total number of Reports involved	No. of paragraphs where replies not received
2000-01	1	1
2002-03	2	2
2003-04	2	2
2005-06	1	1
2006-07	1	3
2008-09	1	4
Total	**8**	**13**

These reports of COPU contained recommendations in respect of paragraphs pertaining to four[@] departments, which appeared in the Reports of the Comptroller and Auditor General of India for the years 1995-96 to 2005-06.

Response to Inspection Reports, Draft Audit Paragraphs and Reviews

3.21.3 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 up to March 2009 revealed that 530 paragraphs relating to 194 Inspection Reports pertaining to 22 PSUs including Haryana Electricity Regulatory

[@] Power (eight), PWD (B&R) (one), Mines and Geology (three), Forest (one).

Commission remained outstanding at the end of 30 September 2009. Department-wise break up of Inspection Reports and audit observations outstanding as on 30 September 2009 is given in **Annexure 12.**

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Secretary of the Administrative Department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. However, 20 draft paragraphs and three reviews forwarded to the various departments during January to July 2009 as detailed in **Annexure 13** had not been replied to so far (30 September 2009).

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 the prescribed period; and (c) the system of responding to audit observations is revamped.

Sushama Dabak

Chandigarh
Dated 09 DEC 2009

(Sushama V. Dabak)
Principal Accountant General (Audit)
Haryana

Countersigned

V Rai

New Delhi
Dated 11 DEC 2009

(Vinod Rai)
Comptroller and Auditor General of India

ANNEXURES

Annexure-1

Statement showing particulars of up to date paid-up capital, loans outstanding and manpower as on 31 March 2009 in respect of Government companies and Statutory corporations.

(Referred to in paragraph 1.7)

(Figures in column 5 (a) to 6 (d) are Rupees in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up capital $				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	(7)	(8)
A. Working Government Companies													
AGRICULTURE & ALLIED													
1.	Haryana Agro Industries Corporation Limited (HAICL)	Agriculture	30 March 1967	2.54	1.60	-	4.14	-	-	0.82	0.82	0.20:1 (0.20:1)	251
2.	Haryana Land Reclamation and Development Corporation Limited (HLRDCL)	-do-	27 March 1974	1.37	-	0.19	1.56	-	-	-	-	-	196
3.	Haryana Seeds Development Corporation Limited (HSDCL)	-do-	12 September 1974	2.76	1.11	1.08 (0.10)	4.95 (0.10)	-	-	-	-	-	388
4.	Haryana Forest Development Corporation Limited (HFDCL)	Forest	7 December 1989	0.20	-	-	0.20	-	-	-	-	-	112
Sector wise Total				**6.87**	**2.71**	**1.27 (0.10)**	**10.85 (0.10)**			**0.82**	**0.82**	**0.08:1 (0.08:1)**	**947**
FINANCE													
5.	Haryana Scheduled Castes Finance and Development Corporation Limited (HSCFDCL)	Scheduled Castes and Backward Classes Welfare	2 January 1971	21.69	18.30	-	39.99	-	-	10.89	10.89.	0.27:1 (0.27:1)	201
6.	Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited (HBCEWSKNL)	-do-	10 December 1980	16.07 (6.12)	-	-	16.07 (6.12)	-	-	50.52	50.52	3.14:1 (3.30:1)	58
7.	Haryana Women Development Corporation Limited (HWCDL)	Women and Child Develop-ment	31 March 1982	15.51 (7.11)	1.10	-	16.61 (7.11)	-	-	-	-		69
Sector wise Total				**53.27 (13.23)**	**19.40**	-	**72.67 (13.23)**	-	-	**61.41**	**61.41**	**0.85:1 (0.81:1)**	**328**
INFRASTRUCTURE													
8.	Haryana State Industrial and Infrastructure Development Corporation Limited (HSIIDCL)	Industry	8 March 1967	70.69 (21.90)	-	-	70.69 (21.90)	-	-	156.02	156.02	2.21:1 (2.90:1)	611
9.	Haryana Police Housing Corporation Limited (HPHCL)	Home	29 December 1989	25.00	-	-	25.00	-	-	-	-	- (0.004:1)	172

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up capital $				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	(7)	(8)
10.	Haryana State Roads and Bridges Development Corporation Limited (HSRBDCL)	P W D (B&R)	13 May 1999	122.04	-	-	122.04	-	-	154.34	154.34	1.26:1 (3.58:1)	3
Sector Wise Total				**217.73 (21.90)**	**-**	**-**	**217.73 (21.90)**	**-**	**-**	**310.36**	**310.36**	**1.43:1 (2.92:1)**	**786**
POWER													
11.	Haryana Power Generation Corporation Limited (HPGCL)	Power	17 March 1997	2258.97 (2190.52)	-	145.00	2403.97 (2190.52)	-	20.56	4584.61	4605.17	1.92 : 1 (1.70 :1)	4579
12.	Haryana Vidyut Prasaran Nigam Limited (HVPNL)	-do-	19 August 1997	1011.78 (135.27)	-	-	1011.78 (135.27)	15.34	-	2685.30	2700.64	2.67:1 (2.73:1)	4704
13.	Uttar Haryana Bijli Vitran Nigam Limited[@] (UHBVNL)	-do-	15 March 1999	499.34 (109.63)	-	546.99	1046.33 (109.63)	56.34	-	4229.88	4286.22	4.10:1 (3.01:1)	11824
14.	Dakshin Haryana Bijli Vitran Nigam Limited [@] (DHBVNL)	-do-	15 March 1999	509.14 (140.00)	-	437.28	946.42 (140.00)	56.88	-	2124.85	2181.73	2.31:1 (1.47:1)	11625
15.	Yamuna Coal Company Private Limited (YCCPL)[r]	-do-	15 January 2009	-	-	0.10	0.10	-	-	-	-	-	-
Sector wise Total				**4279.23 (2575.42)**	**-**	**1129.37**	**5408.60 (2575.42)**	**128.56**	**20.56**	**13624.64**	**13773.76**	**2.55:1 (2.13:1)**	**32732**
SERVICES													
16.	Haryana Tourism Corporation Limited (HTCL)	Tourism and Public Relations	1 May 1974	20.19	-	-	20.19	-	-	-	-	-	2025
17.	Haryana Roadways Engineering Corporation Limited (HRECL)	Transport	27 November 1987	6.20 (0.20)	-	-	6.20 (0.20)	-	-	28.42	28.42	4.58:1 (10.48:1)	144
18.	Haryana State Electronics Development Corporation Limited (HSEDCL)	Electronics	15 May 1982	9.83 (0.30)	-	-	9.83 (0.30)	-	-	-	-	-	265
19.	Hartron Informatics Limited (HIL) [@]	-do-	8 March 1995	-	-	0.50	0.50	-	-	-	-	-	-
Sector wise Total				**36.22 (0.50)**	**-**	**0.50**	**36.72 (0.50)**	**-**	**-**	**28.42**	**28.42**	**0.77:1 (1.52:1)**	**2434**
MISCELLANEOUS													
20.	Haryana Minerals Limited (HML) [@]	Mining and Geology	2 December 1972	-	-	0.24	0.24	-	-	-	-	-	-
Sector wise Total						**0.24**	**0.24**	**-**	**-**	**-**	**-**	**-**	**-**
Total A (All sector wise working Government companies)				**4593.32 (2611.05)**	**22.11**	**1131.38 (0.10)**	**5746.81 (2611.15)**	**128.56**	**20.56**	**14025.65**	**14174.77**	**2.47:1 (2.14:1)**	**37227**

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up capital $				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	(7)	(8)
B .Working Statutory Corporations													
AGRICULTURE & ALLIED													
1.	Haryana Warehousing Corporation (HWC)	Agriculture	1 November 1967	2.92	-	2.92	5.84	-	-	5.85	5.85	1:1 (0.97:1)	850
Sector wise Total				**2.92**	**-**	**2.92**	**5.84**	**-**	**-**	**5.85**	**5.85**	**1:1 (0.97:1)**	**850**
FINANCE													
2.	Haryana Financial Corporation (HFC)	Industry	1 April 1967	179.90	-	5.65	185.55	-	-	249.33	249.33	1.34:1 (2.60:1)	254
Sector wise Total				**179.90**	**-**	**5.65**	**185.55**	**-**	**-**	**249.33**	**249.33**	**1.34:1 (2.60:1)**	**254**
Total B (All Sector Wise Working Statutory Corporation)				**182.82**	**-**	**8.57**	**191.39**	**-**	**-**	**255.18**	**255.18**	**1.33:1 (2.51:1)**	**1104**
Grand Total(A+B)				**4776.14 (2611.05)**	**22.11**	**1139.95 (0.10)**	**5938.20 (2611.15)**	**128.56**	**20.56**	**14280.83**	**14429.95**	**2.43:1 (2.15:1)**	**38331**
C. Non Working Government Companies													
AGRICULTURE & ALLIED													
1.	Haryana State Minor Irrigation and Tube wells Corporation Limited (HSMITCL)	Agriculture	9 January 1970	10.89	-	-	10.89	-	-	-	-	-	3
Sector wise Total				**10.89**	**-**	**-**	**10.89**	**-**	**-**	**-**	**-**	**-**	**3**
FINANCE													
2.	Haryana State Housing Finance Corporation Limited (HSHFCL)	Industry	19 June 2000	-	-	-	-	-	-	-	-	-	-
INFRASTRUCTURE													
3.	Haryana Concast Limited @	-do-	29 November 1973	2.90	-	3.95	6.85	1.39	-	2.30	3.69	0.54:1 (0.54:1)	-
Sector wise Total				**2.90**	**-**	**3.95**	**6.85**	**1.39**	**-**	**2.30**	**3.69**	**0.54:1 (0.54:1)**	**-**
MANUFACTURING													
4.	Haryana Tanneries Limited (HTL)	Industry	12 September 1972	1.17	-	0.18	1.35	2.53	-	1.05	3.58	2.65:1 (2.65:1)	-
Sector wise Total				**1.17**	**-**	**0.18**	**1.35**	**2.53**	**-**	**1.05**	**3.58**	**2.65:1 (2.65:1)**	**-**

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up capital $				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	(7)	(8)
SERVICES													
5.	Haryana State Handloom and Handicrafts Corporation Limited (HSHHCL)	Industry	20 February 1976	2.65	0.30	-	2.95	-	-	-	-	-	-
6.	Haryana State Small Industries and Export Corporation Limited (HSSIECL)	-do-	19 July 1967	1.81	0.10		1.91	8.91	-	-	8.91	4.66:1 (4.81:1)	7
Sector wise Total				**4.46**	**0.40**		**4.86**	**8.91**	**-**	**-**	**8.91**	**1.83:1 (1.90:1)**	**7**
Total C (All Sector Wise Non Working Government Companies				**19.42**	**0.40**	**4.13**	**23.95**	**12.83**	**-**	**3.35**	**16.18**	**0.68:1 (4.76:1)**	**10**
Grande Total (A+B+C)				**4795.56**	**22.51**	**1144.08 (0.10)**	**5962.15 (2611.15)**	**141.39**	**20.56**	**14284.18**	**14446.13**	**2.42:1 (2.16:1)**	**38341**

Note: As none of the companies has finalised their accounts for 2008-09 figures are provisional and are as given by the companies/corporations.
Figures in brackets in column 5(a) to 5(d) indicate share application money.

$ Paid up capital includes share application money.

@ Subsidiary company

** Loans outstanding at the close of 2008-09 represent long-term loans only.

ϒ The Company at serial no. A15 is a 619 B Company.

Annexure-2

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

(Referred to in paragraph 1.15 and 1.50)

(Figures in columns 5(a) to 6 and 8 to 10 are Rupees in crore)

Sl. No.	Sector and name of the Company	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss (-)				Turnover	Net impact of Audit comments	Paid-up capital	Accumulated profit (+)/ loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net profit/ loss before Interest & Depreciation	Interest	Depreciation	Net profit/ loss							
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. Working Government Companies														
AGRICULTURE & ALLIED														
1.	HAICL	2007-08	2008-09	(+) 17.63	15.35	0.31	(+) 1.97	606.84	-	4.14	(+) 33.00	(+) 220.97	(+) 17.32	7.84
2.	HLRDCL	2007-08	2008-09	(+) 0.70	0.17	0.26	(+) 0.27	60.85	Nil	1.56	(+) 7.76	(+) 12.50	(+) 0.44	3.52
		2008-09	2009-10	(+) 0.91	0.16	0.32	(+) 0.43	76.14	(-) 2.16	1.56	(+) 8.23	(+) 13.65	(+) 0.59	4.32
3.	HSDCL	2008-09	2009-10	(+) 2.06	1.06	0.73	(+) 0.27	57.55	Under finalisation	4.95	(+) 5.85	(+) 21.40	(+) 1.33	6.21
4.	HFDCL	2003-04	2008-09	(+) 1.35	-	0.05	(+) 1.30	12.05	-	0.20	(+) 10.53	(+) 10.74	(+) 1.30	12.10
		2004-05	2009-10	(+) 0.87	-	0.05	(+) 0.82	11.57	Nil	0.20	(+) 11.31	(+) 11.52	(+) 0.82	7.12
Sector Wise Total				**(+) 21.47**	**16.57**	**1.41**	**(+) 3.49**	**752.10**	**(-) 2.16**	**10.85**	**(+) 58.39**	**(+) 267.54**	**(+) 20.06**	**7.50**
FINANCE														
5.	HSCFDCL	2004-05	2008-09	(-) 0.23	0.23	0.05	(-) 0.51	3.68	Nil	29.82	(-) 3.03	(+) 56.46	(-) 0.28	-
6.	HBCEWSKNL	2003-04	2008-09	(-) 0.04	0.85	0.01	(-) 0.90	0.69	(-) 2.79	9.46	(-) 5.99	(+) 26.91	(-) 0.05	-
7.	HWCDL	2006-07	2008-09	(+) 0.10	-	0.02	(+) 0.08	0.27	-	13.58	(+) 0.15	(+) 14.65	(+) 0.08	0.55
Sector Wise Total				**(-) 0.17**	**1.08**	**0.08**	**(-) 1.33**	**4.64**	**(-) 2.79**	**52.86**	**(-) 8.87**	**(+) 98.02**	**(-) 0.25**	**-**
INFRASTRUCTURE														
8.	HSIIDCL	2007-08	2008-09	(+) 51.56	6.62	1.16	(+) 43.78	90.25	(-) 14.96	70.69	(+) 77.28	(+) 962.22	(+) 50.40	5.24
		2008-09	2009-10	(+) 68.24	6.33	1.21	(+) 60.70	78.47	Under finalisation	70.69	(+) 121.05	(+) 1000.31	(+) 67.03	6.70
9.	HPHC	2007-08	2008-09	(+) 0.48	0.05	0.22	(+) 0.21	67.95	Nil	25.00	(+) 0.16	(+) 39.91	(+) 0.26	0.53
10.	HSRBDCL	2006-07	2008-09	(+) 46.19	28.43	42.79	(-) 25.03	46.49	(-) 11.22	113.70	(-) 66.64	(+) 382.18	(+) 3.40	0.89
Sector Wise Total				**(+) 114.91**	**34.81**	**44.22**	**(+) 35.88**	**192.91**	**(-) 26.18**	**209.39**	**(+) 54.57**	**(+) 1422.40**	**(+) 70.69**	4.97
POWER														
11.	HPGCL	2007-08	2008-09	(+) 664.03	380.86	277.47	(+)5.70	7040.04	(-) 83.08	1853.17	(-)168.26	(+) 6522.19	(+) 386.56	5.93
12.	HVPNL	2008-09	2008-09	(+) 322.27	199.81	61.95	(+)60.51	867.48	Under finalisation	1011.78	(-) 22.09	(+) 2439.49	(+)260.32	10.67
13.	UHBVNL	2007-08	2008-09	(-) 282.36	140.95	108.13	(-)531.44	3545.26	(-) 100.62	936.70	(-)1559.95	(+) 2399.36	(-)390.49	-
		2008-09	2008-09	(-)687.50	342.38	77.66	(-)1107.54	4779.09	Under finalisation	1046.33	(-)2778.32	(+) 2785.55	(-)765.16	-

Sl. No.	Sector and name of the Company	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss (-)				Turnover	Net impact of Audit comments	Paid-up capital	Accumulated profit (+)/ loss (-)	Capital employed[@]	Return on capital employed[$]	Percentage return on capital employed
				Net profit/ loss before Interest & Depreciation	Interest	Depreciation	Net profit/ loss							
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
14.	DHBVNL	2008-09	2008-09	(+) 11.06	179.74	97.01	(-)265.69	4513.13	Under finalisation	946.42	(-)1260.98	(+) 2109.24	(-)85.95	-
15.	YCCPL	Accounts not yet finalised.												
Sector wise total				**(+)309.86**	**1102.79**	**514.09**	**(-)1307.02**	**17199.74**	**(-) 183.70**	**4857.70**	**(-)4229.65**	**(+)13856.47**	**(-)204.23**	**-**
SERVICES														
16	HTCL	2005-06	2008-09	(+) 5.17	-	1.95	(+) 3.22	133.88	Nil	19.86	(+) 8.40	(+) 32.59	(+) 3.22	9.88
17	HRECL	2007-08	2009-10	(+) 6.30	5.62	0.46	(+) 0.22	19.20	Under finalisation	5.00	(+) 2.13	(+) 60.41	(+) 5.84	9.67
18	HSEDCL	2006-07	2008-09	(+) 4.57	-	0.40	(+) 4.17	29.28	Nil	8.82	(+) 10.71	(+) 22.23	(+) 4.17	18.76
		2007-08	2009-10	(+) 8.66	-	0.55	(+) 8.11	31.07	Nil	8.83	(+) 18.82	(+) 30.43	(+) 8.11	26.65
		2008-09	2009--10	(+)9.63	-	0.47	(+)9.16	42.97	Under Audit	9.83	(+)27.98	(+)39.34	(+)9.16	23.28
19	HIL	2007-08	2008-09	(+) 0.71	-	0.01	(+) 0.70	7.93	Nil	0.50	(+) 1.47	(+) 1.93	(+) 0.70	36.27
		2008-09	2009-10	(+)0.85	-	-	(+)0.85	9.59	Non review certificate	0.50	(+)2.32	(+)2.79	(+)0.85	30.47
Sector Wise Total				**(+) 21.95**	**5.62**	**2.88**	**(+) 13.45**	**205.64**		**35.19**	**(+) 40.83**	**(+) 135.13**	**(+) 19.07**	**14.11**
MISCELLANEOUS														
20	HML	2006-07	2007-08	(-) 0.10	0.10	-	(-) 0.20	-	Non review certificate	0.24	(-) 10.01	(-) 2.18	(-) 0.10	-
Sector Wise Total				**(-) 0.10**	**0.10**	**-**	**(-) 0.20**	**-**		**0.24**	**(-) 10.01**	**(-) 2.18**	**(-) 0.10**	**-**
Total A (All sector wise working Government companies)				**(+) 467.92**	**1160.97**	**562.68**	**(-) 1255.73**	**18355.03**	**(-) 214.83**	**5166.23**	**(-) 4094.74**	**(+)15777.38**	**(-)94.76**	**-**
B. Working Statutory Corporations														
AGRICULTURE & ALLIED														
1	HWC	2007-08	2009-10	(+) 10.89	0.32	2.34	(+) 8.23	40.46	(-) 2.77	5.84	-	(+) 331.82	(+) 8.55	2.58
Sector Wise Total				**(+) 10.89**	**0.32**	**2.34**	**(+) 8.23**	**40.46**	**(-) 2.77**	**5.84**	**-**	**(+) 331.82**	**(+) 8.55**	**2.58**
FINANCE														
2	HFC	2008-09	2009-10	(+) 24.09	23.14	0.84	(+) 0.11	28.55	Under finalisation	185.55	(-) 130.81	(+) 424.16	(+) 23.25	5.48
Sector Wise Total				**(+) 24.09**	**23.14**	**0.84**	**(+) 0.11**	**28.55**	**-**	**185.55**	**(-) 130.81**	**(+) 424.16**	**(+) 23.25**	**5.48**
Total B (All sector wise working Statutory corporations)				**(+) 34.98**	**23.46**	**3.18**	**(+) 8.34**	**69.01**		**191.39**	**(-) 130.81**	**(+) 755.98**	**(+) 31.80**	**4.21**
Grand Total (A+B)				**(+)502.90**	**1184.43**	**565.86**	**(-) 1247.39**	**18424.04**	**(-) 217.60**	**5357.62**	**(-)4225.55**	**(+) 16533.36**	**(-)62.96**	

Sl. No.	Sector and name of the Company	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss (-)				Turnover	Net impact of Audit comments	Paid-up capital	Accumulated profit (+)/ loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net profit/ loss before Interest & Depreciation	Interest	Deprecia-tion	Net profit/ loss							
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
C. Non Working Government Companies														
AGRICULTURE & ALLIED														
1	HSMITCL	2004-05	2008-09	(-) 1.36	10.16	0.12	(-) 11.64	-	(-) 10.37	10.89	(-) 219.20	(-) 74.43	(-) 1.48	-
		2005-06	2008-09	(+) 0.85	10.16	0.09	(-) 9.40	-	-	10.89	(-) 228.59	(-) 73.67	(+) 0.76	-
		2006-07	2009-10	(-) 13.00	10.16	0 .07	(-) 23.23	-	-	10.89	(-) 251.82	(-) 86.73	(-) 13.07	-
Sector Wise Total				**(-) 13.00**	**10.16**	**0 .07**	**(-) 23.23**		**(-) 10.37**	**10.89**	**(-) 251.82**	**(-) 86.73**	**(-) 13.07**	
FINANCE														
2	HSHFCL	Ended 31 Aug 2001	2003-04	-	-	-	-	-	Not reviewed	-	-	-	-	-
Sector Wise Total														
INFRASTRUCTURE														
3	HCL	1997-98	1998-99	(-) 2.85	4.40	0.72	(-) 7.97	-	-	6.85	(-) 27.18	(+) 9.40	(-) 3.57	-
Sector Wise Total				**(-) 2.85**	**4.40**	**0.72**	**(-) 7.97**			**6.85**	**(-) 27.18**	**(+) 9.40**	**(-) 3.57**	
MANUFACTURING														
4	HTL	2007-08	2008-09	-	-	-	-	-	Nil	1.35	(-) 10.57	(-) 0.40	-	-
		2008-09	2009-10	-	-	-	-	-	Not reviewed	1.35	(-) 10.57	(-) 0.40	-	-
Sector Wise Total				**-**	**-**	**-**	**-**	**-**		**1.35**	**(-) 10.57**	**(-) 0.40**	**-**	**-**
SERVICES														
5	HSHHCL	2006-07	2009-10	(-) 0.02	0.14	-	(-) 0.16	0.08	Nil	2.95	(-) 5.84	(+) 0.88	(-) 0.02	-
6	HSSIECL	2007-08	2009-10	(+) 0.20	1.06	--	(-) 0.86	-	Nil	1.91	(-) 22.75	(-) 10.01	(+) 0.20	--
Sector Wise Total				**(+) 0.18**	**1.20**	**-**	**(-) 1.02**	**-**	**-**	**4.86**	**(-) 28.59**	**(-) 9.13**	**(+) 0.18**	
Total C (All sector wise non working Government companies)				**(-) 15.67**	**15.76**	**0.79**	**(-) 32.22**	**0.08**	**(-) 10.37**	**23.95**	**(-) 318.16**	**(-) 86.86**	**(-) 16.46**	**-**
Grand Tatal (A+B+C)				**(+) 487.23**	**1200.19**	**566.65**	**(-) 1279.61**	**18424.12**	**(-) 227.97**	**5381.57**	**(-) 4543.71**	**(+)16446.50**	**(-)79.42**	

@ 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).

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

Annexure 3

Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantees commitment at the end of March 2009

(Referred to in paragraph 1.10)

(Figures in column 3(a) to 6 (d) are Rupees in crore)

Sl. No.	Sector and name of the Company	Equity/ loan received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year[@]		Waiver of dues during the year			
		Equity	Loan	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/penal interest waived	Total
(1)	(2)	3(a)	3(b)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	6(a)	6(b)	6(c)	6(d)
A. Working Government Companies													
AGRICULTURE & ALLIED													
1.	HAICL	-	-	-	0.90	-	0.90	-	15.00	-	-	-	-
2.	HLRDCL	-	-	9.28	2.50	-	11.78	-	-	-	-	-	-
3.	HSDCL	-	-	0.67	5.38	-	6.05	-	-	-	-	-	-
Sector wise Total				**9.95**	**8.78**		**18.73**		**15.00**				
FINANCE													
4.	HSCFDCL	1.40		10.46	3.85	-	14.31	2.91	10.89	-	-	-	-
5.	HBCEWSKNL	2.42	-	-	1.10 0.03 Ψ	-	1.10 0.03 Ψ	10.00	60.00	-	-	-	-
6.	HWCDL	0.70	-	-	1.00	-	1.00	-	-	-	-	-	-
Sector wise Total		**4.52**	**-**	**10.46**	**5.95** **0.03 Ψ**		**16.41** **0.03 Ψ**	**12.91**	**70.89**				
INFRASTRUCTURE													
7.	HSIIDCL	-	-	-	- 35.07 Ψ	-	- 35.07 Ψ	-	50.00	-	-	-	-
8.	HPHCL	-	-	-	- 4.85 Ψ	-	- 4.85 Ψ	-	6.52	-	-	-	-
9.	HSRBDCL	8.34	-	-	-	-	-	-	560.78	-	-	-	-
Sector wise Total		**8.34**			**-** **39.92 Ψ**	**-**	**-** **39.92 Ψ**	**-**	**617.30**				
POWER													
10.	HPGCL	470.80	-	-	-	-	-	-	382.62	-	-	-	-
11.	HVPNL	109.63	-	-	-	-	-	7.92	1244.16	-	-	-	-
12.	UHBVNL	135.27	-	2.95	1715.93	-	1718.88	-	38.96	-	-	-	-
13.	DHBVNL	140.00	-	-	1192.37	-	1192.37.	-	31.13	-	-	-	-
Sector wise Total		**855.70**	**-**	**2.95**	**2908.30**	**-**	**2911.25**	**7.92**	**1696.87**				

Sl. No.	Sector and name of the Company	Equity/ loan received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year[@]		Waiver of dues during the year			
		Equity	Loan	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/penal interest waived	Total
(1)	(2)	3(a)	3(b)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	6(a)	6(b)	6(c)	6(d))
SERVICES													
14.	HTCL	-	-	- 6.62 Ψ	- 8.31Ψ	- 0.34 Ψ	- 15.27 Ψ	-	-	-	-	-	-
15.	HRECL	1.20	-	-	-	-	-	-	30.84	-	-	-	-
16.	HSEDCL	1.00	-	-	- 1.40 Ψ	-	- 1.40 Ψ	-	-	-	-	-	-
Sector wise Total		**2.20**		**- 6.62Ψ**	**- 9.71 Ψ**	**- 0. 34 Ψ**	**- 16.67 Ψ**	**-**	**30.84**				
Total A (All sector wise working Government companies)		**870.76**	-	**23.36 6.62 Ψ**	**2923.03 49.66 Ψ**	**- 0.34 Ψ**	**2946.39 56.62 Ψ**	**20.83**	**2430.90**	-	-	-	
B. STATUTORY CORPORATIONS													
AGRICULTURE & ALLIED													
1.	HWC	-	-	-	3.00	-	3.00	503.68	224.64	-	-	-	-
Sector wise Total					**3.00**	-	**3.00**	**503.68**	**224.64**				
FINANCE													
2.	HFC	80.88	-	-	-	0.67	0.67	-	123.82	-	-	-	-
Sector wise Total		**80.88**	**-**	**-**	**-**	**0.67**	**0.67**	**-**	**123.82**	**-**	**-**	**-**	**-**
Total B		**80.88**	**-**	**-**	**3.00**	**0.67**	**3.67**	**503.68**	**348.46**	**-**	**-**	**-**	**-**
Grand Total (A+B)		**951.64**	**-**	**23.36 6.62 Ψ**	**2926.03 49.66 Ψ**	**0.67 0.34 Ψ**	**2950.06 56.62 Ψ**	**524.51**	**2779.36**				

Note: Except in respect of companies/corporations, which finalised their accounts for 2008-09 figures are provisional and as given by the companies/corporations.

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

Ψ Represents grants received.

Annexure-4
Statement showing investments made by State Government in PSUs whose accounts are in arrear

(Referred to in paragraph 1.38)

(Rupees in crore)

Name of the PSU	Year upto which accounts finalised	Paid up capital as per latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears				
			Year	Equity	Loan	Grants	Others to be specified (subsidy)
Working Companies							
Haryana Agro Industries Corporation Limited	2007-08	4.14	2008-09	-	-	-	0.90
Haryana Forest Development Corporation Limited	2004-05	0.20	2005-06	-	-	-	-
			2006-07	-	-	-	-
			2007-08	-	-	-	-
			2008-09	-	-	-	-
Haryana Scheduled Castes Finance and Development Corporation Limited	2004-05	29.82	2005-06	1.20	-	-	5.92
			2006-07	1.50	-	-	3.39
			2007-08	1.65	-	-	3.38
			2008-09	1.40	-	-	3.85
Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited	2003-04	9.46	2004-05	0.50	-	-	0.36
			2005-06	1.20	-	-	1.00
			2006-07	1.50	-	-	1.16
			2007-08	1.00		2.86	1.00
			2008-09	2.42	-	0.03	1.10
Haryana Women Development Corporation Limited	2006-07	13.58	2007-08	2.33	-	-	1.94
			2008-09	0.70	-	-	1.00
Haryana Police Housing Corporation Limited	2007-08	25.00	2008-09	-	-	4.85	-
Haryana State Roads and Bridges Development Corporation Limited	2006-07	113.70	2007-08	-	-	-	-
			2008-09	8.34	-	-	-
Haryana Power Generation Corporation Limited	2007-08	25.00	2008-09	470.80	-	-	-
Haryana Tourism Corporation Limited	2005-06	19.86	2006-07	-	-	7.28	-
			2007-08	0.33	-	13.83	-
			2008-09	-	-	8.31	-
Haryana Roadways Engineering Corporation	2007-08	5.00	2008-09	1.20	-	-	-
Haryana Minerals Limited	2006-07	0.24	2007-08	-	-	-	-
			2008-09	-	-	-	-
Working Statutory Corporation							
Haryana Warehousing Corporation	2007-08	5.84	2008-09	-	-	-	3.00
Non Working Companies							
Haryana State Minor Irrigation and Tubewells Corporation Limited	2006-07	10.89	2007-08	-	-	-	-
			2008-09	-	-	-	-

Name of the PSU	Year upto which accounts finalised	Paid up capital as per latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears				
			Year	Equity	Loan	Grants	Others to be specified (subsidy)
Haryana Concast Limited	1997-98	6.85	1998-99 onwards	Under liquidation	-	-	-
Haryana State Handloom and Handicrafts Corporation Limited	2006-07	2.95	2007-08	-	-	-	-
			2008-09	-	-	-	-
Haryana State Small Industries and Export Corporation Limited	2007-08	1.91	2008-09	-	-	-	-
Total		**274.44**		**496.07**	-	**37.16**	**28.00**

Annexure–5
Statement showing financial position of Statutory corporations
(Referred to in paragraph 1.15)

1. Haryana Financial Corporation

	Particulars	2006-07	2007-08	2008-09
		(Rupees in crore)		
A.	**Liabilities**			
	Paid-up capital	38.92	104.68	185.55
	Share application money	-	-	
	Reserve fund and other reserves and surplus	16.53	16.53	16.53
	Borrowings:			
(i)	Bonds and debentures	51.45	51.45	49.67
(ii)	Fixed deposits	-	-	
(iii)	Industrial Development Bank of India and Small Industries Development Bank of India	149.37	186.77	199.66
(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)	39.87	37.48	-
	Other liabilities and provisions	198.12	111.68	107.18
	Total A	**494.26**	**508.59**	**558.59**
B.	**Assets**			
	Cash and Bank balances	5.50	20.96	15.73
	Investments	6.32	70.77	150.51
	Loans and Advances	301.86	225.80	206.84
	Net Fixed assets	15.13	15.21	14.53
	Other assets	10.47	10.16	9.37
	Miscellaneous expenditure and deficit	154.98	132.19	130.81
	Deffered Tax Asset	-	33.50	30.80
	Total B	**494.26**	**508.59**	**558.59**
C.	**Capital employed***	**298.99**	**346.52**	**424.16**

* 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	2005-06	2006-07	2007-08
		(Rupees in crore)		
A.	**Liabilities**			
	Paid-up capital	5.84	5.84	5.84
	Reserves and surplus	285.56	317.06	321.43
	Borrowings:			
	Government	-	-	-
	Others	4.88	3.60	2.40
	Trade dues and current liabilities (including provisions)	67.63	53.91	70.66
	Deferred tax	2.15	2.15	2.15
	Total-A	**366.06**	**382.56**	**402.48**
B.	**Assets**			
	Gross block	109.92	112.30	119.33*
	Less: Depreciation	25.94	28.13	30.46
	Net Fixed assets	83.98	84.17	88.87
	Capital works-in-progress	0.34	1.75	0.45
	Current assets, loans and advances	281.74	296.64	313.16
	Total B	**366.06**	**382.56**	**402.48**
C.	**Capital employed$**	**298.36**	**328.65**	**331.82**

* Including polythen covers of Rs. 0.28 crore.

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

Annexure-6
Statement showing working results of Statutory corporations
(Referred to in paragraph 1.15)

1. Haryana Financial Corporation

	Particulars	2006-07	2007-08	2008-09
			(Rupees in crore)	
1.	Income			
(a)	Interest on loans	33.79	27.75	28.55
(b)	Other income	3.02	1.24	6.06
	Total-1	**36.81**	**28.99**	**34.61**
2.	Expenses			
(a)	Interest on long-term and short-term loans	21.50	25.81	23.14
(b)	Other expenses	8.94	106.03	11.36
	Total-2	**30.44**	**131.84**	**34.50**
3.	Profit (+)/loss (-) before tax (1-2)	(+) 6.37	(-) 102.85	(+) 0.11
4.	Provision for tax	-	118.47	
5.	Other appropriations	-	-	-
6	Provision for non-performing assets	-	-	-
7.	Amount available for dividend	-	-	-
8.	Dividend paid/payable	-	-	-
9.	Total return on Capital employed	27.86	(-) 77.04	(+) 23.25
10.	Percentage of return on capital employed	9.32		5.48

2. Haryana Warehousing Corporation

	Particulars	2005-06	2006-07	2007-08
			(Rupees in crore)	
1.	Income			
(a)	Warehousing charges	29.94	36.08	40.46
(b)	Other income	35.72	23.28	22.09
	Total-1	**65.66**	**59.36**	**62.55**
2.	Expenses			
(a)	Establishment charges	10.03	10.35	11.54
(b)	Other expenses	15.86	17.56	42.78
	Total-2	**25.89**	**27.91**	**54.32**
3.	Profit (+)/Loss(-) before tax (1-2)	39.77	31.45	8.23
4.	Prior period adjustments	-	-	--
5.	Other appropriations	38.44	31.45	8.23
6.	Amount available for dividend	1.33	-	
7.	Dividend for the year	1.33	-	
8.	Total return on capital employed	39.77	31.45	8.55*
9.	Percentage of return on capital employed	13.33	9.57	2.58

* this includes interest paid amounting to Rs. 0.32 crore.

Annexure – 7
Statement showing details of pending works
(Referred to in paragraph 2.1.23)

Sl. No.	Name of work	Schedule date of start	Date of scheduled completion	Status as on 31 March 2009
1	Electrification of railway siding	04.10.2004	28.08.2007	The work is to be got executed from Railways as deposit work at the risk and cost of REL. An amount of Rs.7.79 crore had been deposited with Railways on 12.09.2008 and recovered from the REL. The work of sub – station and Traction supply has been awarded by the Divisional Railway Manager, Ambala. The work regarding overhead electric traction had not started so far.
2	Illumination of marshalling yard lighting	04.10.2004	28.08.2007	The work is to be got executed at the risk and cost of REL. NIT was issued (29.12.2008) and the work had not been awarded.
3	Commissioning of fly ash system	01.12.2004	19.09.2007	Civil work of Silo 1 & 2 has been completed but the electrical & mechanical work had not been completed.
4	Coal Handling Plant	01.11.2004	05.10.2007	The coal analyser and other pending works of CHP had not been completed upto 31.03.2009.
5	Commissioning of elevators for boiler area	05.05.2005	30.01.2007	The elevators of Boiler & Crusher House have not been commissioned as yet.
6	Ash dyke -2	01.03.2005	20.08.2007	The work of Ash dyke-2 has slowed down due to rise in ground water table. REL had been requested to carry out the balance of work by keeping the bed level of Ash dyke-2 at EL-266 m instead of 265.5 m and this work had not yet been completed.
7	Roads and drains	19.08.2005	30.09.2007	Work was in progress.
8	Landscaping	29.07.2005	31.12.2007	Work was in progress.

Annexure – 8
Statement showing details of pending finalisation of PG Test
(Referred to in paragraph 2.1.23)

Sl. No.	Tests	Date of submission of report	Under review with Consultants /Review Consultants
A	**BTG* Package**		
1.	PG Test of Steam Generator	Revised Report submitted on 06.03.2009	Consultants
2.	PG Test of Turbine		
3.	PG Test of Aux. Power consumption	Complete report yet to be submitted	
4.	PG Test for ESP#	Unit –I 07.03.2009 Unit –II 06.03.2009	Consultants
B	**BOP** Package**		
1.	PG Test of Air Conditioning System	05.11.2008	Consultants & Review Consultants
2.	PG Test of Ventilation System	05.11.2008	Consultants & Review Consultants
3.	Demo Test of Compressed Air System	23.02.2009	Consultants & Review Consultants
4.	PG Test of Coal Handling Plant	09.03.2009	Consultants & Review Consultants
5.	Demo Test of Fire Protection System	25.09.2009	Consultants & Review Consultants
6.	PG Test of pre treatment Plant	06.09.2008 (submitted to CE/DCRTPP)	Consultants & Review Consultants
7.	PG Test of DM Plant	06.09.2008 (submitted to CE/DCRTPP)	Consultants & Review Consultants
8.	PG Test of Vertical Pumps	26.11.2008	CE/RGTPP
9.	Demo Test of Chlorination System	18.06.2008 (forwarded to CE/Projects)	Consultants & Review Consultants
10.	PG Test of Misc. Horizontal Pumps	19.02.2009	Consultants & Review Consultants
11.	Demo Test of Chlorination Water Treatment Plant	16.02.2009	Consultants & Review Consultants
12.	PG Test of Fuel oil Handling Plant	17.06.2008	Consultants & Review Consultants
13.	PG Test of Ash Handling Plant (Wet System)	16.02.2009	Consultants & Review Consultants
14.	PG /Demo Test for Waste Water Treatment Plant	19.02.2009	Consultants & Review Consultants
15.	PG Test of Natural Draft Cooling Towers	17.02.2009	Report yet to be submitted

* Boiler turbine generator.
\# Electrostatic Precipitator.
** Balance of plant.

Annexure-9
Statement showing details of complexes test checked in audit
(Referred to in the paragraph 2.2.2)

Sl. No.	Name of complex	Activities undertaken
1	Badkhal lake, Faridabad	Motel, Restaurant, Bar and Conference hall
2	Hermitage huts, Surajkund	Motel, Restaurant and Conference hall.
3	Hotel Rajhans, Surajkund	Hotel, Restaurant, Bar, Conference hall and health club.
4	Karna lake, Karnal	Motel, Restaurant, Bar, Golf course, Boating and Conference hall.
5	Red Bishop, Panchkula	Motel, Restaurant, Bar and Conference hall.
6	Sunbird motels + Lakeview huts, Surajkund	Motel, Restaurant, Bar and Conference hall.
7	Aravali Golf course, Faridabad	Motel, Restaurant, Bar, Golf course and Conference hall.
8	Grey Pelican, Yamunanagar	Motel, Restaurant and Bar.
9	Papiha, Fetehabad	Motel, Restaurant and Bar.
10	Surkhab, Sirsa	Motel, Restaurant, Bar and Conference hall.
11	Yadavindra Gardens, Pinjore	Motel, Restaurant, Bar, Lease shops and Conference Hall.
12	Oasis, Karnal	Motel, Restaurant, Bar, Lease shops, Urban haat, L-1 and Petrol pump.
13	Tilyar lake, Rohtak	Motel, Restaurant, Bar, Fast food centre, Petrol pump, Leasing shops and Conference hall.
14	Mountain Quail Morni hills, Panchkula	Motel, Restaurant, Bar, Boating, Camping sites and Conference hall.
15	Anjan Yatrika, Pehowa	Motel, Restaurant, Bar and Petrol pump
16	Bulbul, Jind	Motel, Restaurant, Bar and Conference hall.
17	Ottu, Sirsa	Accommodation and pantry.
18	Jatayu Yatrika Mata Mansa Devi, Panchkula	Motel and Restaurant.
19	Mehrauli Nursery, Delhi	Nursery

Annexure-10
Statement showing financial position and working result of Haryana Tourism Corporation Limited for the four years up to 2007-08

(Referred to in the paragraph 2.2.7)

Particulars	2004-05	2005-06	2006-07♦	2007-08♦
A. Liabilities		**(Rupees in lakh)**		
Paid up capital	1,858.43	1,985.61	1,985.61	2,018.86
Reserves & Surplus	750.17	1,073.41	1,612.94	2,046.63
Deferred tax liabilities	215.55	199.87	--	--
Trade dues and others Current liabilities	6,549.42	8,007.86	10,495.06	13,433.79
Total	**9,373.57**	**11,266.75**	**14,093.61**	**17,499.28**
B. Assets				
Gross block	3,740.67	3,988.57	4,063.17	4,241.64
Less: Depreciation	1,991.29	2,155.28	2,462.15	2,641.83
Net fixed assets	1,749.38	1,833.29	1,601.02	1,599.81
Current assets, loans and advances	7,624.19	9,433.46	12,492.59	15,899.47
Total	**9,373.57**	**11,266.75**	**14,093.61**	**17,499.28**
Capital employed*	2,824.15	3,258.89	3,598.55	4,065.49
Net worth#	2,608.60	3,059.02	3,598.55	4,065.49

Particulars	2004-05	2005-06	2006-07♦	2007-08♦
A. Income		**(Rupees in lakh)**		
Wine and mineral sale	699.84	887.84	823.04	903.79
Food stuff sale	1,564.41	1,693.47	1,810.01	2,027.75
Sale from petrol, diesel and lubricants	8,751.18	10,797.08	11,708.73	12,585.70
Other sales	49.39	10.07	12.48	31.05
Lease money	233.20	254.26	247.64	304.47
Consultancy fee	86.71	68.74	83.55	144.99
Income from room rent	619.66	790.36	977.31	1,129.99
Other income and interest	385.70	453.69	561.70	863.94
Total Income	**12,390.09**	**14,955.51**	**16,224.46**	**17,991.68**
B. Expenditure				
Wine and mineral	397.79	518.13	443.75	536.30
Food stuff	534.23	596.15	643.01	702.98
Purchase of petrol, diesel and lubricants	8,542.01	10,537.59	11,464.92	12,262.76
Other purchase	35.57	10.32	9.66	26.30
Coal, gas and fuel	83.91	98.39	110.14	125.87
Administrative and sale expenses	2,288.56	2,486.99	2,612.48	3,252.20
Depreciation	190.98	194.70	200.09	211.76
Other expenditure	175.83	196.71	417.83	449.04
Total expenditure	**12,248.88**	**14,638.98**	**15,901.98**	**17,567.21**
Profit / loss (A- B)	**141.21**	**316.53**	**322.48**	**424.47**

♦ Figures for 2006-08 are provisional, while figures for 2008-09 are not available.

* Capital employed represents net fixed assets plus working capital.

Net worth represents net paid up capital plus free reserve and surplus plus unsecured loans.

Annexure - 11

Statement showing reviews/paragraphs for which replies were not received

(Referred to in Paragraph 3.21.1)

Sl. No.	Name of the Department	2005-06		2007-08		Total	
		Reviews	Paragraphs	Reviews	Paragraphs	Reviews	Paragraphs
1.	Power	-	3	2	8	2	11
2.	Forest	-	-	1	-	1	-
	Total	**-**	**3**	**3**	**8**	**3**	**11**

Annexure-12

Statement showing the department-wise break up of Inspection Reports outstanding as on 30 September 2009

(Referred to in Paragraph 3.21.3)

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	13	54	2005-06
2.	Industry	2	5	10	2005-06
3.	Transport	1	3	6	2005-06
4.	Electronics	2	6	13	2002-03
5.	Forest	1	4	10	2005-06
6.	Mining and Geology	1	2	4	2008-09
7.	Home	1	3	9	2005-06
8.	Scheduled Castes and Backward Classes Welfare	2	6	21	2005-06
9.	Women and Child Development	1	2	7	2007-08
10.	Tourism and Public Relations	1	5	14	2004-05
11.	Public Works Department (B&R)	1	2	4	2007-08
12.	Power	5*	143	378	2003-04
	Total	**22**	**194**	**530**	

* Including Haryana Electricity Regulatory Commission.

Annexure-13

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

(Referred to in paragraph 3.21.3)

Sl. No.	Name of Department	No. of draft paragraphs	No. of reviews	Period of issue of draft paragraphs/ reviews
1.	Power	12	2	January - June 2009
2.	Industry	4	-	January - July 2009
3.	Agriculture	2	-	March - April 2009
4.	PWD (B&R)	1	-	February 2009
5.	Tourism	-	1	June 2009
6.	Transport	1	-	June 2009
	Total	**20**	**3**	

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