

CHAPTER III

3 Transaction Audit Observations

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

Government companies

Beas Valley Power Corporation Limited

3.1 *Undue favour to contractors*

Failure to award the short duration contracts on 'fixed price basis' resulted in payment of price escalation of Rs. 29.19 lakh.

Clause 10 (CC) of Section 33 of the Central Public Works Department (CPWD) Manual inter-alia provides that escalation in prices of the material and/or wages of labour shall not be available to the contractor for a work for which the stipulated period of completion is 18 months or less. Similarly, Clause 10 of the Standard Contract Clauses of the Contract Document for domestic bidding prescribed by the Government of India, Ministry of Statistics and Programme Implementation (MOSPI) for providing basic structure for preparing contract documents stipulates that all short duration contracts up to 24 months should be awarded on fixed price basis and are not subject to any escalation whatsoever. Himachal Pradesh State Electricity Board (Board), which is a promoter of Beas Valley Power Corporation (Company), has adopted (November 2000) the provisions of the aforesaid manual.

Audit observed (February 2008) that the Company awarded the works of construction of office building at Jhalwan (Jogindernagar) and civil and engineering works of the MS pipe Aqueduct over Rana Khad to two different contractors on 9 June 2006 and 24 February 2007 for Rs. 68.88 lakh and Rs. 6.61 crore respectively. Though, the completion period of the above works was 12 and 18 months respectively, the Company failed to incorporate a suitable clause regarding non payment of price escalation in the notice inviting tenders as well as the agreements executed with the contractors in accordance with the above mentioned Clause of CPWD Manual or Standard Contract Clause of the Contract Document of MOSPI. This failure of the Company enabled the contractors to claim price escalation of Rs. 29.19 lakh on account of price increase in material, labour, petrol, oil and lubricants.

The Government stated (July 2009) that *ibid* Section of CPWD Manual was applicable only where the material was issued to the contractors by the Department. Since in these cases, material was arranged by the contractors themselves, CPWD Manual was not relevant. The reply is, however, not in consonance with the above mentioned provisions of CPWD Manual and the

Standard Contract Clause of Contract Document of MOSPI, which provide that all short term contracts have to be awarded on fixed price basis. The Managing Director and Directors on the Board of the Company are ex-officers of the Board and the Company should have adopted above mentioned clauses to safeguard its financial interest. The price escalation of Rs. 29.19 lakh was paid to the contractors for the work done during 18 months from the date of reckoning of contract period.

The Company should immediately adopt Clause 10 (CC) of Section 33 of the CPWD Manual to safeguard its financial interests. It should also put in place an effective internal check system to ensure that all short term contracts are awarded on fix price basis in future.

Himachal Pradesh Tourism Development Corporation Limited

3.2 Deficient planning

Lack of proper planning led to time overrun of more than seven years in commissioning of Car Parking Project, cost overrun of Rs. 81 lakh besides loss of potential revenue of Rs. 1.13 crore.

The Company hired (March 1999) Himachal Consultancy Organisation Limited (HIMCON) to examine feasibility and prepare brief project proposals of a Commercial Complex-cum-Car Parking near Hotel Holiday Home, Shimla. HIMCON prepared (May 1999) Techno Economic Feasibility Report (TEFR) for six floors having parking area for 150 cars and 4,500 sq. ft. of commercial area costing Rs. 1.14 crore, which anticipated annual revenue of Rs. 43.43 lakh (rent of car parking: Rs. 16.43 lakh + rent of commercial area: Rs. 27 lakh). The State Government proposal (August 1999) of Rs. 95 lakh was approved (September 1999) by the Ministry of Tourism (MOT), Government of India (GOI) with Central Financial Assistance of Rs. 90 lakh and State Government component of Rs. 5 lakh. The GOI share of Rs. 90 lakh was received in October 1999 (Rs. 27 lakh), October 2005 (Rs. 45 lakh) and October 2006 (Rs. 18 lakh). The State Government released Rs. 28.31 lakh in May 2006 (Rs. 5 lakh) and December 2006 (Rs. 23.31 lakh) due to increase in cost owing to time overrun and change in scope of work. According to the sanction of the GOI (September 1999), the work was to be started immediately to avoid escalation in cost and the project was to be commissioned within a maximum period of one year from the date of sanction. The work of construction of project was completed through a contractor in three phases as detailed below:

Phase No.	Date of award of work	Amount at which awarded (Rs. in lakh)	Stipulated date of completion	Actual date of completion	Amount at which completed (Rs. in lakh)	Time overrun (months)	Cost overrun (Rs.in lakh)
1	24.6.2004	19.59	15.6.2005	28.2.2007	36.41	20	16.82
2.	31.3.2005	28.31	15.1.2006	28.2.2007	75.15	13	46.84
3.	27.1.2007	25.30	10.5.2007	10.5.2007	21.86	Nil	(-)3.44
Total		73.20			133.42		60.22

The total project cost worked out to Rs. 1.76 crore including Rs. 42.51 lakh on account of departmental and other charges. Audit observed the following deficiencies at planning stage and in completion of project:

- The Company did not plan the project properly. Before preparation of TEFR and approval of project, the Company did not take approval of the Department of Town and Country Planning (T&CP), which allowed (November 2002) construction of only three floors.
- The site had a lot of loose soil but the Company did not ascertain the extent of digging required to find the requisite hard strata before preparation of TEFR. The matters regarding clearance of project by the Department of T&CP and ensuring availability of hard strata were also not referred to the consultant though these had direct bearing on the cost of construction and revenue expected after completion.
- The work of first phase was awarded in June 2004, i.e. after 57 months from sanction of project and 19 months after approval of the Department of T&CP for construction of three floors.
- The project required to be commissioned within one year (September 2000) at a cost of Rs. 95 lakh was actually commissioned (December 2007) after time overrun of seven years and three months and cost overrun of Rs. 81 lakh at a cost of Rs. 1.76 crore. The delay in commissioning was attributable to delay of four years and eight months in award of work (June 2004) and 20 and 13 months in the completion of work of first and second phase respectively due to non-finalisation of drawings, non-approval by Department of T&CP, stopping of work from time to time by the Departments of Forest and T&CP and change of scope of work owing to loose strata encountered during construction.
- Due to loose strata and varied site conditions encountered during construction, one floor having parking area of 350 square meters constructed below the road at an average cost of Rs. 34.01 lakh lacked approach and was lying idle since 24 December 2007.
- The delay in commissioning resulted in loss of potential revenue of Rs. 1.19 crore on account of parking rent based on the feasibility report and Rs. 1.13 crore based on annual rent being actually received[€] with effect from 24 December 2007.

Thus, due to inadequate and deficient planning, the project had to suffer a time overrun of more than seven years in commissioning with consequent cost overrun of Rs. 81 lakh, loss of anticipated revenue of Rs. 1.13 crore and unfruitful expenditure of Rs. 34.01 lakh.

The Government stated (October 2009) that project was planned properly, soil testing and Geologist's reports were taken before approval of the project and

[€] 1,461 square meters parking area was rented out (December 2007) to a private party at an annual rent of Rs. 15.65 lakh.

case was also sent to the Department of T&CP in September 1999. But the Department of T&CP did not approve the project as envisaged and Geologist's report had to be taken time and again. The delay occurred due to stoppage of work many times by different Departments. It was further stated that efforts were being made to obtain access to the idle floor. The reply confirmed the observations of Audit, which indicate that there was lack of proper planning. The Company should have reconsidered implementation of the project when the Department of T&CP allowed constriction of only three floors.

The Company should explore the possibility of alternative use of idle space. It should also ensure proper planning of projects in future to avoid time and cost overrun and revenue loss.

Himachal Pradesh State Civil Supplies Corporation Limited

3.3 Loss due to failure to revise rates of bran

The Company failed to initiate timely action for revision of rates of bran in accordance with the prevailing market rates resulting in loss of Rs. 3.56 crore.

The Department of Food Civil Supplies and Consumer Affairs, Government of Himachal Pradesh fixed (December 2005) the conversion ratio of Above Poverty Line wheat into special whole meal atta at 95 *per cent* for custom grinding by the Millers. The Millers were required to deliver 95 *per cent* atta to the Company after retaining five *per cent* bran. The rate of bran was fixed at Rs. 5 per Kg. The Millers were being paid grinding and other charges after deducting Rs. 25 per quintal on account of five Kg bran.

Audit observed (January 2009) that the Company failed to ascertain market rate of bran from time to time to enable adopting of the same while determining the rate to be paid to Millers for grinding of wheat to atta. Being a nodal agency for distribution of food grain under Public Distribution System, the Company should have taken up the matter of fixing realistic rates with the State Government.

The market survey by Audit revealed (January 2009) that per quintal wholesale rate of bran in the market was Rs. 750 in April 2007, Rs. 783 in October 2007, Rs. 833 in February 2008 and Rs. 880 in May 2008 against the rate of Rs. 500 being charged from the Millers by the Company. Even if the rate of Rs. 750 per quintal prevalent in April 2007 is taken as against Rs. 500 per quintal (Rs. 5 per Kg) adopted by the Company, the Company suffered a loss of Rs. 3.56 crore on 1,42,334.67 quintals of bran that was generated during 2007-09. The loss would be more if the market rate prevalent from time to time is taken into consideration.

The Management replied (July 2009) that Ex-Mill rates were approved by the Director, Food Civil Supplies and Consumer Affairs, Government of Himachal Pradesh after taking into consideration all relevant factors including the market rate. It was also replied that based on the observations of Audit, the matter regarding revision of rates of bran was under consideration by the

Government. The reply confirms the delayed action initiated by the Company for necessary revision in the rates of bran in view of the higher market rates.

The Company should lay down a system of half yearly review of market prices for proposing revision of rates of bran to the Government.

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

Himachal Pradesh General Industries Corporation Limited

3.4 Loss due to injudicious decision

Injudicious decision of the State Government not to enforce the condition of the sale deed against the purchaser of property resulted in a loss of Rs. 7.51 crore to the Company.

After approval (March 2004) of the State Government, the Company sold (April 2004) its 65 bighas[^] 19 biswas[^] of industrial land and buildings (property) situated in the industrial belt at Manjholi, Tehsil Nalagarh, District Solan to the highest bidder Shri Om Parkash Khullar, Partner of Goodwill Industries, Shimla (firm) for Rs. 3.06 crore for industrial use . As per condition contained in the letter of acceptance (7 April 2004) and clause (g) of sale deed (December 2004), the property was to be utilised exclusively for the intended purpose (industrial use). In case of failure to do so, the property was to revert to the Company/State Government without any claim of the firm. This condition/clause was inserted in the letter of acceptance and sale deed on the basis of letter of approval (March 2004) from the State Government.

Audit observed (January 2009) that the firm failed to use the property for the intended purpose and requested (18 April 2006) the State Government to allow sale of property to another firm. On being asked, the Company informed (May 2006) the State Government that the firm had violated clause (g) of the sale deed and the property should revert to the Company. After consulting the issue with the Law Department, the State Government directed (August 2006) the Company to proceed in the matter. Accordingly, the Company filed (September 2006) a suit for declaration against the firm in the Court of Senior Sub-Judge, Shimla. Meanwhile, the firm filed a writ petition in the High Court of Himachal Pradesh for quashing the orders of reversion of property on the plea that the clause (g) of sale deed was not in conformity with the terms and conditions of the tender document. Based on the revised legal opinion obtained from the Law Department, the State Government directed (19 February 2007) the Company to allow the firm to sell the property to another firm (Indian Card Clothing Company Limited) for Rs. 7.51 crore and to withdraw the cases pending in the courts. The Company withdrew its cases from the High Court (July 2007) and the court of Senior Sub-Judge (September 2007). This was despite the fact that the legal advisor

[^] Land is measured in Acre, Bigha and Biswa; there are 4 bighas in one acre and 20 biswas in one bigha.

of the Company had categorically opined (28 February 2007) that the Law Department of the State Government had wrongly interpreted clause (g) of the sale deed. Thus, the firm was allowed to earn profit of Rs. 4.23 crore[♦] within a period of three years resulting in a loss of Rs. 7.51 crore because in case of reversion of property, the Company could have also sold it for an equal or higher consideration. Thus, the Company failed to exercise powers to protect its the financial interest due to injudicious decisions of the State Government.

The Government stated (May 2009) that directions had been issued to the Director of Vigilance for conducting a detailed enquiry in the matter.

The State Government should direct the Vigilance Department to conclude the enquiry expeditiously so that responsibility for taking injudicious decision is fixed.

Himachal Pradesh State Industrial Development Corporation Limited

3.5 Deficient implementation of Transport Subsidy Scheme

The Transport Subsidy Scheme (scheme) introduced (July 1971) by the Government of India (GOI) to promote industrialisation of hilly, remote and inaccessible areas was applicable to industrial units located in Himachal Pradesh. The transport subsidy was payable at the rate of 75 per cent of the transport costs incurred on raw material and finished goods from the designated rail-heads to the industrial units and vice versa. The Company, which was notified (January 2005) as the Nodal Agency, received Rs. 31.20 crore from the GOI during 2004-08. The amount was disbursed to industrial units during 2005-09. The implementation of the scheme was reviewed in audit by scrutiny of 66[♦] claims of Rs. 7.76 crore of 58 industrial units in eight districts out of 461 claims of 185 industries of the State.

Salient features of the scheme were as under:

- State Level Committee (SLC) to scrutinise and pass the claims of transport subsidy was to be set up by the State Government.
- The subsidy was not payable for the material transported through unit's own vehicle and wheat purchased from or through the Food Corporation of India.
- The subsidy was to be allowed up to five years from the date of commencement of commercial production and for material to be used in authorised activities of the industrial units.
- The Director of Industries was required to lay down procedure for regular inflow of information regarding movement of raw materials and finished products and carry out periodical checks to ensure that the

♦ Rs. 7.51 crore – (Rs. 3.06 crore + Rs. 22 lakh spent by the purchaser of property) = Rs. 4.23 crore.

♦ Chamba district: 4, Kangra district: 6, Shimla district: 2, Solan district: 3, Una district: 3, Sirmour district: 45, Kullu district: 2 and Mandi district: 1

raw materials and finished goods in respect of which subsidy was paid were actually used for the purpose.

- The Company being the Nodal Agency, was required to examine genuineness of claims with reference to relevant original documents before making payment. It was required to scrutinise at least 10 *per cent* of the claims with reference to the original claim papers of the units during a financial year.

Audit observed following deficiencies in the implementation of the scheme:

3.5.1 As required in the scheme, the State Government had set up State Level Committee (SLC) to scrutinise and pass the claims of transport subsidy. District Level Committees (DLCs) had also been set up for receipt and initial scrutiny of claims. The SLC submitted the claims to the Company for further scrutiny and payment to the industrial units concerned. During scrutiny of claims in seven offices of the Director of Industries (DICs), Audit observed that while processing the claims, the DLCs, SLC and Nodal Agency failed to cross check the details given in the claim papers with the records maintained at the barriers, offices of Registering and Licensing Authorities (R&LAs) and original papers (ST-XXVI-A forms[£]) in the offices of Assistant Excise and Taxation Commissioners (AETCs) concerned. As a result, irregular payment of transport subsidy of Rs. 1.86 crore was made to 23 industrial units as detailed below:

- Payment of transport subsidy of Rs. 1.03 crore was made to three industrial units without obtaining ST-XXVI-A form.
- Transport subsidy of Rs. 27.99 lakh was disbursed to 19 industrial units for transportation of material through such vehicle numbers, which on verification in the offices of R&LAs concerned, were found to have been allotted to Scooters, Motor-cycles, Cranes, Cars, Jeeps, Himachal Road Transport Corporation Buses, etc. Thus, the vehicle numbers indicated in the claims were fictitious.
- Transport subsidy of Rs. 54.70 lakh was paid to Shiva Chemi Minerals, Sataun (Paonta Sahib) on the basis of ST-XXVI-A forms, which did not tally with the original ST-XXVI-A forms available in the office of AETC, Nahan. Thus the claims did not appear to be genuine.

The Director of Industries stated (August 2009) that instructions had been issued to all concerned to cross check the claims thoroughly at each stage with other departments regarding genuineness of ST-XXVI-A forms and genuine registration of vehicles, etc. It was further stated that ST-XXVI-A forms in respect of three industrial units to which subsidy of Rs. 1.03 crore was paid had been obtained and claims were scrutinised with reference to Audit observations. The recoverable amount worked out to Rs. 52.87 lakh which had been recovered. The reply confirmed the fact that scrutiny of claims was

[£] A duplicate copy of this form is issued to the industrial unit at the barriers by the Department of Excise and Taxation and contains name of industrial units, material being transported, quantity and value of material, vehicle number, etc.

deficient and inadmissible payment of Rs. 52.87 lakh had been made to the industrial units.

3.5.2 Transport subsidy of Rs. 0.23 lakh was paid to two[•] industrial units against transportation of material (July 2003, December 2004 and January, February and March 2005) through trucks which did not exist on the registration records of R&LA, Chamba, Nahan and Paonta Sahib. Thus, claims appeared to be fictitious. The amount was recovered after being pointed out by Audit.

3.5.3 Transport subsidy of Rs. 5.08 lakh was paid (2006-07 and 2007-08) to four[§] industrial units for transportation of material against claims for 2000-07 through trucks which were either in the name of units or their proprietors. Royal Cement Company, Sansarpur Terrace, District Kangra claimed transport subsidy of Rs. 2 lakh for transportation of material through truck number HP-68-6935 which did not exist on the records of R&LA. The above truck number in the claim was indicated after overwriting vehicle number HP-68-0935 which was in the name of the unit.

The Director of Industries stated (August 2009) that an amount of Rs. 2.62 lakh had been recovered from three industrial units and notice for recovery of balance amount of Rs. 2.46 lakh had been issued to the fourth industrial unit which was lying closed.

3.5.4 Avoidable payment of transport subsidy of Rs. 1.22 lakh was made to five[♦] industrial units for a period beyond five years from the date of commencement of commercial production, transportation of un-authorised items of raw material and transportation of wheat purchased from the FCI.

The amount was recovered after being pointed out by Audit.

3.5.5 Annual accounts of industrial units were not being obtained to verify the correctness of the quantity of raw material and finished goods shown to have been transported in the transport subsidy claims of a particular year.

The Director of Industries stated (August 2009) that system of obtaining annual accounts of previous year along with the first quarter claim of each financial year had been introduced for future claims.

3.5.6 The procedure for ensuring regular inflow of information had not been laid down. There was also no laid down system of periodic inspection of industrial units to provide additional assurance of authenticity of claims. The Nodal Agency failed to check even 10 *per cent* of the claims each year with reference to the original claim papers.

[•] Valley Agro Foods, Chamba and Shiva Chemi Minerals, Sataun, Paonta Sahib.
[§] New India Detergents Ltd., Kirpalpur, Tehsil Nalagarh, District Solan: Rs. 2.46 lakh, Alpine Industry, Dadhau, District Sirmour: Rs. 0.54 lakh, Dhauladhar Cements, Industrial Area, Hatli, District Chamba: Rs. 0.08 lakh and Royal Cement Company, Sansarpur Terrace, District Kangra: Rs. 2 lakh.
[♦] Manikaran Roller Flour Mills Pvt. Ltd: Rs. 0.90 lakh, Nidhi Minerals Ltd., Sangrah, District Sirmour: Rs. 0.09 lakh, Prabh Dayal Om Paraksh, Paonta Sahib, District Sirmour: Rs. 0.07 lakh, Shivam Industry, Shoghi, District Shimla: Rs. 0.11 lakh and Girdhari Lal Agro Mills, Baddi, District Solan: Rs. 0.05 lakh.

The Director of Industries stated (August 2009) that procedure to ensure regular inflow of information had been introduced. The Nodal Agency was also considering claims for disbursement after scrutiny and physical inspection of documents.

3.5.7 Out of total payment of Rs. 31.20 crore during 2005-09, Audit scrutinised claims paid for Rs. 7.76 crore (24.87 per cent) and pointed out irregular/inadmissible payment of Rs. 1.93 crore (24.87 per cent). As against above, the Industries Department of the State Government had recovered inadmissible payment of Rs. 56.94 lakh and notice for recovery of Rs. 2.46 lakh had been issued. In respect of balance irregular payment of Rs. 1.34 crore, the Industries Department had re-scrutinised the claims after obtaining the requisite wanting documents and the payments were found to have been made correctly.

To sum up:

- **There were instances of irregular payments of transport subsidy against fake and inadmissible claims;**
- **No effective system existed in the Company for verification of genuineness of the claims before actual payments; and**
- **No standard procedure was laid down in the Company for monitoring and periodic inspection of stock movement for ensuring that the subsidy paid was utilised for intended purpose.**

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

Statutory corporations

Himachal Pradesh State Electricity Board

3.6 Undue favour

The Board failed to fix rates for supply of Steel Tubular Poles as per the tender document resulting in undue favour of Rs. 1.06 crore to local suppliers.

The Board issued (April 2006) tender enquiries for procurement of different sizes of Steel Tubular Poles (STPs). The tender document had a condition that manufacturing units located in the State of Himachal Pradesh (HP), whose rates were within 17.5 per cent over the overall comparable rates of the outside lowest L-I eligible firm, may be given order for purchase at the comparable lowest ex-works rates of L-I outside firm with duties and taxes applicable in HP or the total free on road (FOR) rates of the L-I outside firm, whichever is lower. After opening (May 2006) of the bids received, Fabrico (India) Pvt. Ltd., Meerut (an outside firm) emerged as L-I. The Board placed

(January 2007) supply orders on L-I outside firm and also six[♦] HP based firms who had participated in the tender by considering the ex-works rates of the L-I outside firm.

A scrutiny of records by Audit (June 2008), however, revealed that on the basis of representation from local firms, the Board decided (January 2007) and paid them the FOR rates of L-I outside firm, which were higher as these included some of the duties/taxes (e.g. Excise Duty, education cess, etc.) which were not payable in HP by the local suppliers. This resulted in avoidable expenditure and undue favour of Rs. 1.06 crore to five HP based firms.

The Board should fix responsibility for allowing higher purchase price which resulted in avoidable expenditure and undue favour to the HP based firms. The Board also needs to devise an effective internal control system so as to ensure that such irregularity is not repeated in future.

The matter was referred to the Government/Board in April 2009; their replies had not been received (October 2009).

3.7 Loss of revenue due to short recovery of service connection charges from the consumers

Failure of the Board to implement the Expenditure Regulations resulted in revenue loss of Rs. 2.90 crore due to short recovery of service connection charges from the consumers.

As per Regulation 13 of the Expenditure Regulations issued (April 2005) by the Himachal Pradesh Electricity Regulatory Commission (HPERC), the Board is required to submit to the HPERC every year by the end of December a cost data (including departmental charges) book for approval, which shall be the basis for framing initial estimates for erection of lines and/or any other works. Regulation 15 further provides that cost data published for the year by the Rural Electrification Corporation (REC) shall be used until the cost data book is published in accordance with Regulation 13.

The requisite cost data was, however, not got approved by the Board from the HPERC. In the absence of approved cost data, the Board should have recovered service connection charges (erection/labour and departmental charges) as per REC cost data at the rate of Rs. 650, Rs. 804, Rs. 884 and Rs. 964 from domestic, commercial, non-domestic and non-commercial consumers respectively during 2005-06 to 2007-08. Audit observed (March 2008) that above procedure was not followed by 32 divisions (out of total 49 divisions) of the Board test checked in audit. As a result, service connection charges from 53,539 consumers were recovered at different percentages of cost of requisite material or at the average rate ranging between Rs. 150 and Rs. 300 per connection as was being done prior to issuing (April 2005) of

[♦] Sun Steel Fab (Mandi), Electro Steels (India) (Damtal), Yamuna Industries (Poanta Sahib), H.M Steels Ltd. (Kala Amb), Goyal Engineering Co. (Solan) and A.B Steel Poles (Shoghi).

Expenditure Regulations. The rates charged being lower than the rates contained in REC cost data, resulted in revenue loss of Rs. 2.90 crore. As the same practice is still (October 2009) in vogue in these units, the total amount of short recovery would be more.

The matter was referred to the Government/Board (May 2009); their replies had not been received (October 2009).

The Board needs to comply with the Expenditure Regulations of HPERC without further delay to avoid loss of revenue.

3.8 *Injudicious investment*

The Board did not assess the load requirement of Sansarpur Terrace area correctly resulting in injudicious investment of Rs. 3.35 crore with resultant interest loss of Rs. 85.43 lakh.

The Board deposited (May 2006) an amount of Rs. 3.35 crore with the Bhakra Beas Management Board (BBMB) for upgradation of 20 MVA power transformer to 40 MVA at switch yard of Pong Power House to meet the expected load growth in the Sansarpur Terrace area. The work was to be completed within eight months after release of amount to the BBMB. As the BBMB did not upgrade the above mentioned transformer, the Board requested (December 2006) the BBMB to put 10 MVA additional load on Pong-Terrace 66 KV line as a stop gap arrangement till the installation of new transformer to enable it to meet the immediate load demand of the industrial units. Though, the additional load was released (July 2007) by the BBMB without levying any additional charges on the Board, the 20 MVA transformer has not been upgraded to 40 MVA so far (April 2009).

Scrutiny of records relating to load demand of Sansarpur Terrace sub-station showed that the maximum recorded demand of load during 2007-09 was to the extent of 8.27 MVA only which was being met through the already existing network. The above details were indicative of the fact that the Board had not assessed the load requirement of Sansarpur Terrace area correctly and deposited (May 2006) the amount of Rs. 3.35 crore with the BBMB without any justification. Further, it has taken no action to cancel the upgradation and reclaim the advance. The injudicious investment of Rs. 3.35 crore in May 2006 has resulted in interest loss of Rs. 85.43 lakh[▲] during the last three years up to May 2009.

The Board should take immediate steps for recovery of advance of Rs. 3.35 crore deposited with the BBMB.

The matter was referred to the Government/Board in May 2009; their replies had not been received (October 2009).

[▲] Calculated at the rate of 8.5 per cent per annum which was the borrowing rate of the Board at the time of investment.

3.9 Undue favour to a consumer

Failure to follow the prescribed procedure resulted in extension of undue favour to the consumer and consequent non-recovery of dues of Rs. 74.71 lakh.
--

As per Regulation 4 (I) of the Himachal Pradesh Electricity Regulatory Commission (Security Deposit) Regulations, 2005, every consumer should maintain with the Board an amount equivalent to consumption charges for the billing cycle period, as security. The amount payable towards security should be in the form of cash/demand draft drawn in the favour of Board. Where the amount payable towards security exceeds Rs. 5 lakh, the consumer may furnish the security in the form of bank guarantee (BG). Section 56 (I) of the Electricity Act, 2003 provides that where any person neglects to pay any charge for electricity due from him, the Board may after giving not less than 15 clear days' notice in writing to such person, disconnect the supply of electricity.

Audit observed (May 2008) that the Board had sanctioned (August 2005) load of 2,000 KW with contract demand of 2,222 KVA to Tanu Alloys Products, Gagret (consumer). The name of the consumer was subsequently (August 2005) changed to Shri Balaji Magnese Pvt. Ltd. The consumer deposited security deposit of Rs. 22 lakh in April 2005 (Rs. 2 lakh), June 2005 (Rs. 18 lakh) and May 2006 (Rs. 2 lakh). The consumer applied (January 2007) extension of load to 3,999.959 KW with contract demand of 4,444 KVA. The Board sanctioned (March 2007) load of 3,999.959 KW with contract demand of 4,000 KVA and the same was released (April 2007) to the consumer. The consumer furnished (December 2006) BG of Rs. 18 lakh valid up to 17 December 2007 and also deposited (April 2007) additional security deposit of Rs. 4.44 lakh in cash. The consumer started making default in payment of energy charges from March 2006. The arrear of energy charges increased to Rs. 48.68 lakh in November 2007 and Rs. 93.93 lakh in February 2008. The sub-division concerned failed to follow the prescribed procedure to:

- maintain with it an amount of Rs. 57.03 lakh as security equivalent to the energy consumption charges for the month of April 2007 as against the available security deposit of Rs. 44.44 lakh;
- disconnect supply to the consumer in November 2007 when there was default of Rs. 48.68 lakh in payment of requisite energy charges;
- obtain the BG in prescribed format which had the provision to bind the banker to honour the claim of the Board even up to six months beyond the validity period of BG; and
- to get the BG renewed after 17 December 2007.

This resulted in extension of an undue favour to the consumer as after disconnection of supply (February 2008) and adjustment of cash security deposit of Rs. 26.44 lakh, an amount of Rs. 74.71 lakh was outstanding against the consumer as on July 2008.

The Government endorsed (July 2009) the reply of the Board which stated that the electricity supply was disconnected permanently in February 2008 and a case for recovery of amount of Rs. 74.02 lakh had been filed in the High Court of Himachal Pradesh which was pending for decision. It, however, admitted that the Board had failed to renew the bank guarantee of Rs. 18 lakh before its expiry as also to take the bank guarantee in the requisite proforma to keep it operative for six months from the date of expiry resulting in failure to recover at least Rs. 18 lakh from the consumer.

The Board should strengthen its internal control system to ensure that such lapse is not repeated in future.

3.10 Loss of revenue

Failure of the Board to apply the provisions of applicable schedule of tariff and Electricity Act, 2003 resulted in loss of revenue of Rs. 11.69 crore.

As per the schedule of tariff applicable from time to time, demand charges per month per KVA calculated on the basis of maximum demand in KVA recorded on the energy meters during any consecutive 30 minute block period^f of the month or the contract demand in KVA entered into by the consumer, whichever is higher, were to be recovered from the bulk consumers. In addition to demand charges, Contract Demand Violation Charges (CDVC) at the rate of Rs. 300 per month per KVA in case of the violation were also to be recovered. Further, as per condition No. 10 of the Abridged Conditions of Supply contained in the Sales Manual, Part I of the Board, the consumer cannot extend his connected load without the prior approval of the Board. In case of violation of this condition, the consumer had to be dealt with as per Section 126 of the Electricity Act, 2003, which provided for applying one and a half times[£] the tariff applicable for the relevant category.

The Board released (August 2002) 800 KW load with contract demand of 889 KVA to the National Thermal Power Corporation (NTPC) for the construction of Kol Dam Hydro Electric Project. Audit observed that actual recorded demand of the NTPC exceeded the contract demand (889 KVA) entered into to the extent of 482.744 to 4514.840 KVA during July 2005 to July 2008. The NTPC also extended (July 2003) its load beyond the sanctioned limit of 800 KW without prior approval of the Board. The Board, however, failed to levy demand charges and CDVC (Rs. 3.30 crore) for utilisation of power in excess of contract demand entered into during July 2005 to July 2008[▲] and charges for extension of load (Rs. 8.39 crore) from

^f Demand in KVA is recorded every 30 minutes block and highest recorded demand for any block during a month is considered for levying demand charges on the consumer.

[£] Revised to twice the tariff applicable with effect from May 2007 as per 'Electricity (Amendment) Act, 2007.

[▲] Demand charges and CDVC for contract demand violation after July 2008 have been recovered.

July 2003 to December 2008* without the approval of the Board as per the provisions of the schedules of tariff applicable from time to time and the Electricity Act, 2003/Electricity (Amendment) Act, 2007 respectively. Thus, the total loss of revenue on account of demand charges, CDVC and charges for extension of load worked out to Rs. 11.69 crore.

The Board should take immediate action to recover the short charged amount from the NTPC. It should also put in place an effective internal check system to ensure that such irregularity does not occur in future.

The matter was referred to the Government/Board in July 2009; their replies had not been received (October 2009).

3.11 Operation, repair and maintenance of Hydro Electric Projects

Introduction

3.11.1 The State has an identified power potential of 20,415 Mega Watt (MW),^ψ out of which 6,370.12 MW has been harnessed so far (March 2009). Of this, Himachal Pradesh State Electricity Board (The Board) has a share of 466.95 MW harnessed through 20 completed Hydro Electric Projects (Projects), each having installed capacity ranging from 0.300 MW to 126 MW.

3.11.2 Operation, repair and maintenance of major projects (having installed capacity above three MW) and mini/micro projects (having installed capacity up to three MW) is looked after by Member (Technical) and Member (Operation) respectively. Member (Technical) is assisted by Chief Engineer (Generation) and Member (Operation) by Chief Engineers (Operation) and Chief Engineer (Commercial).

Financial implication

3.11.3 Funds for the operation, repair and maintenance of completed projects are provided by the Board from its internal resources. During the last five years ended March 2009, the operational expenses of 20 projects were Rs. 763.22 crore which included an expenditure of Rs. 248.07 crore incurred on repair and maintenance against the budget allotment Rs. 194.86 crore. The Board had also incurred an expenditure of Rs. 30.95 crore on capital maintenance of Bhaba and Ghanvi Projects (Rs. 11.86 crore) and renovation of Bassi Power House (Rs. 19.09 crore) during 2005-09.

With a view to examine the operational performance and repair and maintenance of completed projects, the records of 11 projects^γ maintained by 14 out of 20 units of the Board were test checked during January 2009 to April 2009. Audit findings emerging from the records test checked are discussed below:

* Till December 2008, the Board had not approved the extension of load.

^ψ Source: Statistical data released by the State Government.

^γ Bhaba, Bassi, Giri, Ghanvi, Gaj, Binwa, Gumma, Holi, Sal-II, Larji and Khauli.

Operation of completed projects

Designed potential, targets and achievements

3.11.4 Inefficiency in operation of projects (power houses) leads to generation loss with consequent financial loss to the Board on account of non-receipt of revenue against generation loss and purchase of power from outside agencies at higher rates. The details of designed potential, targets fixed for generation and actual generation there against of the power houses operated by the Board during the last five years ended March 2009 are given in **Annexure 8**. It can be observed from the Annexure that against the designed potential of 10,244.41 million units (MUs) of 18 projects^{*}, the Board had fixed generation targets for 8,331.86 MUs for 16 projects (targets for 4 projects were not fixed) during the period from 2004-05 to 2008-09. The actual generation against the above targets was 7,998.10 MUs. Thus, the total generation loss during 2004-09 was 2,246.31 MUs which included generation loss due to fixation of targets at lower than rated capacity (1,828.30 MUs) and non-achievement of the targets fixed (418.01 MUs). The shortfall of 2,246.31 MUs was met by the Board by purchase of power from outside agencies at the rates ranging between Rs. 1.76 and Rs. 2.82 per unit against the average generation cost of Rs. 1.16 to Rs. 2.16 per unit respectively.

Himachal Pradesh Electricity Regulatory Commission (HPERC)[∇] took (June 2006) note of declining generation of Board's own power houses and desired (June 2006) that all measures to reduce outages and optimize generation should be initiated including separation of operation and maintenance (O&M) activity from the existing Generation wing. The Board had not taken any action in this regard so far (September 2009) though the losses on account of forced outages^{*} worked out to 217.12 MUs during 2005-08. After reviewing (November 2008) the position, the HPERC issued further directives to the Board for identifying the reasons of declining trend in generation of power and to carry out efficiency test on at least one or two projects. Action of the Board on above directives was also awaited (September 2009).

Against the total generation loss of 2,246.31 MUs mentioned above, the generation loss of 1,917.18 MUs pertained to 11 projects test checked in audit. The generation loss of 615.92 MUs, as analysed in audit and discussed in succeeding paragraphs, was due to under utilisation of capacity of power houses due to inadequate water discharge, low efficiency of machine, failure to ensure timely and proper maintenance of machines, delay in replacement and repair of spares, delay in taking decision for repair, installation of ineffective trash cleaning machine and excess consumption of auxiliary power. The remaining generation loss of 1,301.26 MUs may be attributable to other

^{*} While designed potential of two projects was not available on record, the targets fixed for one project have been treated as designed potential.

[∇] A State Regulatory Body responsible for fixation of cost based tariff for sale of power within the State based on the generation cost.

^{*} Period of non-operation of power houses on account of unplanned repairs.

reasons like natural calamities, low availability of water, planned shut downs, etc.

Operation of powerhouses below designed potential

3.11.5 The Board had suffered a generation loss of 471.71 MUs valued at Rs. 136.66 crore in two projects during 2004-09 on account of under utilisation of capacity of powerhouses due to inadequate water discharge, low efficiency of machines, etc. as discussed below:

- Sal-II project on Sal Nallah with installed capacity of 2 MW at designed discharge of nine cumecs[♦] of water to generate 12.52 MUs of power in a year was completed (2000) at a cost of Rs. 14.79 crore. Up to January 2009, 54.54 MUs of power was generated against the designed potential of 109.97 MUs resulting in generation loss of 55.43 MUs valued at Rs. 13.86 crore. The shortfall in generation was due to availability of only five cumecs of water owing to diversion of some water of the Nallah by the local people to grow vegetables and to meet the additional drinking water demand of Chamba town. During execution of the project, the Board had neither taken up the matter with the State Government to stop diversion of water from the Nallah nor explored the possibility to provide alternate supply of water to the local inhabitants. Failure to resolve the matter during execution of project resulted in availability of lesser water discharge and underutilisation of the project capacity.
- The Board was operating four units of 15 MW each in Bassi project since 1981. The Board had not been able to utilise optimum capacity of the plant as envisaged in the sanctioned (November 2000) renovation scheme due to capacity constraints in the water conductors system as tail race system could not discharge full generation draft from the turbines. Audit observed that due to low efficiency of the turbines, discharge from each of them was on higher side in the order of 6.1 cumecs against the rated full load discharge of 5.37 cumecs. This resulted in blockade of water in tail race due to excess flow. Resultantly, level of water touched the runners thereby, reducing the effective head and limiting the generation to 58 MW as against the available capacity 60 MW resulting in annual generation loss of 17.52 MUs. According to Tata Consulting Engineers (June 2000), Bassi power house incurred huge loss of revenue due to above constraints.

Further, the water available from Shanan power house for the above four units of Bassi power house could not be fully utilised due to above mentioned capacity constraints in the water conductor system. Since the commissioning of four units, generation up to the designed potential of 346 MUs (except 1989-90) could not be achieved. The shortfall in generation during April 2004 to March 2009 was of

♦ Cubic meter per second (m³/second).

416.28* MUs valued at Rs. 122.80 crore. To overcome the above constraints, a renovation scheme was sanctioned (November 2000), which was proposed to be completed in April 2002. The scheme was still incomplete (September 2009) due to delay in arranging funds for the scheme (31 months) and excessive time consumed in finalisation of tenders (43 months). This resulted in cost over run of Rs. 77.61 crore.

Repairs and maintenance of projects

3.11.6 Properly planned and timely repair and maintenance of power houses is imperative for achieving the targets fixed, optimum utilisation of available water discharge/designed potential and avoiding generation loss in peak season. In the Board, however, there was no system in place for ensuring the timely upkeep and maintenance of the generating equipment. During the course of audit, several instances were noticed which indicate Board's failure in ensuring timely and properly planned maintenance of machines, replacement and repair of spares without delay, availability of sufficient auxiliary power, avoiding of excessive tripping, delay in taking decision for repair, etc. As a result, the Board suffered a generation loss of 123.29 MUs valued at Rs. 35.03 crore as detailed in **Annexures 9 and 10**.

Installation of ineffective Trash Cleaning Machine

3.11.7 First unit of the Larji project (42 MW) was put on commercial operation in September 2006 but trash cleaning machine[⊗] was installed in October 2007. By that time, the Board had suffered generation loss of 7.75 MUs valued at Rs. 2.29 crore due to choking of trash rack and water conductor system for cooling. After installation of trash cleaning machine at a cost of Rs. 1.49 crore, the generation losses continued because the machine was unable to effectively clean the trash. Out of total generation loss of 23.23 MUs reported from September 2006 to August 2009, loss of 16.12 MUs valued at Rs. 4.76 crore was due to forced shut downs on account of accumulation of trash in the form of bottles, plastic bags, driftwood, empty cement bags, etc. near the trash rack. As per the Resident Engineer, Larji, the machine was virtually ineffective when all the three units were in operation. The suction at the trash rack was so strong that the trash got firmly stuck and was impossible to dislodge. This indicated that the machine was commissioned without assessing its effectiveness. Audit observed that only under sluice radial gates had been provided at diversion barrage without spill ways to pass through the floating and semi floating trash and no barrier to prevent the entry of floating trash in trash rack was provided. As a result, huge quantum of trash accumulated and choked the trash rack very frequently. As a solution to this problem, a proposal was submitted (July 2008) by the Superintending Engineer (Generation), Larji to install a log boom at a cost of Rs. 1.57 crore but the same had not been approved by the Board so far

* Including the annual generation loss of 17.52 MUs mentioned in the preceding sub-para.

⊗ Machine installed at intake to remove the trash accumulated near the trash rack.

(September 2009). The delay in resolving the problem was indicative of lackadaisical approach of the Management towards an important matter.

Auxiliary consumption

3.11.8 Auxiliary consumption[♦] of a power project is very vital for its viability and continuity of operations. The higher auxiliary consumption results in lesser net generation and leads to financial loss to the Board. Scrutiny of auxiliary consumption of 20 projects *vis-à-vis* the admissible limit as per the Central Electricity Regulatory Commission (CERC)^{*} during the last five years ended March 2009 revealed that auxiliary consumption of 11 projects^f was in excess of the admissible limit. The excess auxiliary consumption worked out to 5.37 MUs during the years 2004-09 which resulted in revenue loss of Rs. 1.85 crore. The Board had not analysed the reasons for excess auxiliary consumption with a view to controlling the same.

Operation of unviable projects and unproductive assets

3.11.9 In cost based tariff regime, per unit generation cost of power is very significant. Generation cost in excess of the benchmark is not accepted by the HPERC for fixation of tariff. As such, operation of economically unviable projects results in loss to the Board. Audit observed that in case of six[♥] projects, per unit generation cost was much higher than the average per unit generation cost of Rs. 2.50 approved (July 2005) by the HPERC. Analysis of actual generation cost per unit, generation cost allowed by the HPERC to be recovered through tariff and effect thereof revealed that the Board had suffered a loss of Rs. 27.16 crore during 2005-06 and 2008-09 due to operation of unviable projects and unproductive assets as discussed below:

- To enhance economic viability of the Board, the HPERC, in its tariff order for 2005-06, advised the Board to disinvest high cost generation stations, especially those located in tribal areas or to explore the option of obtaining funds from Tribal Development Fund of the State Government for operation and maintenance of such stations. Audit, however, observed that the Board had not taken any action so far (January 2009) despite assurance given (June 2005) to the HPERC. As a result, the Board suffered a loss of Rs. 26.67 crore towards the higher generation cost of these unviable stations disallowed by the HPERC as per tariff order for 2005-06 and 2008-09.
- While approving tariff for 2004-05, the HPERC directed the Board to transfer unproductive assets to the State Government. The Board intimated (June 2005) the HPERC that it had taken up the matter with the State Government for this purpose. The Board, however, had not done so and had spent Rs. 3.76 crore on the operation/running and

♦ Power required for the operation of pumps for cooling, compressors and maintenance of pressure in the power houses.

* The HPERC has also adopted the norms fixed by the CERC.

^f Includes excess auxiliary consumption of 4.80 MUs valued at Rs. 1.63 crore of five out of 11 projects test checked in audit.

♥ Rukti, Rongtong, Killar, Thiro, Holi and Sal-II.

maintenance of such unproductive assets during 2005-09, which included five schools and nine hospitals/dispensaries being run in the project areas. Due to non-compliance of directives, the HPERC in its tariff orders for 2005-08 and multi year tariff for 2008-11 had disallowed Rs. 49.26 lakh relating to the expenditure of above nature to be passed on to the consumers through tariff.

To sum up:

- **The Board failed to fix the generation targets as per the designed potential leading to huge losses due to purchase of power from outside agencies to recoup the shortfall in generation.**
- **The Board also failed to properly plan and carry out the repairs and maintenance of the Projects/Generating equipment leading to avoidable generation loss.**

General

3.12 Opportunity to recover money ignored

Five Public Sector Undertakings did not either seize the opportunity to recover their money or pursue the matters to their logical end. As a result, recovery of money amounting to Rs. 8.11 crore remains doubtful.

A review of unsettled paras from Inspection Reports (IRs) pertaining to periods up to 2003-04 showed that there were 52 paras in respect of seven Public Sector Undertakings (PSUs) involving a recovery of Rs. 8.11 crore. As per the provisions of Manual of Inspection, the PSUs are required to take remedial action within four weeks after receipt of IRs from Audit. However, no effective action has been initiated to take the matters to their logical end, i.e., to recover money from the concerned parties. As a result, these PSUs have so far lost the opportunity to recover their money which could have augmented their finances.

PSU wise details of paras and recovery amount are given below. The list of individual paras is given in the **Annexure 11**.

SI No.	PSU Name	No. of paras	Amount for recovery (Rs. crore)
1	Himachal Pradesh State Electricity Board	39	7.17
2	Himachal Pradesh Agro Industries Corporation Limited	2	0.06
3	Himachal Road Transport Corporation	5	0.01
4	Himachal Pradesh State Forest Corporation Limited	3	0.52
5	Himachal Pradesh State Tourism Development Corporation Limited	3	0.35
Total		52	8.11

The paras mainly pertain to non/short recovery of various charges for consumption of electricity from consumers, dues recoverable from parties for supply of goods, excess payments made on account of wrong fixation of pay, short recovery on account of attached vehicle and rent, non-recovery of amount due from contractors, non-recovery of rent of accommodation provided to different parties, etc.

These cases point out the failure of respective PSU authorities to safeguard their financial interests. Audit observations and their repeated follow up by Audit, including bringing the pendency to the notice of the Administrative/Finance Department and PSU Management periodically; have not yielded the desired results in these cases.

The PSUs should initiate immediate steps to recover the money and complete the exercise in a time bound manner.

The matter was reported to the Government in September 2009; their reply had not been received (November 2009).

3.13 Lack of remedial action on audit observations

Three PSUs did not either take remedial action or pursue the matters to their logical end in respect of 95 IR paras, resulting in foregoing the opportunity to improve their functioning.

A review of unsettled paras from Inspection Reports (IRs) pertaining to periods up to 2003-04 showed that there were 95 paras in respect of three PSUs, which pointed out deficiencies in the functioning of these PSUs. As per the provision of Manual of Inspection, the PSUs are required to take remedial action within four weeks after receipt of IRs from Audit. However, no effective action has been started to take the matters to their logical end, i.e., to take remedial action to address these deficiencies. As a result, these PSUs have so far lost the opportunity to improve their functioning in this regard.

PSU wise details of paras are given below. The list of individual paras is given in **Annexure 12**.

Sl. No.	PSU Name	No. of paras
1	Himachal Pradesh State Electricity Board	93
2	Agro Industrial Packaging India Limited	1
3	Himachal Pradesh State Forest Corporation Limited	1
	Total	95

The paras mainly pertain to non-handing over of charge/material, irregular/un-authorized expenditure, non-writing off losses, undue favour to firms/contractors, idle machinery, irregular regularisation of staff, non-reconciliation with the banks, etc.

Above cases point out the failure of respective PSU authorities to address the specific deficiencies and ensure accountability of their staff. Audit observations and their repeated follow up by Audit, including bringing the

pendency to the notice of the Administrative/Finance Department and PSU management periodically, have not yielded the desired results in these cases.

The PSUs should initiate immediate steps to take remedial action on these paras and complete the exercise in a time bound manner.

The matter was reported to the Government in November 2009; their reply had not been received (November 2009).

3.14 Follow-up action on Audit Reports

Explanatory Notes outstanding

3.14.1 Comptroller and Auditor General of India's Audit Reports represent the culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in various Public Sector Undertakings. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. Finance Department, Government of Himachal Pradesh issued (February 1994) instructions to all Administrative Departments to submit explanatory notes indicating corrective/remedial action taken or proposed to be taken on paragraphs and reviews included in the Audit Reports within three months of their presentation to the Legislature, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

Though the Audit Reports for the years 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08 were presented to the State Legislature in April 2005, 2006, 2007, 2008 and February 2009 six departments did not submit explanatory notes on 39 out of 85 paragraphs/reviews, as on September 2009, as indicated below:

Year of Audit Report (Commercial)/ Commercial Chapter	Total paragraphs/ reviews in Audit Report/ Commercial Chapter	Number of paragraphs/ reviews for which explanatory notes were not received
2003-04	15	3
2004-05	13	4
2005-06	19	3
2006-07	21	13
2007-08	17	16
Total	85	39

Department wise analysis is given below:

Name of department	2003-04	2004-05	2005-06	2006-07	2007-08
Power department	-	-	-	9	10
Horticulture department	-	-	-	1	1
Forest department	-	-	-	1	-
Food and Supplies department	-	-	-	-	3
Transport department	-	-	-	-	1
Finance department	3	4	3	2	1
Total	3	4	3	13	16

Those largely responsible for non-submission of explanatory notes were the Power, Food and Supplies and Finance departments. They did not submit explanatory notes to 35 out of 39 paragraphs/reviews and did not even respond to reviews highlighting important issues like system failures, loss due to failure to file tariff petitions in time, non-restructuring of high cost debts, potential loss of revenue, loss of interest, undue favour, avoidable payments, unfruitful expenditure, etc.

Compliance to Reports of Committee on Public Undertakings (COPU)

3.14.2 The Action Taken Notes on the recommendations of COPU are required to be furnished within six months from the presentation of the Reports. Replies to 31 paragraphs pertaining to 13 Reports of the COPU, presented to the State Legislature between February 2007 and February 2009 had not been received as of September 2009, as indicated below:

Year of the COPU Report	Total number of Reports involved	No. of paragraphs where replies not received
2006-07	2	12
2007-08	2	2
2008-09	9	17
Total	13	31

Response to inspection reports, draft paras and reviews

3.14.3 Audit observations noticed during audit and not settled on the spot are communicated to the heads of the Public Sector Undertakings (PSUs) and departments of the State Government concerned 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. Inspection reports issued up to March 2009 pertaining to 21 PSUs disclosed that 4,095 paragraphs relating to 986 inspection reports remained outstanding at the end of September 2009. Department-wise break-up of inspection reports and audit observations outstanding as on 30 September 2009 is given in **Annexure 13**.

Similarly, reviews and draft paragraphs on the working of Public Sector Undertakings 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. It was, however, observed that 10 draft paragraphs and one review forwarded to five departments between April and November 2009, as detailed in **Annexure 14** had not been replied to so far (November 2009).

It is recommended that (a) the Government should ensure that procedure exists for action against the officials who fail to send replies to inspection reports/draft paragraphs/Action Taken Notes on the recommendations of COPU as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayments is taken within the prescribed time schedule and (c) the system of responding to audit observations is revamped.

The matter was reported to the Government in November 2009; their reply had not been received (November 2009).

**Shimla
The**

**(RITA MITRA)
Principal Accountant General (Audit)
Himachal Pradesh**

Countersigned

**New Delhi
The**

**(VINOD RAI)
Comptroller and Auditor General of India**