

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 PSUs ^ψ	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

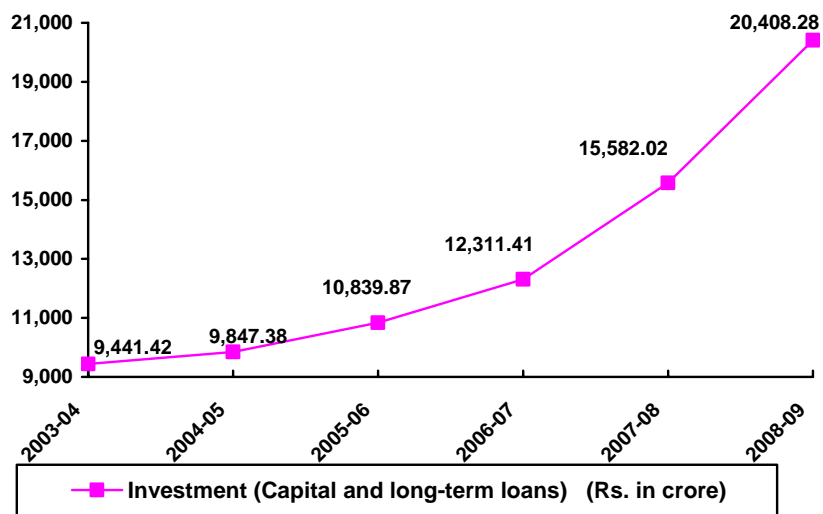
1.7 As on 31 March 2009, the investment (capital and long-term loans) in 28 PSUs (including 619-B Company) was Rs. 20,408.28 crore as per details given below.

(Amount: Rupees in crore)

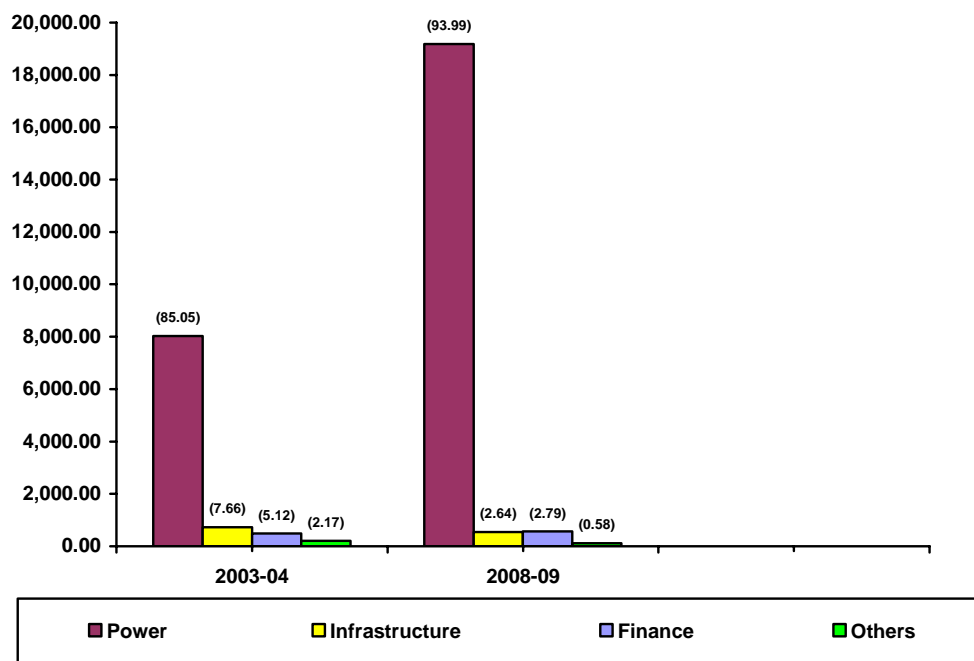
Type of PSUs	Government companies			Statutory corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	5,746.81	14,174.77	19,921.58	191.39	255.18	446.57	20,368.15
Non-working PSUs	23.95	16.18	40.13	-	-	-	40.13
Total	5,770.76	14,190.95	19,961.71	191.39	255.18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

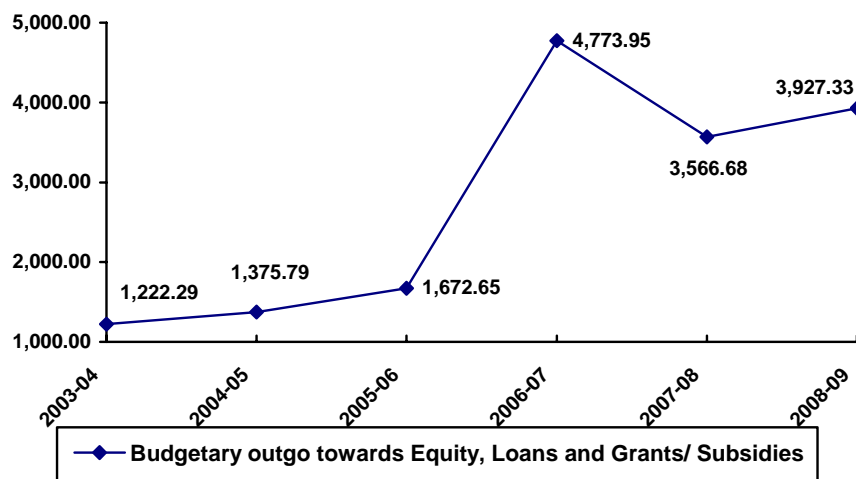
Budgetary outgo, grants/subsidies, guarantees and loans

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)

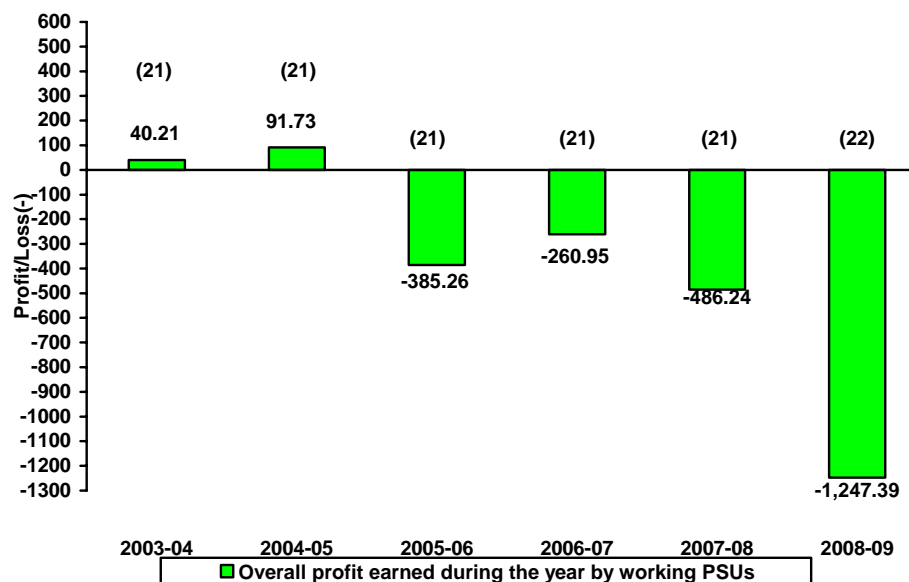
Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Turnover [∞]	9,719.01	11,727.66	7,629.44	8,251.11	14,668.00	18,424.04
State GDP*	82,885.00	93,804.00	1,06,732.00	1,30,033.00	1,53,087.00	1,80,494.00
Percentage of Turnover to State GDP	11.73	12.50	7.15	6.35	9.58	10.21

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 (<i>Per cent</i>)	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 ^Y	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).

^Y 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 <i>per</i> 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 Companies^µ 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 <i>per cent</i> by 2007-08.	-	The T & D losses for the year 2008-09 were 28.06 <i>per cent</i> .
2.	100 <i>per cent</i> metering of all distribution feeders	31 March 2001	Metering of all distribution feeders has been completed.
3.	100 <i>per cent</i> 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.