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 States 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)