

Overview

OVERVIEW

This Report contains one performance audit on Integrated Kashang Hydro Electric Project and 13 paragraphs with financial implication of ₹ 846.91 crore relating to issues of avoidable payment due to non-compliance of rules, directives and procedures, non / short recovery of energy charges and infructuous expenditure that resulted in losses to the companies / corporations.

1. Functioning of State Public Sector Undertakings (PSUs)

The State of Himachal Pradesh has 21 working PSUs (19 Government companies and two statutory corporations) and two non-working companies which employed 36,071 employees. As on 31 March 2017, the investment (paid up capital, free reserves and long-term loans) in 23 PSUs was ₹ 12,657.73 crore. Of the total investment in State PSUs, 99.38 per cent was in working PSUs and the remaining 0.62 per cent in non-working PSUs. The total investment consisted of 30.56 per cent towards paid up capital, 0.66 per cent towards free reserves and 68.78 per cent in long-term loans. The thrust of PSU investment was in the power sector, at ₹ 11,108.62 crore (87.77 per cent) of the total investment of 12,657.73 crore in 2016-17. The budgetary outgo towards paid up capital, loans and grants / subsidies which stood at ₹ 1,189.98 crore in 2014-15 decreased to ₹ 755.60 crore in 2016-17.

(Paragraphs 1.1, 1.6, 1.7 and 1.8)

The working PSUs recorded a turnover of ₹ 8,344.31 crore as per their finalised accounts as of 30 September 2017. The percentage of turnover of PSUs to State GDP increased from 6.48 per cent in 2012-13 to 6.70 per cent in 2016-17.

(Paragraph 1.15)

2. Performance audit on Integrated Kashang Hydro Electric Project

A Performance Audit of Integrated Kashang Hydro Electric Project (HEP) being implemented by Himachal Pradesh Power Corporation Limited, that will have installed capacity of 195 MW (Stage-I, 65 MW and Stage-II & III, 130 MW) brought out that the works relating to construction of Kashang HEP were awarded at a cost of ₹ 708.16 crore between February 2009 and October 2010 with scheduled completion of November 2014. Even after spending ₹ 1,169.75 crore up to March 2017, the Project is still incomplete and only one out of three units could be commercially operationalised (September 2016) as there was delay in completion of Stage II & III. The time overrun of 30 months in Stage-I was due to non-availability of encumbrance free sites, stoppage of work by local people, blockade of project roads, extra time required for the backfill in the over-break due to contractor's fault and damage to the machine prior to commissioning. The cost overrun occurred due to time overrun, avoidable extra expenditure, payment for works at higher

rates, non / short-recovery from the contractor and short provision of quantities in the DPR.

Stage-I of the project was completed for ₹ 789.84 crore against ₹ 478.02 crore (DPR cost) involving a cost overrun of ₹ 311.82 crore. Consequently, per unit generation cost up to the completion of Stage-I had increased from ₹ 2.85 to ₹ 4.78 per unit against prevailing sale rate of ₹ 2.20 per unit. The Stage II & III of the Project is now scheduled for completion in January 2021 and on completion, the generation cost is expected to increase further.

The Asian Development Bank loan received through Government of India in the shape of 90 *per cent* grant (₹ 498.99 crore) and 10 *per cent* loan (₹ 55.44 crore) was converted into 100 *per cent* loan by Government of Himachal Pradesh placing extra burden of ₹ 651.82 crore including interest of ₹ 152.83 crore on the Project cost.

(Paragraph 2.7.1, 2.7.2, 2.8 and 2.10)

3. Audit of Transactions

The Himachal Pradesh State Electricity Board Limited waived fixed demand charges of ₹ 5.06 crore chargeable in terms of Electricity Supply Code, 2009 approved by the Himachal Pradesh Electricity Regulatory Commission.

(Paragraph 3.1)

The Himachal Pradesh State Electricity Board Limited delayed conducting mandatory manual reconciliation of monthly accounts received from various field units with the main bank account of the Company and did not design a module into its systems for auto-reconciliation of payments received through NEFT/RTGS mode which enabled a consumer to forge receipts regarding transfer of funds that went undetected, resulting in a loss of ₹ 5.36 crore.

(Paragraph 3.2)

Himachal Pradesh State Electricity Board Limited did incorrect categorisation of a Bulk Supply consumer under Commercial category which resulted in short-recovery of ₹ 30.76 lakh.

(Paragraph 3.3)

Himachal Pradesh State Electricity Board Limited did not monitor payment of billed amount timely in a case and took 25 months to issue a temporary disconnection order by which time the consumer had run up unpaid energy charges of ₹ 1.62 crore.

(Paragraph 3.4)

By incorrect application of its sales circular and release of two separate connections in the same premises, the Himachal Pradesh State Electricity Board Limited did not bill a consumer for ₹ 25.58 lakh on account of Lower Voltage Supply Surcharge and ₹ 16.22 lakh on account of higher tariff applicable to HT-2 category.

(Paragraph 3.5)

The Himachal Pradesh State Electricity Board Limited, while withdrawing the benefit of revised pay and allowances credited into provident fund accounts of employees, did not withdraw financial benefit of ₹ 37.05 lakh paid as interest.

(Paragraph 3.6)

Absence of mechanism to detect excess drawl of power than sanctioned load resulted in loss of revenue of ₹ 36.78 lakh to Himachal Pradesh State Electricity Board Limited.

(Paragraph 3.7)

The Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited incurred loss of ₹ 2.61 crore on implementation of MIS due to low yield of Apple Juice Concentrate / Apple juice, spoilage of apple, excess consumption of fuel and payment of commission to the distributor besides non achievement of its objective by not releasing timely payments to the growers.

(Paragraph 3.8)

The Himachal Pradesh Power Corporation Limited extended undue favour to contractor by not initiating any action for recovery of interest of ₹ 15.54 crore as per the provisions of supplementary agreement executed with the contractor after advancing stage wise payment schedule incorporated in the original agreement.

(Paragraph 3.9)

Due to putting the incomplete line to use the Himachal Pradesh Power Transmission Corporation Limited had to release the payments amounting to ₹ 0.78 crore for achieving the required clearances.

(Paragraph 3.10)

The Himachal Pradesh Road and Other Infrastructure Development Corporation Limited made payment of ₹ 49.87 lakh to a contractor on account of VAT by subsequently amending the terms and conditions of letter of acceptance.

(Paragraph 3.11)

The Himachal Pradesh Tourism Development Corporation Limited failed to enter into an agreement for manning the Passenger Reservation System Centres as well as defining terms and conditions for recovery of service charges from consumers which led to loss of ₹ 18.87 lakh.

(Paragraph 3.12)

The Himachal Pradesh Tourism Development Corporation Limited failed to increase bus fare for its Luxury Air Conditioned buses plying on Delhi-Shimla and Delhi-Manali routes which resulted in loss of potential revenue of ₹ 0.98 crore.

(Paragraph 3.13)

