

OVERVIEW

1 Overview of Government companies and Statutory corporations

As on 31 March 2004, the State had 21 Public Sector Undertakings (PSUs) comprising 18 Government companies (including four non-working companies) and three Statutory corporations against the same number of companies and corporations as on 31 March 2003. In addition, there were two companies under the purview of Section 619-B of the Companies Act, 1956 as on 31 March 2004.

(Paragraphs 1.1 and 1.33)

The total investment in working PSUs increased from Rs. 3,449.49 crore as on 31 March 2003 to Rs. 3,683.54 crore as on 31 March 2004. The total investment in non-working PSUs remained Rs. 1,419.96 crore during 2002-03 and 2003-04.

(Paragraphs 1.2 and 1.16)

The budgetary support in the form of capital, loans, subsidies and grants disbursed to the working PSUs increased from Rs. 82.44 crore in 2002-03 to Rs. 130.15 crore in 2003-04. The State Government guaranteed loans aggregating Rs. 320.97 crore obtained by three Government companies and two Statutory corporations during 2003-04. The total amount of guarantees outstanding was Rs. 2,784.76 crore as on 31 March 2004.

(Paragraph 1.5)

Seven working and three non-working Government companies and all the three working Statutory corporations have finalised their accounts for the year 2003-04. The accounts of remaining seven working Government companies were in arrears for periods ranging from one to five years as on 30 September 2004.

(Paragraphs 1.6 and 1.18)

According to latest finalised accounts of 17 working PSUs (14 Government companies and three Statutory corporations), six Government companies earned aggregate profit of Rs. 6.94 crore. Only one company declared dividend of Rs. 24.61 lakh. Eleven working PSUs (eight Government companies and three Statutory corporations) incurred aggregate loss of Rs. 83.87 crore as per their latest finalised accounts. Of the loss incurring working Government companies, three companies had accumulated losses aggregating Rs. 57.42 crore which exceeded their aggregate paid-up capital of Rs. 25.58 crore. One company earned profit as per latest accounts but its accumulated losses aggregating Rs. 27.44 crore have exceeded its aggregate paid-up capital of Rs. 17.81 crore. All the three Statutory corporations

incurred losses aggregating Rs. 76.13 crore and two loss incurring Statutory corporations had accumulated loss of Rs. 415.49 crore which exceeded their paid-up capital of Rs. 268.38 crore.

(Paragraphs 1.7, 1.8, 1.9 and 1.10)

Two working Government companies had incurred losses for the last four and three years respectively out of five years leading to negative net worth. In addition, one working Government company has turnover of less than Rs. 5 crore in each of the preceding five years ended 31 March 2004. In view of continuous losses and poor turnover, the Government may take steps to either improve performance of these companies or consider their closure.

(Paragraph 1.31)

2 Review relating to Statutory corporation

2.1 Review on the implementation of Larji Hydel Project by Himachal Pradesh State Electricity Board

Larji Hydel Project with an installed capacity of 126 mega watt (MW), three units of 42 MW each, was proposed (June 1984) to be constructed on river Beas as a power development scheme and to exploit the vast hydel potential available in the State. The Government of India (Planning Commission) approved (March 1987) the project at an estimated cost of Rs. 168.85 crore. According to construction schedule, the project was to be commissioned within five years i.e. by April 1992. The project has now been rescheduled to be completed by April 2005 at an estimated cost of Rs. 875.70 crore. Some of the important points noticed in Audit are given below:

During execution of civil works, extra/overpayments of Rs. 13.32 crore were made to the contractors due to incorrect analysis, payment of higher rates for deviated/extra/substituted/additional items.

(Paragraphs 2.1.11 to 2.1.16)

The Board extended undue favour of Rs. 9.66 crore to the contractors by payment of inadmissible compensation, inadmissible payments, releasing interest free advance, execution of work on behalf of the contractors at its cost and non-recovery of dumping charges.

(Paragraphs 2.1.17 to 2.1.22)

Failure of the Board to levy compensation for non-achievement of targeted milestones of civil works resulted in undue favour of Rs. 18.35 crore to the contractors besides interest loss of Rs. 3.65 crore.

(Paragraph 2.1.24)

3 Transaction audit observations

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:

- Extra expenditure of Rs. 90.63 lakh was incurred in six cases on purchase of tyres, retreading material, labour charges, etc.

(Paragraphs 3.11.3, 3.11.4, 3.11.6, 3.11.7, 3.11.8 and 3.11.9)

- Loss of revenue of Rs. 21.94 crore in six cases due to conversion of 'B' class timber in 'C' class owing to long transit period, delay in working out forest lots, non-collection of advance consumption deposits, failure to get deposited the amount of disputed bills, failure to pursue matter for recovery of augmentation cost and short billing of energy charges.

(Paragraphs 3.1, 3.2, 3.4, 3.5, 3.8 and 3.10)

- Undue favour of Rs. 48.18 lakh in two cases due to short-collection of validation and energy charges from two consumers.

(Paragraphs 3.7 and 3.9)

Gist of some of the important observations is given below.

Himachal Pradesh State Forest Corporation Limited

- Conversion of 'B' class timber in 'C' class due to long transit period resulted in loss of Rs. 18.08 crore.

(Paragraph 3.1)

Himachal Pradesh State Electricity Board

- Failure to collect additional advance consumption deposits in accordance with the 'Abridged Conditions of Supply' of power deprived the Board of additional funds of Rs. 2.55 crore.

(Paragraph 3.4)

- Failure to collect the amount of disputed bills before entertaining cases by the Dispute Settlement Committees deprived the Board of a revenue of Rs. 72.30 lakh.

(Paragraph 3.5)

- Failure of the Board to apply provision of schedule of tariff resulted in non-recovery of Rs. 43.36 lakh from two consumers for overdrawal of power.

(Paragraph 3.6)