

Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2008, the State had 27 Public Sector Undertakings (PSUs) comprising 25 Government companies and two Statutory corporations as against 28 PSUs comprising 26 companies and two Statutory corporations as on 31 March 2007.

(Paragraph 1.1)

The total investment in working PSUs increased from Rs. 12,172.08 crore as on 31 March 2007 to Rs. 15,443.92 crore as on 31 March 2008. The total investment in non-working PSUs decreased from Rs. 139.32 crore as on 31 March 2007 to Rs. 138.10 crore as on 31 March 2008.

(Paragraphs 1.2 and 1.16)

The budgetary support from the State Government in the form of capital, loans and grants/subsidies disbursed to the working PSUs decreased from Rs. 4,773.95 crore in 2006-07 to Rs. 3,566.68 crore in 2007-08. The State Government guaranteed loans aggregating Rs. 187.10 crore to four PSUs (all working) during 2007-08. The total amount of outstanding loans guaranteed by the State Government to 12 PSUs was Rs. 2,656.43 crore as on 31 March 2008.

(Paragraph 1.5)

Five working PSUs (including one Statutory corporation) finalised their accounts for the year 2007-08 by 30 September 2008. The accounts of 16 working PSUs (15 working companies and one Statutory corporation) were in arrears for periods ranging from one to five years as on 30 September 2008. Accounts of four non-working companies were in arrears for one to four years as on 30 September 2008. Two non-working companies were under liquidation/winding up.

(Paragraphs 1.6 and 1.19)

According to the latest finalised accounts, 14 working PSUs (13 Government companies and one Statutory corporation) earned aggregate profit of Rs. 228.67 crore. Against this, six working PSUs (five Government companies and one Statutory corporation) incurred aggregate loss of Rs. 714.91 crore. Of the loss incurring working PSUs, five companies and one Statutory corporation had accumulated losses of Rs. 2,267.57 crore against their aggregate paid-up capital of Rs. 1,844.20 crore.

(Paragraphs 1.7, 1.9 and 1.11)

2. Performance reviews relating to Government companies

Performance reviews relating to ‘Working of Units I to VI of Panipat Thermal Power Station’ of **Haryana Power Generation Corporation Limited**, ‘Working of Haryana Forest Development Corporation Limited’ and ‘Power Purchase Management’ by **Haryana Power Generation Corporation Limited** were conducted and some of the main findings are as follows:

Working of Units I to VI of Panipat Thermal Power Station of Haryana Power Generation Corporation Limited

The working of Units I and III of Panipat Thermal Power Station of the Company was suboptimal as it failed to achieve the generation norms of Central Electricity Authority and specific norms of plant load factor fixed by Haryana Electricity Regulatory Commission. The Company by and large took up planned overhauls of the Units but the time taken for overhauling was more than the prescribed time leading to loss of generation. Forced outages were on higher side due to trouble in boilers and turbo generators which mainly occurred due to inadequate maintenance during overhauls. The plant failed to observe pollution control parameters fixed by the Ministry of Environment and Forest.

Some of the important points noticed are as under:

- Non-operation of plants at full PLF during actual hours of usages resulted in short generation of 2896.49 MUs valued at 227.64 crore.
- Due to excessive forced outages there was generation loss of 1377.89 MUs valued at Rs. 115.61 crore.
- Excess consumption of coal based on HERC stipulated heat rates and calorific value of coal received during 2004-08 worked out to 6.75 lakh metric tonne valued at Rs. 151.16 crore.
- Excess transit loss of coal compared to norms fixed by HERC for the years 2004-08 worked out to 3.44 lakh metric tonne valued at Rs. 78.56 crore.

(Chapter 2.1)

Working of Haryana Forest Development Corporation Limited

The Haryana Forest Development Corporation Limited had been earning profits consistently despite a meager capital base. But it failed to achieve the envisaged objectives like improvement of financial status of farming and labour community through promotion of agro forestry, transfer of forest related technologies to farmers, generation of employment opportunities in rural areas and promotion of forest based and allied industries. Account and finance wing was not in existence in the absence of which fund management was poor and accounts were in arrears. Internal control system of the Company was deficient.

Some of the important points noticed are as under:

- The Company had not fixed norms to monitor recovery of timber and fire wood from felled trees. Based on the minimum norms of recovery fixed by Punjab Forest Development Corporation, there was short recovery of timber valuing Rs. 2.88 crore.
- The Company had incurred an expenditure of Rs. 9.49 crore during 2003-08 on labour and transport without evolving a transparent system for engagement of labour and transport contractors.
- The Company had not made any contribution towards employment generation in rural areas through promotion of forest based and allied industries

(Chapter 2.2)

Power Purchase Management by Haryana Power Generation Corporation Limited

The Haryana Power Generation Corporation Limited incurred loss in trading of electricity due to non realisation of average cost of sale of energy due to transmission losses, payment of interest on borrowings in excess of HERC approval, excessive reliance on costly short term power purchase and extra financial burden due to signing of unfavourable PPA with PTC for purchase of power from Himachal Pradesh Government. The Company failed to assess its power requirement realistically as the average daily power cuts increased consistently despite purchase of power in excess of approval by HERC. The Company might have to incur excessive transmission losses and wheeling charges in future due to long term power agreements executed for power from outside the northern region.

Some of the important points noticed are as under:

- The Company signed unfavourable Power Purchase Agreement with Power Trading Corporation for purchase of power from Himachal Government which resulted in extra expenditure of Rs. 101.48 crore.
- The Company could not realise average cost of sale of energy resulting in loss of Rs. 636.09 crore upto March 2007 due to transmission losses and interest payment in excess of HERC approval in Annual Revenue Requirements.
- Scheduling of power through liquid fuel from Faridabad Gas Power Plant of NTPC resulted in extra cost of Rs. 27.94 crore in comparison with the rates of short term power available to the Company.

(Chapter 2.3)

3. Performance review relating to Statutory corporation

Performance reviews relating to 'Disbursement and Recovery of Loans' by **Haryana Financial Corporation** was conducted and some of the main findings are as follows:

Even after more than 40 years of its operations, the Corporation had no system to formulate long term plans for its operations. Appraisal of loan applications and monitoring of loans was defective for lack of requisite systems. Disbursements were much lower than the actual amount of sanctions. The spread of loan was uneven among various districts and heavily tilted towards National Capital Region thereby impeding balanced industrial growth. The level of Non Performing Assets was high and the process of recovery of old dues through Collectors was ineffective and very slow. The Corporation had not evolved any system of collection/analysis of balance sheets/working results of loanee units to know their financial health.

Some of the important points noticed are as under:

- The percentage of recovery against amount recoverable decreased from 12.27 to 7.85 *per cent* during 2003-08. Similarly, recovery of old dues decreased from 4.94 to 1.76 *per cent* during 2003-08. Due to non-recovery, loss assets of Rs. 87.43 crore were written off during 2007-08.
- The Corporation failed to properly monitor the loan cases as it had no system of reviewing the financial statements of the loanees, inspecting the loanee units, appointing its nominee on the Board of loanee units and renewal of insurance of primary securities.
- Collateral securities accepted at a value of Rs. 34.63 crore were disposed of for Rs. 29.34 crore despite boom in the real estate indicating acceptance of securities at inflated value

(Chapter 3.1)

4. 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:

Non recovery of loan of Rs. 6.22 crore in two cases due to irregular sanction, defective disbursement, poor monitoring and allowing injudicious parri passu charge on assets.

(Paragraphs 4.1 and 4.21)

Loss of revenue of Rs. 8.95 crore in eight cases due to non charging of extension fee, delay in leasing out a complex, inadmissible rebate on power factor, sale at lower than prevailing rates, waiver of legitimate surcharge on power, operation of unviable unit, non adherence to linkage plan of Food Corporation of India and short recovery of water and sewerage charges.

(Paragraphs 4.2, 4.3, 4.4, 4.5, 4.9, 4.12, 4.13 and 4.17)

Loss of Rs. 2.90 crore in five cases due to violation of contractual obligations and undue favour to contractors.

(Paragraphs 4.6, 4.10, 4.11, 4.18 and 4.20)

Irregular expenditure of Rs. 17.07 crore in three cases due to inadmissible reimbursement of conveyance allowance and cash incentive.

(Paragraphs 4.7, 4.16 and 4.19)

Avoidable/extra expenditure of Rs. 14.46 crore in three cases due to delayed finalisation of tenders and reduction in ordered/tendered quantity.

(Paragraphs 4.8, 4.14 and 4.15)

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

Irregular sanction, defective disbursement and poor monitoring by **Haryana State Industrial and Infrastructure Development Corporation Limited** put the recovery of Rs. 5.81 crore at stake.

(Paragraph 4.1)

Haryana Electronics Development Corporation Limited made irregular payment of conveyance allowance of Rupees one crore.

(Paragraph 4.7)

Dakshin Haryana Bijli Vitran Nigam Limited incurred extra expenditure of Rs. 14.18 crore on purchase of transformers due to delayed finalisation of tenders and resultant purchase at higher rates.

(Paragraph 4.8)

Haryana Power Generation Corporation Limited suffered a loss of Rs. 61.18 lakh due to short recovery of water charges from the staff residing in its colonies.

(Paragraph 4.17)