

Chapter-I
Functioning of State Public Sector
Undertakings

CHAPTER-1

FUNCTIONING OF STATE PUBLIC SECTOR UNDERTAKINGS

1.1 Introduction

The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. As on 31 March 2015, in Himachal Pradesh, there were 21 PSUs. Of these, one company¹ was listed (April 1995) on the Delhi stock exchange. During the year 2014-15, no PSU was incorporated as well as closed down. The details of the State PSUs in Himachal Pradesh as on 31 March 2015 are given below.

Table 1.1: Total number of PSUs as on 31 March 2015

| Type of PSUs | Working PSUs | Non-working PSUs ² | Total |
|-----------------------------------|----------------|-------------------------------|-----------|
| Government Companies ³ | 17 | 2 | 19 |
| Statutory Corporations | 2 ⁴ | - | 2 |
| Total | 19 | 2 | 21 |

The working PSUs registered a turnover of ₹ 6,536.34 crore as *per* their latest finalised accounts as of September 2015. This turnover was equal to 6.84 *per cent* of State Gross Domestic Product (GDP) for 2014-15. The working PSUs incurred aggregate loss of ₹ 456.00 crore as *per* their latest finalised accounts as of September 2015. They had employed 34,675 employees as at the end of March 2015.

As on 31 March 2015, there were two non-working PSUs existing from last seven to 15 years and having investment of ₹ 78.79 crore.

1.2 Accountability framework

The process of audit of Government companies is governed by respective provisions of Section 139 and 143 of the Companies Act, 2013 (Act). According to Section 2 (45) of the Act, Government company means any company in which not less than fifty one *per cent* of the paid-up share capital is held by the Central Government, or by any State Government or

¹ Himachal Pradesh General Industries Corporation Limited.

² Non-Working PSUs are those which have ceased to carry on their operations.

³ Government PSUs includes other Companies referred to in Section 139 (5) and 139 (7) of the Companies Act, 2013.

⁴ Himachal Pradesh Financial Corporation & Himachal Road Transport Corporation.

Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company.

Further, as *per* sub-Section 7 of Section 143 of the Act, the Comptroller and Auditor General of India (CAG) may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considers necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19 A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

1.3 Statutory Audit

The financial statements of the Government companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by Statutory Auditors, who are appointed by CAG as *per* the provisions of Section 139 (5) or (7) of the Act which shall submit a copy of Audit Report to the CAG which among other things, including financial statements of the Company under Section 143 (5) of the Act. These financial statements are also subject to supplementary audit conducted by CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act.

Audit of Statutory corporations is governed by their respective legislations. Out of two statutory corporations⁵, CAG is the sole auditor for Himachal Road Transport Corporation (HRTC). In respect of Himachal Pradesh Financial Corporation (HPFC), the audit is conducted by Chartered Accountants and supplementary audit by CAG.

1.4 Role of Government and Legislature

The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government companies and Separate Audit Reports in case of Statutory corporations are to be placed before the Legislature under Section 394 of the Act or as stipulated in the respective Acts. The Audit Reports of CAG are

⁵ Himachal Pradesh Financial Corporation and Himachal Road Transport Corporation.

submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

1.5 Stake of Government of Himachal Pradesh

The State Government has huge financial stake in these PSUs. This stake is of mainly three types:

- **Share Capital and Loans-** In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.
- **Special Financial Support-** State Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees-** State Government also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

1.6 Investment in State PSUs

As on 31 March 2015, the investment (capital and long-term loans) in 21 PSUs was ₹ 9,872.17 crore as *per* details given below.

Table 1.2: Total investment in PSUs

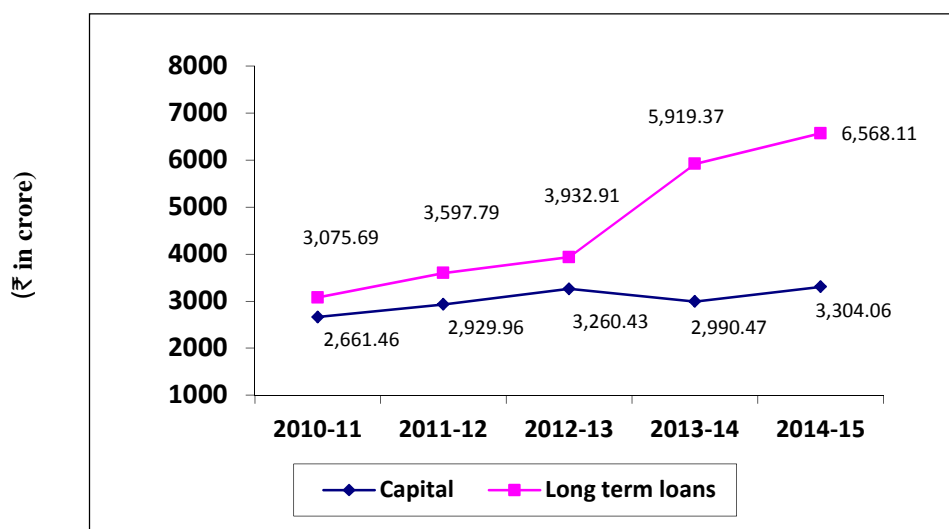
(₹ in crore)

| Type of PSUs | Government Companies | | | Statutory Corporations | | | Grand Total |
|------------------|----------------------|-----------------|-----------------|------------------------|-----------------|---------------|-----------------|
| | Capital | Long Term Loans | Total | Capital | Long Term Loans | Total | |
| Working PSUs | 2,601.56 | 6,286.92 | 8,888.48 | 683.86 | 221.04 | 904.90 | 9,793.38 |
| Non-working PSUs | 18.64 | 60.15 | 78.79 | - | - | - | 78.79 |
| Total | 2,620.20 | 6,347.07 | 8,967.27 | 683.86 | 221.04 | 904.90 | 9,872.17 |

As on 31 March 2015 of the total investment in State PSUs, 99.20 *per cent* was in working PSUs and the remaining 0.80 *per cent* in non-working PSUs. This total investment consisted of 33.47 *per cent* towards capital and 66.53 *per cent* in long-term loans. The investment has grown by 72.07 *per cent* from ₹ 5,737.15 crore (Capital: ₹ 2,661.46 crore and Long term loans: ₹ 3,075.69

crore) in 2010-11 to ₹ 9,872.17 crore (Capital: ₹ 3,304.06 crore and Long term loans: ₹ 6,568.11 crore) in 2014-15 as shown in the graph below.

Chart 1.1: Total investment in PSUs



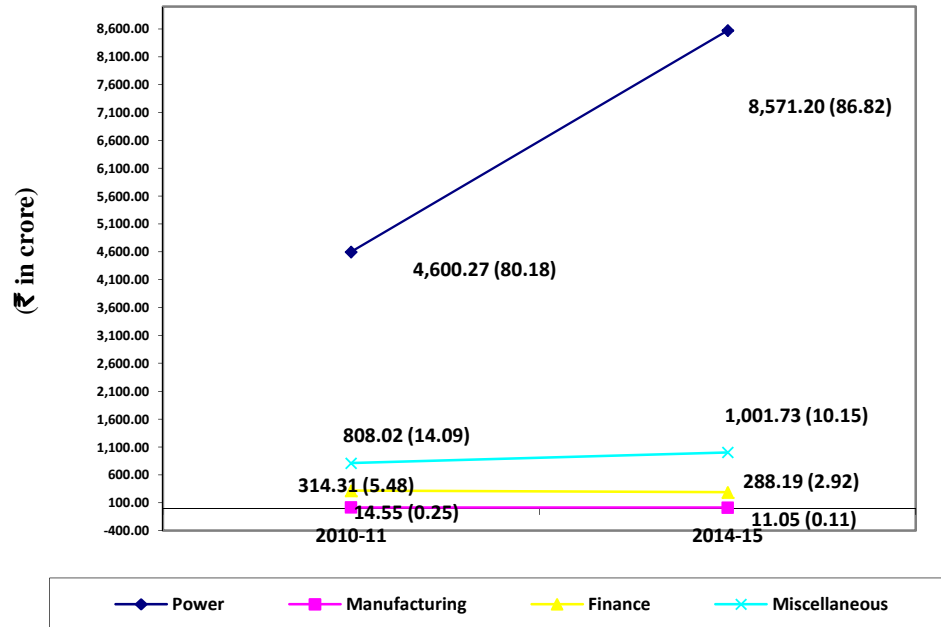
1.7 The sector wise summary of investments in the State PSUs as on 31 March 2015 is given below:

Table 1.3: Sector-wise investment in PSUs

| Name of Sector | Government companies | | Statutory corporations | Total | Investment (₹ in crore) |
|----------------------|----------------------|-------------|------------------------|-----------|----------------------------|
| | Working | Non-Working | Working | | |
| Power | 4 | - | - | 4 | 8,571.20 |
| Manufacturing | 1 | 1 | - | 2 | 11.05 |
| Finance | 3 | - | 1 | 4 | 288.19 |
| Service | 4 | - | 1 | 5 | 717.92 |
| Infrastructure | 2 | - | - | 2 | 55.82 |
| Agriculture & Allied | 3 | 1 | - | 4 | 227.99 |
| Total | 17 | 2 | 2 | 21 | 9,872.17 |

The investment in four significant sectors and percentage thereof at the end of 31 March 2011 and 31 March 2015 are indicated below in the bar chart.

Chart 1.2: Sector wise investment in PSUs



(Figures in brackets show the sector-wise percentage of investment to total investment)

The thrust of PSU investment was mainly in power sector which increased from 80.18 *per cent* to 86.82 *per cent* to the total investment during 2010-11 (₹ 4,600.27 crore) to 2014-15 (₹ 8,571.20 crore). However, the investment in manufacturing sector decreased from ₹ 14.55 crore to ₹ 11.05 crore and in finance sector from ₹ 314.31 crore to ₹ 288.19 crore as on March 2015 in comparison to March 2011.

1.8 Special support and returns during the year

The State Government provides financial support to PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and interest waived in respect

of State PSUs are given below for three years ended 2014-15.

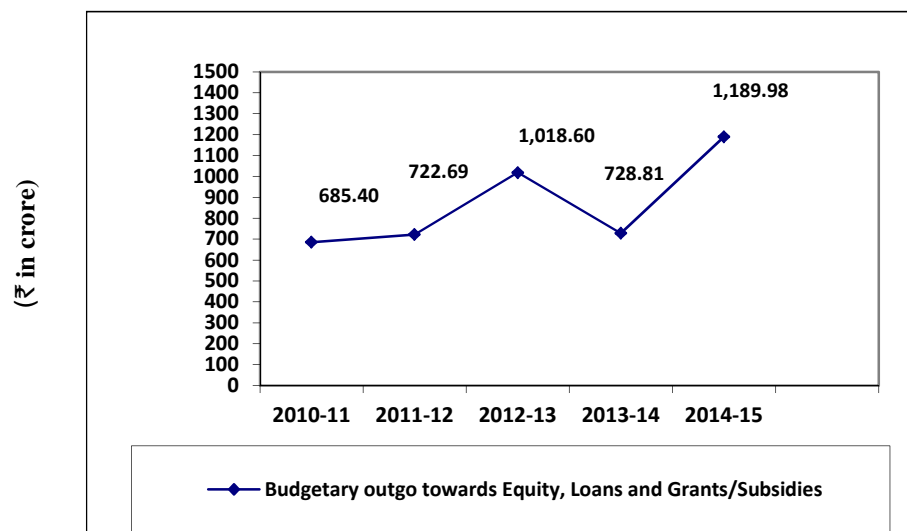
Table 1.4: Details regarding budgetary support to PSUs

(₹ in crore)

| Sl. No. | Particulars | 2012-13 | | 2013-14 | | 2014-15 | |
|-----------|--|-------------|-----------------|-------------|---------------|-------------|--------------------|
| | | No. of PSUs | Amount | No. of PSUs | Amount | No. of PSUs | Amount |
| 1. | Equity Capital outgo from budget | 6 | 303.23 | 6 | 261.77 | 7 | 283.38 |
| 2. | Loans given from budget | 1 | 5.00 | 1 | 49.20 | 2 | 119.15 |
| 3. | Grants/Subsidy from budget | 7 | 710.37 | 7 | 417.84 | 7 | 787.45 |
| 4. | Total Outgo (1+2+3) | | 1,018.60 | | 728.81 | | 1,189.98 |
| 5. | Waiver of loans/interest and loans converted into equity | 1 | 0.50 | 1 | 7.05 | 1 | 19.11 ⁶ |
| 6. | Guarantees issued | 7 | 1,567.31 | 9 | 2,332.54 | 9 | 4,919.21 |
| 7. | Guarantee Commitment | 9 | 1,534.08 | 9 | 2,768.03 | 9 | 2,746.24 |
| 8. | Guarantee fee | 2 | 0.07 | 2 | 0.09 | 2 | 0.09 |

The details regarding budgetary outgo towards equity, loans and grants / subsidies for past five years are given in a graph below.

Chart 1.3: Budgetary outgo towards Equity, Loans and Grants/Subsidies



The budgetary support in the form of equity, loans and grants / subsidies by the State Government during the years 2010-11 to 2014-15 showed a varying trend. The budgetary outgo which stood at ₹ 685.40 crore in 2010-11 increased to ₹ 1,018.60 crore in 2012-13, but decreased to ₹ 728.81 crore in

⁶ The State Government has converted loans into equity during 2013-14 in respect HPSEBL, but the Company has not finalised its account for the year 2013-14.

2013-14 and again increased to ₹ 1,189.98 crore in 2014-15. The increase was mainly due to equity, loans and grants / subsidies invested / released to Himachal Pradesh Road and Other Infrastructure Development Corporation Limited (HPRIDC), Himachal Pradesh State Electricity Board Limited (HPSEBL), Himachal Pradesh Power Corporation Limited (HPPCL), Himachal Pradesh Power Transmission Corporation Limited (HPPTCL) and HRTC.

In order to enable PSUs to obtain financial assistance from Banks and Financial Institutions, State Government gives guarantee for which the guarantee fee is being charged from the PSUs. This fee varies from zero *per cent* (Welfare Companies) to one *per cent* as decided by the State Government depending upon the loanees. During 2014-15, the Government had guaranteed loans aggregating ₹ 4,919.21 crore obtained by nine PSUs. The guarantee commitment decreased to ₹ 2,746.24 crore (nine PSUs) in 2014-15 from ₹ 2,768.03 crore (nine PSUs) in 2013-14. Further, two PSUs⁷ paid guarantee fee to the tune of ₹ 0.09 crore during 2014-15.

The increase in Grants / Subsidies during the year 2014-15 was mainly due to increase in grants / subsidies in respect of HPRIDC (₹ 41.44 crore), Himachal Pradesh State Electricity Board Limited (₹ 311.46), and HRTC (₹ 10.00 crore). The increase in equity during 2014-15 was mainly due to increase in equity in respect of HPPTCL (₹ 17.95 crore). Further, the increase in Guarantees issued / Guarantee commitment during 2014-15 was due to guarantees given by the State Government on loans raised by State PSUs.

1.9 Reconciliation with Finance Accounts

The figures in respect of equity, loans and guarantees outstanding as *per* records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2015 is stated below.

Table 1.5: Equity, loans, guarantees outstanding as *per* finance accounts *vis a vis* records of PSUs

(₹ in crore)

| Sr. No. | Outstanding in respect of | Amount as <i>per</i> Finance Accounts | Amount as <i>per</i> records of PSUs | Difference |
|---------|---------------------------|---------------------------------------|--------------------------------------|------------|
| 1. | Equity | 1,503.65 | 1,643.74 | 140.09 |
| 2. | Loans | 423.68 | 2,226.43 | 1,802.75 |
| 3. | Guarantees | 2,687.20 | 2,746.24 | 59.04 |

⁷ Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited and Himachal Pradesh State Handicrafts and Handloom Corporation Limited.

Audit observed that the differences occurred in respect of nine PSUs during 2014-15 and some of the differences were pending reconciliation since 2009-10 (HPFC). The difference in guarantees was also observed in respect of four PSUs viz., Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited (HPMC), Himachal Pradesh Minorities Finance and Development Corporation, Himachal Pradesh State Handicrafts and Handloom Corporation Limited (HPSH&HCL) and HPFC. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner. The concerned administrative departments, PSUs and Finance Department were requested (10 September 2015) to take necessary action to reconcile the differences.

1.10 Arrears in finalisation of accounts

The financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.* by September end in accordance with the provisions of Section 96 (1) of the Act. Failure to do so, may attract penal provisions under Section 99 of the Act. Similarly, in case of statutory corporations, their accounts are finalised, audited and presented to the Legislature as *per* the provisions of their respective Acts.

The table below provides the details of progress made by working PSUs in finalisation of accounts as of 30 September 2015.

Table 1.6: Position relating to finalisation of accounts of working PSUs

| Sl. No. | Particulars | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---------|---|--------------|--------------|--------------|--------------|--------------|
| 1 | Number of Working PSUs / other companies | 19 | 19 | 19 | 19 | 19 |
| 2. | Number of accounts finalised during the year | 21 | 15 | 15 | 16 | 16 |
| 3. | Number of accounts in arrears | 12 | 16 | 20 | 23 | 26 |
| 4. | Number of Working PSUs with arrears in accounts | 10 | 10 | 12 | 15 | 18 |
| 5. | Extent of arrears (numbers in years) | 1 to 2 years | 1 to 2 years | 1 to 3 years | 1 to 3 years | 1 to 3 years |

It can be observed that the number of accounts in arrears has increased from 12 in 2010-11 to 26 in 2014-15. The extent of arrears of accounts also increased from one to two years in 2010-11 to one to three years in 2014-15.

Similarly, out of two Statutory corporations, HPFC has finalised its accounts up to date whereas Himachal Road Transport Corporation has finalised its accounts up to 2013-14 as of 30 September 2015.

The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments were informed every quarter by Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this, the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up (October 2015) with the Chief Secretary / Director, Institutional Finance and Public Enterprises to expedite clearance of backlog of arrears in accounts in a time bound manner, however, no improvement has been noticed so far.

1.11 The State Government had invested ₹ 1,239.45 crore in 11 PSUs {equity: ₹ 330.78 crore (7 PSUs), loans: ₹ 102.62 crore (one PSU) and grants ₹ 806.05 crore (7 PSUs)} during the years for which accounts have not been finalised as detailed in **Appendix 1.1**. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not and thus Government's investment in such PSUs remained outside the control of State Legislature.

1.12 In addition to above, as on 30 September 2015, there was arrears in finalisation of accounts by non-working PSUs. Out of two non-working PSUs, Himachal Worsted Mills Limited was in the process of liquidation whose accounts were finalised up to 2000-01 and the Agro Industrial Packaging India Limited had finalised its accounts up to 2013-14.

Table 1.7: Position relating to arrears of accounts in respect of non-working PSUs

| Name of non-working company | Period for which accounts were in arrears | No. of years for which accounts were in arrears |
|---|---|---|
| Himachal Worsted Mills Limited | - | - |
| Agro Industrial Packaging India Limited | 2014-15 | 1 |

1.13 Placement of Separate Audit Reports

The position depicted below show the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2015) on the accounts of Statutory Corporations in the Legislature.

Table 1.8: Status of placement of SARs in Legislature

| Sl. No. | Name of statutory corporation | Year up to which SARs placed in Legislature | Year for which SARs not placed in Legislature | |
|---------|--|---|---|---------------------------------|
| | | | Year of SAR | Date of issue to the Government |
| 1. | Himachal Pradesh Financial Corporation | 2013-14 | 2014-15 | 29.09.2015 |
| 2. | Himachal Road Transport Corporation | 2013-14 | 2014-15 | Accounts yet to be finalised. |

1.14 Impact of non-finalisation of accounts

As pointed out above (Para 1.10 and 1.12), the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of PSUs to the State GDP for the year 2014-15 could not be ascertained for which the accounts were in arrear (2012-13 to 2014-15) and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that:

- The Government may set up a suitable monitoring mechanism to oversee the clearance of arrears and set the targets for individual companies.
- The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.

1.15 Performance of PSUs as per their latest finalised accounts

The financial position and working results of working Government companies and Statutory corporations are detailed in **Appendix 1.2**. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State

economy. Table below provides the details of working PSUs turnover and State GDP for a period of five years ending 2014-15.

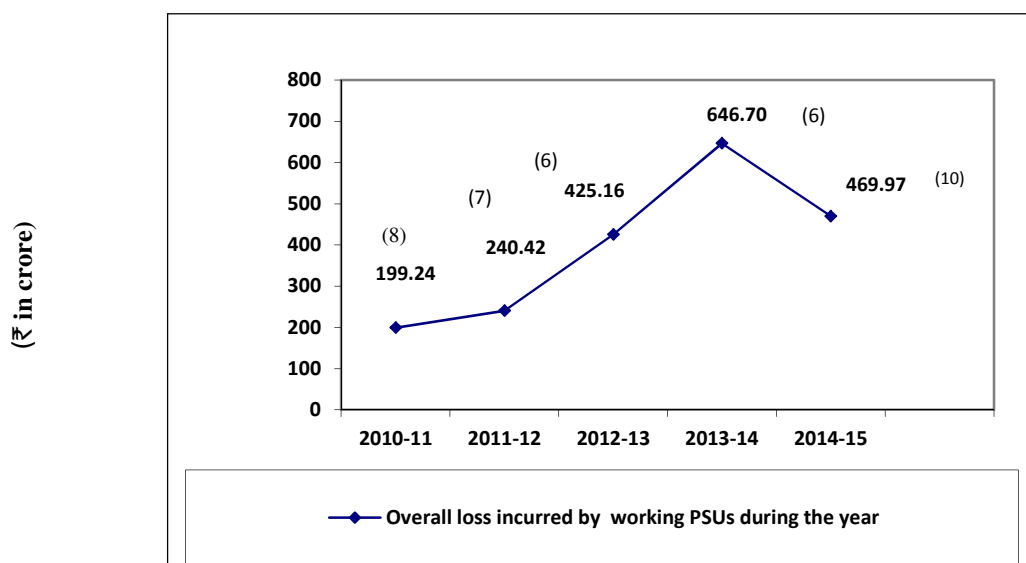
Table 1.9: Details of working PSUs turnover vis-a vis State GDP

| (₹ in crore) | | | | | |
|-------------------------------------|----------|----------|----------|----------|----------|
| Particulars | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
| Turnover ⁸ | 4,969.59 | 4,990.22 | 4,945.29 | 5,952.79 | 6,536.34 |
| State GDP | 56,980 | 66,448 | 76,259 | 85,841 | 95,587 |
| Percentage of Turnover to State GDP | 8.72 | 7.51 | 6.48 | 6.93 | 6.84 |

The turnover of working PSUs decreased from ₹ 4,969.59 crore in 2010-11 to ₹ 4,945.29 crore in 2012-13 due to less turnover in respect of HPSEBL and HPMC and again increased from ₹ 5,952.79 crore in 2013-14 to ₹ 6,536.34 crore in 2014-15. The percentage of turnover to State GDP also decreased from 8.72 in 2010-11 to 6.84 in 2014-15.

1.16 Overall losses incurred by State working PSUs during 2010-11 to 2014-15 are given below in a bar chart.

Chart 1.4: Loss of working PSUs



(Figures in brackets show the number of working PSUs which incurred losses in respective years)

During 2010-11 to 2013-14, overall losses incurred by the PSUs increased from ₹ 199.24 crore to ₹ 646.70 crore but slightly decreased to ₹ 469.97 crore in 2014-15. During the year 2014-15, out of 19 working PSUs, seven PSUs earned profit of ₹ 13.97 crore and 10 PSUs incurred loss of ₹ 469.97 crore

⁸ Turnover as per the latest finalised accounts as of 30 September.

which includes three PSUs⁹ which prepared their accounts on a 'No profit no loss basis'. One working Government company (Beas Valley Power Corporation Limited) has not prepared its profit and loss account whereas in respect of one working PSU viz., Himachal Pradesh Road and Other Infrastructure Development Corporation Limited, excess of expenditure over income is reimbursable by the State Government. The major contributors to profit were made by Himachal Pradesh General Industries Corporation Limited (₹ 4.02 crore) and Himachal Pradesh State Civil Supplies Corporation Limited (₹ 3.99 crore). The heavy losses were incurred by Himachal Pradesh State Electricity Board Limited (₹ 340.28 crore), Himachal Road Transport Corporation (₹ 83.27 crore), Himachal Pradesh State Forest Development Corporation Limited (₹ 9.11 crore) and Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited (₹ 6.96 crore).

1.17 Some other key parameters of PSUs are given below:

Table 1.10: Key Parameters of State PSUs

(₹ in crore)

| Particulars | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|--|----------|----------|-----------|-----------|----------|
| Return on Capital Employed (<i>per cent</i>) | 16.40 | (-)25.17 | (-)241.16 | (-)342.76 | 17.77 |
| Debt | 3,075.69 | 3,597.79 | 3,932.91 | 5,919.37 | 6,568.11 |
| Turnover ¹⁰ | 4,964.59 | 4,990.22 | 4,945.29 | 5,952.79 | 6,536.34 |
| Debt/ Turnover Ratio | 0.62:1 | 0.72:1 | 0.80:1 | 0.99:1 | 1:1 |
| Interest Payments | 207.13 | 199.50 | 163.24 | 280.37 | 473.82 |
| Accumulated Losses | 1,286.19 | 1,360.75 | 1,875.73 | 2,492.97 | 2,951.26 |

Return on capital employed decreased from ₹ 16.40 crore in 2010-11 to (-) ₹ 342.76 crore in 2013-14 and increased to ₹ 17.77 crore in 2014-15. Debt-Turnover Ratio increased from 0.62:1 in 2010-11 to 1:1 in 2014-15 which further increased in interest burden as well as losses of PSUs. The accumulated losses which were ₹ 1,286.19 crore in 2010-11 increased to ₹ 2,951.26 crore in 2014-15.

1.18 The State Government had formulated (April 2011) a dividend policy under which all profit making PSUs (except those in welfare and utility sector) are required to pay a minimum return of five *per cent* on the paid up capital contributed by the State government subject to a ceiling of 50 *per cent* of profit after tax. As *per* their latest finalised accounts, seven PSUs earned an aggregate profit of ₹ 13.97 crore out of which only one company viz., Himachal Pradesh State Civil Supplies Corporation Limited declared / paid a

⁹ Himachal Backward Classes Finance and Development Corporation, Himachal Pradesh Mahila Vikas Nigam and Himachal Pradesh Minorities Finance and Development Corporation.

¹⁰ Turnover of working PSUs as *per* the latest finalised accounts as of 30 September.

dividend of ₹ 0.35 crore at the rate of 10 per cent of its paid up capital (₹ 3.51 crore) during 2013-14. A minimum dividend of ₹ 1.00 crore was not yet (September 2015) paid by the three PSUs (Himachal Pradesh State Electronics Development Corporation Limited, Himachal Pradesh General Industries Corporation Limited and HPSH&HCL).

1.19 Winding up of non-working PSUs

There were two non-working PSUs (Companies) as on 31 March 2015. Of these, one PSU has commenced its liquidation process. The numbers of non-working companies at the end of each year during past five years are given below.

Table 1.11: Non working PSUs

| Particulars | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---------------------------------|----------|----------|----------|----------|----------|
| No. of non-working companies | 3 | 3 | 2 | 2 | 2 |
| No. of non-working corporations | - | - | - | - | - |
| Total | 3 | 3 | 2 | 2 | 2 |

Since the non-working PSUs are not contributing to the State economy and meeting the intended objectives, therefore, these PSUs may be considered either to be closed down or revived. During 2014-15, one non-working PSU Agro Industrial Packaging India Limited (AIPIL) incurred an expenditure of ₹ 0.16 crore on employee benefits. Against above expenditure, the Company received grant-in-aid of ₹ 0.11 crore and ₹ 0.05 crore was met out of previous unutilised grant in aid.

1.20 The stages of closure in respect of non-working PSUs are given below.

Table 1.12: Closure of non working PSUs

| Sl. No. | Particulars | Companies | Statutory Corporations | Total |
|---------|--|-----------|------------------------|-------|
| 1. | Total No. of non-working PSUs | 2 | - | 2 |
| 2. | Of (1) above, the No. under: | | | |
| (a) | liquidation by Court (liquidator appointed) | - | - | - |
| (b) | Voluntary winding up (liquidator appointed) | 1 | - | 1 |
| (c) | Closure, i.e. closing orders/ instructions issued but liquidation process not yet started. | 1 | - | 1 |

During the year 2014-15, no company was finally wound up. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted / pursued vigorously. The Government may make a decision regarding winding up of one non-working PSU (AIPIL) where no decision about their continuation or otherwise has been taken after it has become non-working.

1.21 Accounts Comments

Fifteen working companies forwarded their audited 16 accounts to Principal Accountant General from October 2014 to September 2015. Of these, 15 accounts of 14 companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

Table 1.13: Impact of audit comments on working Companies

(Amount ₹ in crore)

| Sl. No. | Particulars | 2012-13 | | 2013-14 | | 2014-15 | |
|---------|----------------------------------|-----------------|---------------|-----------------|---------------|-----------------|-----------------|
| | | No. of accounts | Amount | No. of accounts | Amount | No. of accounts | Amount |
| 1. | Decrease in profit | 3 | 32.81 | 5 | 92.42 | 4 | 21.87 |
| 2. | Increase in loss | 2 | 370.13 | 4 | 636.69 | 5 | 2,105.11 |
| 3. | Decrease in loss | 1 | 0.63 | - | - | 2 | 2.22 |
| 4. | Increase in profit | 2 | 1.06 | 1 | 0.85 | - | - |
| | Total: | 8 | 404.63 | 10 | 729.96 | 11 | 2,129.20 |
| 5 | Non-disclosure of material facts | - | - | - | - | 2 | 19.64 |
| 6 | Errors of classification | - | - | - | - | 2 | 4.47 |

It can be seen from above that impact of audit comments on 'increase in profit / loss' or 'decrease in profit / loss' increased from ₹ 404.63 crore in 2012-13) to ₹ 2,129.20 crore in 2014-15 which shows that quality of maintenance of accounts degraded year after year. The major impact of comments of the CAG and Statutory Auditors were on the accounts of the HPSEBL (2012-13) by ₹ 1,977.60 crore and decrease in profit by

₹ 12.62 crore in respect of Himachal Pradesh State Civil supplies Corporation Limited (2013-14). The audit reports of Statutory auditors appointed by the CAG and the supplementary audit of the CAG indicates that the quality of maintenance of accounts needs to be improved substantially.

Out of 16 accounts (15 companies) received for audit between October 2014 and September 2015, the Statutory Auditors had certified given adverse certificates (which means that accounts do not reflect a true and fair position) for five accounts and disclaimers (meaning the auditors are unable to form an opinion on accounts) for one account (HPSEBL). In addition to above, the CAG gave adverse comments on the accounts of HPSCSCL for the year 2013-14 and no disclaimer comments on accounts have been issued during supplementary audit. Further, qualified reports containing comments have been issued in respect of six companies, non-review certificate has been given in respect of one company and nil comments have been issued in respect of two companies. The compliance of companies with the Accounting Standards remained poor as there were 67 instances of non-compliance in 13 accounts during the year.

1.22 Similarly, two working Statutory Corporations forwarded their two accounts to PAG during the period from October 2014 to September 2015. Of these, one accounts of one Statutory Corporation pertained to sole audit by CAG which was completed. Of the remaining accounts, HPFC's accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and the sole / supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

Table 1.14: Impact of audit comments on Statutory Corporations

(Amount ₹ in crore)

| Sl. No. | Particulars | 2012-13 | | 2013-14 | | 2014-15 | |
|---------|----------------------------------|-----------------|--------|-----------------|--------|-----------------|--------|
| | | No. of accounts | Amount | No. of accounts | Amount | No. of accounts | Amount |
| 1. | Increase in loss | 2 | 70.32 | 2 | 0.47 | 2 | 41.60 |
| 2 | Non-disclosure of material facts | - | - | - | - | 1 | 5.27 |

It can be seen that impact of audit comments on 'increase in loss' was ₹ 70.32 crore in 2012-13 and ₹ 41.60 crore in 2014-15. The audit reports of Statutory auditors and supplementary audit by the CAG indicates that the quality of maintenance of accounts needs to be improved.

During the period from October 2014 to September 2015, out of two accounts received, the Statutory auditors had given qualified certificates in respect of HPFC and in respect of HRTC, CAG is sole auditor.

1.23 Response of the Government to Audit

Performance Audits and Paragraphs

For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2015, one performance audit, one Information Technology (IT) Audit and 12 audit paragraphs involving ₹ 241.75 crore were issued to the Additional Chief Secretaries / Principal Secretaries of the respective Departments with request to furnish replies within six weeks. However, replies in respect of one Performance Audit, one IT Audit and six compliance audit paragraphs were awaited from the State Government (October 2015).

1.24 Follow up action on Audit Reports

Replies outstanding

The Report of the Comptroller and Auditor General of India (CAG) represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Himachal Pradesh issued (February 1994) instructions to all Administrative Departments to submit replies / explanatory notes to paragraphs / reviews included in the Audit Reports of the CAG of India within a period of three months of their presentation to the Legislature, in the prescribed format without waiting for any questionnaires from the Committee on Public Undertakings (COPU).

Table No.1.15: Explanatory notes not received as on 30 September 2015

| Year of the Audit Report on PSUs (Economic Sector) | Date of placement of Audit Report in the State Legislature | Total Performance audits (PAs) and Paragraphs in the Audit Report | | Number of PAs / Paragraphs for which explanatory notes were not received | |
|--|--|---|------------|--|------------|
| | | PAs | Paragraphs | PAs | Paragraphs |
| 2012-13 | February 2014 | 1 | 10 | 1 | 2 |
| 2013-14 | April 2015 | 2 | 12 | 1 | 6 |
| Total | | 3 | 22 | 2 | 8 |

From the above, it could be seen that out of 25 paragraphs / performance audits, explanatory notes to 10 performance audits / paragraphs in respect of two departments, which were commented upon, were awaited (September 2015).

1.25 Discussion of Audit Reports by COPU

The status as on 30 September 2015 of Performance Audits and paragraphs that appeared in Audit Reports on Public Sector Undertakings (Economic Sector) and discussed by the Committee on Public Undertakings (COPU) was as under.

Table No.1.16: Performance audits / Paras appeared in Audit Reports *vis a vis* discussed as on 30 September 2015

| Period of Audit Report | Number of reviews / paragraphs | | | |
|------------------------|--------------------------------|------------|-----------------|------------|
| | Appeared in Audit Reports | | Paras discussed | |
| | PAs | Paragraphs | PAs | Paragraphs |
| 2009-10 | 2 | 11 | 1 | 11 |
| 2010-11 | 1 | 15 | 0 | 15 |
| 2011-12 | 1 | 13 | 0 | 4 |
| 2012-13 | 2 | 12 | 0 | 2 |
| 2013-14 | 1 | 10 | 0 | 0 |
| Total | 7 | 61 | 1 | 32 |

1.26 Compliance to Reports of Committee on Public Undertakings (COPU)

Action Taken Notes (ATN) to 22 paragraphs (79 recommendations) pertaining to 16 Reports of the COPU presented to the State Legislature between April 2013 and March 2015 had not been received (September 2015) as indicated below:

Table No.1.17: Compliance to COPU Reports

| Year of the COPU Report | Total number of COPU Reports | Total no. of recommendations in COPU Report | Total number of COPU Reports | No. of recommendations where ATNs not received |
|-------------------------|------------------------------|---|------------------------------|--|
| 2013-14 | 10 | 25 | 5 | 12 |
| 2014-15 | 13 | 69 | 11 | 67 |
| Total | 23 | 94 | 16 | 79 |

These Reports of COPU contained recommendations in respect of paragraphs pertaining to five departments, which appeared in the Reports of the CAG of India for the years 2005-06 to 2010-11.

It is recommended that the Government may ensure: (a) sending of replies to inspection reports / draft paragraphs / performance audits and ATNs on the recommendations of COPU as *per* the prescribed time schedule; (b) recovery of loss / outstanding advances / overpayments within the prescribed period; and (c) revamping of the system of responding to audit observations.

1.27 Coverage of this Report

This Report contains one Performance Audit on the working of Himachal Pradesh State Forest Development Corporation Limited, one IT audit of HT / LT billing system of HPSEBL and 12 paragraphs including two thematic audit involving a financial effect of ₹ 241.75 crore.

1.28 Disinvestment, Restructuring and Privatisation of PSUs

During the year 2014-15, there was no case of privatisation of Government companies and Statutory corporations, however, one PSU (HPPCL) had disinvested ₹ 550.00 crore equity to Himachal Pradesh Infrastructure Development Board. The State Government has not prepared any policy to disinvest the Government equity invested in State PSUs.