



## **Overview**



## OVERVIEW

This Report contains 12 paragraphs and two Performance audit on 'Beas Valley Power Corporation Limited' and 'Power Purchase Agreements', involving ₹ 414.24 crore relating to non/short recovery due to non compliance of rules/regulations and terms & conditions of the contract agreements, non/short levy of fixed demand charges, inadequate/ deficient monitoring of the progress of the projects, *etc.* Some of the major findings are mentioned below:

### I. About the State Public Sector Undertakings

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of the State Government Companies are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG). These accounts are also subject to supplementary audit conducted by the CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2013, the State of Himachal Pradesh had 19 working PSUs (17 companies and two Statutory corporations) and two non-working companies which employed 34,191 employees.

*(Paragraph 1.1 to 1.6)*

### Investment in State PSUs

As on 31 March 2013, the investment (capital and long-term loans) in 21 PSUs was ₹ 7,193.64 crore. The total investment in State PSUs, 98.90 *per cent* was in working PSUs and the remaining 1.10 *per cent* in non-working PSUs. The total investment consisted of 45.33 *per cent* as capital and 54.67 *per cent* as long-term loans. The equity has increased from ₹ 1,414.80 crore in 2008-09 to ₹ 3,260.73 crore in 2012-13. Power sector accounted for over 83.73 *per cent* of the total investment in 2012-13. The Government contributed 1,018.60 crore towards equity, loans and grants/subsidies during 2012-13.

*(Paragraph 1.7 to 1.10)*

### Performance of Public Sector Undertakings (PSUs)

Out of 19 working PSUs for which the accounts were received upto September 2013, nine PSUs earned profit of ₹ 20.93 crore and six PSUs incurred loss of ₹ 425.16 crore. Three working Government companies have not prepared their profit and loss accounts while in case of one working PSU, excess of expenditure over income was reimbursable by the State Government. Further, as per dividend policy of the State Government, all PSUs are required to pay a minimum return of three *per cent* on the paid up share capital contributed by

the State Government. Out of nine PSUs earned an aggregate profit of ₹ 20.93 crore, only Himachal Pradesh State Civil Supplies Corporation Limited declared a dividend of ₹ 0.35 crore, which was 10 *per cent* of its paid up share capital.

*(Paragraph 1.15 and 1.17)*

### **Arrears in finalisation of accounts**

Twelve working PSUs had arrears of 20 accounts as of September 2013. In the absence of accounts and their subsequent audit, it cannot 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. Thus, Government's investment in such PSUs remains outside the scrutiny of the State Legislature.

*(Paragraph 1.18 to 1.21)*

## **II. Performance audit relating to Government Companies**

Performance Audit relating to "Beas Valley Power Corporation Limited" and "Power Purchase Agreements" were conducted. Important audit findings are as under:

### **2.1 Beas Valley Power Corporation Limited**

The Government of Himachal Pradesh decided (February 1999) to take up the execution of the Uhl Hydro Electric Project Stage-III through a Special Purpose Vehicle (SPV) namely Himachal Pradesh Jal Vidyut Vikas Nigam Ltd., which was subsequently renamed (November 2006) as Beas Valley Power Corporation Limited (Company).

The project initially estimated to cost ₹ 431.56 crore for commissioning (March 2007) during 10<sup>th</sup> Plan is now anticipated to be completed at a cost of ₹ 940.84 crore by September 2014 involving cost overrun of ₹ 509.28 crore. This has resulted in increase in *per MW* cost from ₹ 4.32 crore envisaged in the DPR to ₹ 9.41 crore *per MW* and *per unit* cost of ₹ 2.35 to ₹ 3.94. The delay in commissioning the project has caused surrendering (October 2007) interest subsidy incentive of ₹ 5.63 crore.

*{Paragraph 2.1.8.1 & 2.1.8.2 (ii)}*

The project cost of Uhl Stage-III HEP was irregularly increased by ₹ 4.00 crore by charging the proportionate cost of 10 MW Ghanvi Stage-II HEP and assets created by HPSEBL which have no relation with this project.

*{Paragraph 2.1.8.3(i)}*

The Company did not observe standard procedure as laid down in CPWD manual, guidelines issued by the Central Vigilance Commission and non adoption of uniform criteria while finalising the bidding documents/contract agreements.

*{Paragraph 2.1.8.3(ii)}*

The Company incurred avoidable extra expenditure of ₹ 19.18 crore due to non compliance of various contractual and statutory provisions besides blocking of funds of ₹ 67.93 lakh on abandoned works.

*(Paragraph 2.1.8.5)*

The Company did not hand over the sites duly developed to the contractors in time resulted in extra expenditure of ₹ 38.61 crore on account of entry tax, overrun charges, insurance premium, hiring of mobile crane and price escalation.

*(Paragraph 2.1.8.6.2)*

## **2.2. Power Purchase Agreements**

As *per* Hydro Power Policy notified (December 2006) by the State Government, the developer was permitted to establish, own, operate and maintain the Hydro Electric Project up to 40 years. Thereafter, the projects are to be transferred to the State Government.

To accelerate the development of small hydro projects a target of capacity addition of 409.94 Mega Watt (MW) was fixed during the period 2008-13, against which only 208.80 MW could be achieved.

*(Paragraph 2.2.7.1)*

In case of Neogal Hydro Project (15 MW), suitable clause for the recovery of survey and investigation expenditure was not inserted in the Implementation Agreement (IA); in absence of which the Company would not be able to recover survey and investigation expenditure of ₹ 4.81 crore.

*(Paragraph 2.2.7.2.2)*

The Company inserted a clause regarding provision of free power at 12 *per cent* in the PPA of Neogal Hydel Project instead of at 15/20 *per cent* as was envisaged in the Supplementary Implementation Agreement. This would result in total loss of free power to the State Government ₹ 41.20 crore during the entire operation life of the project.

*(Paragraph 2.2.7.2.3)*

The HPSEBL failed to recover survey and investigation charges of ₹ 3.24 crore from three private parties as *per* the terms and conditions of the PPA.

*(Paragraph 2.2.7.3.1)*

Though 28 hydro projects were commissioned after delays, no action to recover liquidated damages (LD) amounting to ₹ 3.71 crore was initiated by the HPSEBL as per provisions of PPAs.

*{Paragraph 2.2.7.3.3(ii) to (iv)}*

At the end of March 2013, an amount of ₹ 1.23 crore (including penalty of ₹ 6.93 lakh) on account of operation and maintenance (O&M) was recoverable from 11 power producers.

*{Paragraph 2.2.7.3.5(i)}*

The Company has not initiated any action on the directions of the Appellate Tribunal of Electricity issued in September 2009 for fixation of tariff based on project specific cost and capacity utilisation factor (CUF) actually achieved resulting in an extra payment of ₹ 52.50 crore.

*(Paragraph 2.2.7.4.1)*

### **III Audit of Transactions**

Transaction audit observations included in this Report highlight deficiencies in the management of State Government Companies, which had serious financial implications. Gist of some of the important audit observations is given below:

**Himachal Pradesh State Electricity Board Limited** failed to recover energy charges from consumers in accordance with applicable tariffs/laid down procedures and statutory provisions resulted in non/short recovery of ₹ 33.08 crore.

*(Paragraph 3.1)*

**Himachal Pradesh State Civil Supplies Corporation Limited** incurred an extra expenditure of ₹ 1.25 crore due to non placement of supply orders for imported oil and purchasing material at higher rates from a private party.

*(Paragraph 3.3)*

**Himachal Pradesh Power Corporation Limited** failed to recover mobilisation advance in a time bound manner which resulted in avoidable interest loss of ₹ 9.40 crore.

*(Paragraph 3.8)*

**Himachal Pradesh Tourism Development Corporation Limited, Himachal Pradesh State Civil Supplies Corporation Limited and Himachal Pradesh General Industries Corporation Limited** failed to limit employer's contribution towards Employees' Provident Fund as prescribed in the Employees' Provident Funds Scheme, 1952 which resulted in excess contribution of ₹ 15.32 crore.

*(Paragraph 3.12)*