

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 2010, the State of Haryana had 21 working PSUs, (19 companies and two Statutory corporations) and seven non-working PSUs (all companies). The State working PSUs, which employed 0.35 lakh employees, had registered a turnover of ₹ 15,934.48 crore for 2009-10 as per their latest finalised accounts. This turnover was equal to 7.61 *per cent* of State GDP indicating an important role played by State PSUs in the economy. However, the working PSUs incurred a loss of ₹ 1,612.37 crore for 2009-10 while all the State PSUs had overall accumulated losses of ₹ 5,086.93 crore.

Investments in PSUs

As on 31 March 2010, the investment (capital and long term loans) in 28 PSUs was ₹ 24,307.45 crore. It grew by 146.84 *per cent* from ₹ 9,847.38 crore in 2004-05. Power Sector accounted for nearly 95 *per cent* of total investment in 2009-10. The Government contributed ₹ 3,840.38 crore towards equity, loans and grants/subsidies during 2009-10.

Performance of PSUs

During the year 2009-10, out of 21 working PSUs, 14 PSUs earned profit of ₹ 293.52 crore and seven PSUs incurred loss of ₹ 1,905.89 crore. The major contributors to profit were Haryana State Industrial and Infrastructure Development Corporation Limited (₹ 60.70 crore), Haryana Power Generation Corporation Limited

(₹ 66.22 crore) and Haryana Vidut Prasaran Nigam Limited (₹ 127.30 crore). The heavy losses were incurred by Uttar Haryana Bijli Vitran Nigam Limited (₹ 1,107.54 crore) and Dakshin Haryana Bijli Vitran Nigam Limited (₹ 779.01 crore).

The losses are mainly 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 ₹ 821.66 crore and infructuous investments of ₹ 44.83 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. Fifteen out of 17 accounts finalised during October 2009 to 30 September 2010 received qualified certificates. There were 31 instances of non-compliance with Accounting Standards in these accounts. Reports of Statutory Auditors on internal control of the companies indicated several weak areas.

Arrears in accounts and winding up

Sixteen working PSUs had arrears of 29 accounts as of September 2010. The arrears need to be cleared by setting targets for PSUs and outsourcing the work relating to preparation of accounts. There were seven non-working companies. As no purpose is served by keeping these PSUs in existence, they need to be wound up quickly.

2. Performance reviews relating to Government companies

Performance reviews relating to 'Working of Haryana Agro Industries Corporation Limited' and 'Power Generation Activities of Haryana Power Generation Corporation Limited' were conducted. Executive summary of Audit findings is given below:

Working of Haryana Agro Industries Corporation Limited

Haryana Agro Industries Corporation Limited (Company) was established in 1967 as a joint venture of State Government and Government of India with the objective to promote agro based industries, provide farmers with agricultural implements and assist them in farm mechanisation. Besides, the Company was assigned procurement of wheat, paddy and bajra for the central pool. As on 31 March 2010, the Company had 17 Farmers Service Centres (FSCs), three manufacturing plants, six petrol pumps and four storage godowns to carry out its activities.

Finances and performance

All three manufacturing plants incurred losses during the five years from 2004-05 to 2008-09. The FSCs which were carrying out trading activities related with farmers, suffered losses of ₹ 11.08 crore during 2004-09. Though the Company overall, had been earning profits, but the same were mainly contributed from procurement activities for central pool, turnover of which was 84 to 89 per cent of total turnover during 2004-09.

Appraisal of activities

The Company had not taken any step to assist and promote agro based industries such as poultry, dairy, land development, seeds and other agro based industries in terms of its main objectives. It did not finance any agro based industry during the period under review. The Company did not make efforts to produce and deliver the agricultural implements at competitive rates to the farmers and provide pesticides and insecticides to farmers directly at reasonable rates. The Company's manufacturing plants with outdated infrastructure were grossly underutilised and were engaged in supply of their products to Government organisations only. Though the Company had analysed the reasons for low capacity utilisation, it had not taken any steps to address the issue and increase the production.

Procurement activity

The procurement activity in wheat and paddy was found satisfactory. While the procurement of wheat ranged between 8.86 to 10.67 per cent of total State procurement against the target of nine per cent, the procurement targets for paddy were achieved fully during the last five years up to 2009-10. However, the procurement of bajra was inconsistent which ranged between nil and 29 per cent in 2005-06 to 2009-10. The Company did not enforce terms of agreements executed with the millers for milling of paddy and as a result suffered loss of ₹ 1.67 crore in two cases.

The activities of the Company were mainly procurement centric and it was not paying due attention to the activities necessary for accomplishment of its laid down objectives. The manpower in A, B and C categories was inadequate resulting in junior staff undertaking higher responsibilities involving huge funds without any supervision thereby exposed to risks of committing errors and misappropriation. The Company did not prepare budgets on realistic basis and was not prompt in claiming from FCI the reimbursement of guarantee fees paid to Government. There are remote chances of recovery of dues shown recoverable from employees.

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 six recommendations to improve the Company's performance. Preparation of budget on realistic basis, up gradation of old manufacturing plants, strengthening of marketing network and exploring possibilities of new ventures are some of these recommendations.

(Chapter 2.1)

Power Generation Activities of Haryana Power Generation Corporation Limited

Power is an essential requirement for all facets of life and has been recognised as a basic human need. In view of phenomenal growth in the demand of power since 2005-06, capacity addition was not adequate to meet the requirement leaving a deficit of 2,423.6 MW at the end of 2009-10. In the background of chronic power shortage in the State, it was considered desirable to conduct performance audit of Haryana Power Generation Corporation Limited to assess the status of power generation vis a vis requirement for power during the period 2005-06 to 2009-10. The audit findings are discussed below.

Planning and Project Management

The total installed capacity of the State increased from 4,033.60 MW as on 1 April 2005 to 4,636.75 MW as on 31 March 2010. During 2005-10, actual capacity addition was 970.71 MW only against 3,720.71 MW planned by the State, leaving shortfall of 2750 MW. Besides, there was decrease in capacity by 367.56 MW during 2005-10. The shortfall in capacity addition was due to delayed commercial operation of two Units of 300 MW each at Deenbandhu Chottu Ram Thermal Power Plant (DCRTPP), Yamunanagar; non commissioning of Unit- 1 and 2 (600 MW each) of Rajiv Gandhi Thermal Power Plant (RGTPP), Hisar due to prolonged trial operations; and non taking up of Gas based Power Plant of 1,050 MW (increased to 1500 MW) at Faridabad and 3rd Unit of 300 MW (now increased to 660 MW September 2009) at DCRTPP, Yamunanagar. There was cost overrun of ₹ 305.18 crore in the construction of RGTPP, Hisar. There were other deficiencies in the execution of RGTPP, Hisar such as non – implementation of zero discharge scheme, delay in synchronisation and prolonged trial run leading to delay in commercial operation of the Units.

Due to inadequate installed capacity, the State had to resort to purchase of power through short term Power Purchase Agreements (PPAs) and unscheduled interchange ranging between 2,606 MUs and 6,027 MUs which was costly as

compared to own generation cost and cost from other long term PPAs. However, over the review period load shedding was reduced from 2,270.42 MUs (2007-08) to 68.71 MUs (2009-10).

Operational performance

Performance of the existing generation stations depends on efficient use of material, manpower and capacity of the plants so as to generate maximum energy possible without effecting the long term operation of the plants. Audit of operation of the power stations revealed that the Plant Load Factor (PLF) of Panipat Thermal Power Station-I (PTPS-I), was lower than Haryana Electricity Regulatory Commission (HERC) norm (except 2005-06) as well as national average and that of PTPS-II was largely above the HERC norm as well as the national average. The forced outages in respect of PTPS-I remained more than the Central Electricity Authority (CEA) norm of 10 *per cent* and in respect of PTPS-II, it was more than the norms only during 2005-06. Compliance of the CEA norms would have entailed availability of additional 8,954 hours with consequential generation of 1,008.84 MUs valued at ₹ 90.20 crore. With better preventive maintenance, forced outages could have been reduced considerably. Due to frequent breakdown of Units and delay in timely rectification of defects, auxiliary consumption was higher as compared to the norm. There was excess consumption of coal as compared to HERC norms valued at ₹ 251.75 crore during review period.

Conclusion and Recommendations

Timely commissioning of RGTPP, Hisar could have enabled the Company to generate additional power to the extent of 3,790 MUs. Excessive outages than the norms of CEA and delay in taking up preventive maintenance work resulted in generation loss of 3,206 MUs during 2005-10. Inadequate capacity additions have increased the dependence of the State on high cost power purchases. The review contains six recommendations which *inter-alia* include increasing the PLF, adherence to schedule maintenance of plants and adherence to environmental safeguards.

(Chapter 2.2)

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 ₹5.91 crore in two cases due to non compliance with rules, directives, procedures, terms and conditions of contracts.

(Paragraphs 3.4 and 3.7)

Loss of ₹4.50 crore in three cases due to non-safeguarding the financial interests of organisation.

(Paragraphs 3.5, 3.9, and 3.13)

Loss of ₹3.46 crore in two cases and blockage of ₹ 0.65 crore in one case due to defective/deficient planning

(Paragraphs 3.1, 3.8 and 3.11)

Unfruitful expenditure of ₹12.38 crore in one case and loss of ₹0.14 crore in another case due to inadequate/deficient monitoring.

(Paragraphs 3.2 and 3.14)

Loss of ₹1.26 crore in three cases due to undue favour.

(Paragraphs 3.3, 3.6 and 3.10)

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

Anti theft system meant to curb the distribution losses could not be installed despite incurring expenditure of ₹ 3.16 crore by **Dakshin Haryana Bijli Vitran Nigam Limited** due to deficient planning.

(Paragraph 3.1)

Due to non rectification of fault occurred in the Energy Audit System, expenditure of ₹ 12.38 crore incurred by **Dakshin Haryana Bijli Vitran Nigam Limited** on installation of System remained unfruitful.

(Paragraph 3.2)

Haryana State Roads and Bridges Development Corporation Limited suffered loss of ₹ 3.19 crore due to abnormal delay in initiating action for revision of toll rates

(Paragraph 3.9)

Haryana Warehousing Corporation suffered loss of revenue of ₹ 55.54 lakh due to inordinate delay in awarding of contract.

(Paragraph 3.13)