

Overview

OVERVIEW

This Report contains 12 paragraphs (including two thematic paragraphs), one IT Audit of HT / LT billing system of Himachal Pradesh State Electricity Board Limited and one Performance Audit of Himachal Pradesh State Forest Development Corporation Limited involving a financial effect of ₹ 241.75 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, non payment of instalments of royalty on due dates, shortfall of resin *etc.* Some of the major findings are mentioned below:

1 Functioning of State Public Sector Undertakings

The State of Himachal Pradesh had 19 working PSUs (17 companies and two Statutory corporations) and two non-working companies which employed 34,675 employees. As on 31 March 2015, the investment (capital and long-term loans) in 21 PSUs was ₹ 9,872.17 crore. 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. 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). The total investment consisted of 33.47 *per cent* as capital and 66.53 *per cent* as long-term loans. 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 2013-14 and again increased to ₹ 1,189.98 crore in 2014-15.

(Paragraphs 1.1, 1.6, 1.7 and 1.8)

Arrears in finalisation of accounts

Eighteen working PSUs had arrears of 26 accounts as of September 2015. 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.

(Paragraphs 1.10 and 1.11)

Performance of PSUs as per their latest finalised accounts

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.

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 which includes three PSUs 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. Out of seven PSUs earned profit, only one company viz., Himachal Pradesh State Civil Supplies Corporation Limited declared / paid a dividend of ₹ 0.35 crore at the rate of 10 *per cent* of its paid up capital (₹ 3.51 crore) during 2013-14.

(Paragraphs 1.15, 1.16 and 1.18)

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.

(Paragraph 1.28)

2.1 Performance audit of Himachal Pradesh State Forest Development Corporation Limited

The Himachal Pradesh State Forest Development Corporation Limited was incorporated (March 1974) under the Companies Act, 1956. The Company is extracting timber / resin, selling timber and finished products extracted from resin besides running Rosin and Turpentine (R&T) factories, wood based industries and has also ventured into Eco tourism.

(Paragraph 2.1.1)

The Company incurred continuous losses during the last four years ended March 2015 and its accumulated loss increased from ₹ 31.66 crore in 2010-11 to ₹ 52.75 crore in 2014-15.

(Paragraphs 2.1.7.1 and 2.1.7.2)

Felling and conversion of trees

Taking over of uneconomical lots which were in difficult areas in contravention to the guidelines resulted in avoidable loss of ₹ 1.52 crore on account of interest on royalty, extension fees, royalty paid on rotten trees *etc.*

(Paragraph 2.1.10.2)

Failure in getting the extraction work completed even after expiry of four to eight years from scheduled completion period resulted in loss of ₹ 1.28 crore on account of non-recovery of extension fee from contractor and loss of interest on royalty paid besides deterioration of quality of extracted timber lying in the forest for the past many years.

(Paragraph 2.1.10.3)

Payment of royalty

Due to non-payment of instalments of royalty on due dates, the Company had to pay interest of ₹ 6.85 crore to the DoF during 2010-15.

(Paragraph 2.1.12.1)

Sale of timber

The comparison of rates of timber obtained in auction *vis a vis* market rates during 2010-2015 showed the difference ranging between 60 and 105 *per cent* which indicated that the Company is not receiving competitive rates in auction and bidders are getting huge margin either due to limited competition or cartel formation. Had the attempts been made to realise better sale rates through wide publicity the Company could have earned additional revenue of around ₹ 18.00 crore on sale of deodar timber only (which constitutes 8.62 *per cent* of total volume) after allowing a margin of 50 *per cent* to cover the selling expenses and profit.

(Paragraph 2.1.13.1)

Grading of timber was being done at Sale Depots. Only 0.5 *per cent* was graded 'A'. There were no checks on the process of classification and potential revenue loss assuming 25 *per cent* wrong classification works out to ₹ 71.64 crore.

(Paragraph 2.1.13.2)

Supply of fuel wood to tribal areas

Non-adjustment of ₹ 12.01 crore due from DoF on account of supply of fuel wood out of royalty payable to DoF despite recommendations of the COPU resulted in interest loss of ₹ 2.04 crore.

(Paragraph 2.1.14.1)

Extraction of resin

Against the targets of 2.78 lakh quintals, actual extraction of resin was 2.55 lakh quintals resulting in shortfall (ranging between 6.77 *per cent* and 9.60 *per cent*) of 0.23 lakh quintals of resin valued at ₹ 11.99 crore during the last five years ending March 2015.

(Paragraph 2.1.15)

Disposal of arbitration cases

Failure in deciding 77 pending cases in a time bound manner by the officers of the Company who were the arbitrators in these cases resulted in locking up of Company's funds amounting to ₹ 4.82 crore which included one recovery case of ₹ 1.18 crore pending before the MD since September 2006.

(Paragraph 2.1.18.1)

2.2 IT Audit of HT / LT Billing System of Himachal Pradesh State Electricity Board Limited

The IT Package awarded (May 2006) under Accelerated Power Development Reform Programme (APDRP) with 90 *per cent* grant on turnkey basis was to be completed by April 2008, however, the same was still under implementation (March 2015). Meanwhile the APDRP was closed in March 2009 and before closure, the Company could spend only ₹ 3.22 crore and was deprived from availing GoI grant amounting to ₹ 4.71 crore. Further, for delay in completion the firm was liable to pay liquidated damages of ₹ 1.32 crore, but the Company recovered only ₹ 0.55 crore resulting in short-recovery of ₹ 0.77 crore.

{Paragraphs 2.2.5 (i) and 2.2.5 (iv)}

Master data of consumers was incorrectly fed in the billing software resulting in inadmissible allowance of Higher Voltage Supply Rebate (HVSR) amounting to ₹ 40.63 lakh in 45 cases.

{Paragraph 2.2.5 (iii)}

Deficiencies in mapping of business rules resulted in revenue loss of ₹ 5.26 crore due to non-recovery, short recovery and incorrect assessment of various energy charges from consumers.

{Paragraphs 2.2.6 (i), 2.2.6 (iii) and 2.2.6 (iv)}

The delay in implementation of application software in all the Electrical Sub-divisions also resulted in revenue loss of ₹ 2.48 crore on account of non-recovery / short recovery of Late Payment Surcharge, Low Voltage Supply Surcharge and Demand charges from consumers due to non-detection / calculation errors through manual process.

{Paragraphs 2.2.10 (ii) (a to c)}

3. Audit of Transactions

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

Failure of **Himachal Pradesh State Electricity Board Limited** to consider the quantity of meters to be installed under RAPDRP works awarded on

turnkey basis before placement of purchase orders for other works not only resulted in blockade of borrowed funds of ₹ 3.39 crore but also interest loss of ₹ 50.85 lakh. Further non placement of orders for full required / entitled quantities of Steel Tubular Poles resulted in extra expenditure of ₹ 0.80 crore on subsequent purchase at higher rates. Surplus and unserviceable store valued at ₹ 5.84 crore stores was pending for final disposal due to non-formation of condemnation committee in the respective circles.

(Paragraph 3.3)

The **Himachal Pradesh State Electricity Board Limited** extended undue favour to its employees by contributing matching grant of ₹ 7.33 crore from time to time towards employees benevolent fund though Employees Benevolent Fund Rules does not provide for the same.

(Paragraph 3.4)

The **Himachal Pradesh State Electricity Board Limited** extended undue favour to supplier by waving off LD of ₹ 0.97 crore out of ₹ 1.22 crore deducted from his running bills as *per* the terms and conditions of the purchase order and incurred an additional expenditure of ₹ 4.26 crore on supply of diesel generated power.

(Paragraph 3.5)

The **Himachal Pradesh Power Corporation Limited's** investment in thermal power plant without any feasibility study coupled with selection of a JV partner for execution of this plant who lack technical competence and subsequent failure of the Company in initiating action as *per* the terms and conditions of the MoU resulted in unfruitful investment of ₹ 3.98 crore.

(Paragraph 3.11)