

OVERVIEW

1. Overview of Government Companies and Statutory corporations

- As on 31 March 2007, the State had 95 Public Sector Undertakings (PSUs) comprising 88 Government Companies and seven Statutory corporations, as against 87 Government Companies and seven Statutory corporations as on 31 March 2006. All the seven Statutory corporations were working corporations. In addition, there were four deemed Government Companies (one working and three non-working) as on 31 March 2007 under Section 619-B of the Companies Act, 1956.

(Paragraphs 1.1 and 1.36)

- The total investment in working PSUs increased from Rs.27,128.12 crore as on 31 March 2006 to Rs.28,071.54 crore as on 31 March 2007. The total investment in non-working PSUs increased from Rs.875.84 crore to Rs.878.96 crore during the same period.

(Paragraphs 1.2 and 1.18)

- The budgetary support in the form of capital, loans and grants/subsidies disbursed to the working PSUs decreased from Rs.1,444.18 crore in 2005-06 to Rs.701.97 crore in 2006-07. The State Government guaranteed loans aggregating Rs.4,362.05 crore to nine working Companies during 2006-07. The guarantees of Rs.7,489.72 crore were outstanding against 10 working Companies and two Statutory corporations as on 31 March 2007.

(Paragraph 1.6)

- Only five working Government Companies finalised its account for the year 2006-07. The accounts of 43 working Government Companies and seven working Statutory corporations were in arrears for periods ranging from 1 to 15 years as on 30 September 2007. Ten Companies out of 40 non-working Companies were under liquidation. Accounts of remaining 30 non-working Government Companies were in arrears for periods ranging from 1 to 25 years as on 30 September 2007.

(Paragraphs 1.7 and 1.21)

- According to latest finalised accounts, 21 working PSUs (18 Government Companies and three Statutory corporations) earned an aggregate profit of Rs.912.46 crore. Against this, 22 working PSUs (21 Government Companies and one Statutory corporations) incurred an aggregate loss of Rs.1,465.71 crore as per their latest accounts. Of the 21 loss incurring Government Companies, 12 Companies had accumulated losses aggregating Rs.6,884.87 crore, which exceeded their aggregate paid-up capital of Rs.5,021.18 crore.

(Paragraphs 1.9, 1.10 and 1.11)

2. Performance reviews relating to Government Companies and Statutory corporation

Performance reviews relating to Procurement and distribution of raw materials by Uttar Pradesh Small Industries Corporation Limited, Efficiency in Billing and Collection of Revenue in Paschimanchal and Madhyanchal Vidyut Vitran Nigam Limited, Procurement, performance, maintenance and repair of transformers in Power Sector Companies, Information Technology Support System for revenue billing in Allahabad and Varanasi towns by Purvanchal

Vidyut Vitaran Nigam Limited, Varanasi and Construction and Design Services wing of Uttar Pradesh Jal Nigam were conducted. Some of the major findings are as follows:

Procurement and distribution of raw materials by Uttar Pradesh Small Industries Corporation Limited

The Uttar Pradesh Small Industries Corporation Limited was incorporated with the objective of promoting and assisting Small Scale Industries (SSIs) in the State. The Company did not evolve any system for assessing the demands of raw materials by SSI units. The Company committed irregularity in appointment of MOU holders, handling contractors and coordinators and extended undue benefit to them. Some of the important deficiencies noticed are as under:

- The Company passed on discount of Rs.3.18 crore to the MOU holders instead of SSI units in Agra and Ghaziabad area offices.
- The Company, during the year 2000-01 to 2002-03, supplied 25,599 MT of iron and steel to six closed/partly functioning units engaged in trading activities and irregularly availed SSI rebate of Rs.1.41 crore.
- The Company loaded five percent incidental charges while fixing the selling price of coal received under State quota. This resulted in undue benefit of Rs.77.70 lakh to the coordinators.
- Due to wrong fixation of selling price of scrap, the Company sustained loss of margin amounting to Rs.63.33 lakh in sale of burnt copper wire and steel scrap allotted by Irrigation Department and Rs.24.34 lakh in sale of brass scrap allocated by Ministry of Defence during the period 2002-03 to 2006-07.

(Chapter-2.1)

Efficiency in Billing and Collection of Revenue in Paschimanchal and Madhyanchal Vidyut Vitran Nigam Limited

The Companies were incorporated on 1 May 2003 after the unbundling of Uttar Pradesh Power Corporation Limited into four Distribution Companies. Some of the important deficiencies noticed are as under:

- PVVNL and MVVNL could not recover the cost of energy, as a result loss of the Companies accumulated to Rs.3902.21 crore in PVVNL and Rs.1458.69 crore in MVVNL during the last four years ending March 2007.
- Failure of MVVNL to apply correct tariff and non-issue of bills, resulted in non-realisation of revenue aggregating Rs.5.60 crore.
- Both the Companies failed to realise revenue arrears from the consumers which accumulated to Rs.2242.91 crore and Rs.1535.81 crore at the end of March 2007 in case of PVVNL and MVVNL respectively.
- Failure in management of capacitor banks at the consumers end resulted in loss of revenue aggregating Rs.4.82 crore in both the Companies.

- Undue favour was extended to 'e-Suvidha' by allowing retention of revenue of Rs.6.84 crore collected from consumers and its delayed transfer in the account of the divisions.

(Chapter-2.2)

Procurement, performance, maintenance and repair of transformers in Power Sector Companies

The procurement, performance, maintenance and repair of distribution transformers is being done by the Discoms concerned and in case of power transformers these rest with UPPCL. Performance of power sector Companies with regard to procurement, maintenance and repair of transformers was found to be deficient due to non-standarisation of procedures, non-fixation of norms and absence of control. Some of the important deficiencies noticed are as under:

- Non-exercising option to increase/decrease 50 *per cent* of tendered quantity and purchase of transformers at higher rates resulted in extra expenditure of Rs.9.62 crore.
- The damage rate of distribution transformers ranged between 17.20 and 21.27 *per cent*. Due to this, the Companies had to bear a heavy financial burden of Rs.377.79 crore on repair of distribution transformers that failed in excess of the norms during the period of five year ending 31 March 2007.
- The Companies had incurred extra expenditure of Rs.8.98 crore on repair of 12001 transformers from outside agencies.

(Chapter-2.3)

Information Technology Support System for revenue billing in Allahabad and Varanasi towns of Purvanchal Vidyut Vitran Nigam Limited, Varanasi

UPPCL outsourced the billing and collection activity (through cheques) in 19 towns of the State during 2004-05. It included Allahabad and Varanasi towns under the jurisdiction of PuVVNL where the outsourcing was made to KLG Systel Limited (Agency) in November 2004 at a contract value of Rs.7.36 crore. Some of the important deficiencies noticed are as under:

- Geographical Information System (GIS) mapping, meant for giving minutest details of the network and the connected consumers in a digital form was not available for monitoring despite incurring an expenditure of Rs.27.44 lakh.
- Non updating of the master databank resulted in non-inclusion of 64 per cent cases of Varanasi town. Further, it had many cases of duplicate service connection numbers, duplicate meters numbers and duplicate consumers and consumers of higher tariff finding place in the lower tariff *etc.* that could not be corrected in the master databank.
- In case of defective meters of domestic light and fan consumers, electricity charges were not charged for fixed units as done in other category of consumers resulting in short assessment of Rs.7.06 crore.

- The agreement with the Agency did not provide for obtaining system configuration details, staff skills, security features, IT audit by the Company or external agencies.

(Chapter-2.4)

Construction and Design Services wing of Uttar Pradesh Jal Nigam

Uttar Pradesh Jal Nigam set up a commercial wing named as “Construction and Design Services” (C&DS) to diversify its activities. C&DS was primarily engaged in execution of deposit works entrusted by the State Government Departments/Organisations (clients) on the basis of actual cost plus centage. Some of the important deficiencies noticed are as under:

- Six works costing Rs.212.33 crore were obtained from clients through sub-contractors and the same were awarded to them on back-to-back basis.
- C&DS executed 531 works without centage and 90 works at lower centage resulting in loss of income of Rs.35.99 crore.
- There was an excess expenditure of Rs.14.87 crore over the fund received from clients which was not claimed from the clients.
- In execution of seven works there was excess consumption of material for Rs.1.97 crore over the norms/specification and sanctioned estimates.

(Chapter-3.1)

3. Transaction audit observations

Audit observations included in this Report highlight deficiencies in the management of Public Sector Undertakings which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

There were eight cases of loss of revenue amounting to Rs.6.70 crore on account of:

- Non-levy of centage charge on deposit works.
- Non-levy of shunt capacitor/low power factor surcharge.
- Short levy of penalty against theft of energy.
- Non execution of agreement for protective load/irregular load factor rebate.
- Incorrect application of tariff.

(Paragraphs 4.1, 4.10, 4.12, 4.13 to 4.15, 4.17 and 4.18)

There were 13 instances of avoidable, excess expenditure amounting to Rs.5.89 crore due to:

- Wrong preparation of estimates.
- Delay in completion of works.
- Imprudent decision.
- Delay in deposit of employee's provident fund contribution.

(Paragraphs 4.2, 4.3, 4.5, 4.7, 4.8, 4.20, 4.21, 4.23, 4.24 and 4.26 to 4.29)

There were six cases of undue favour to contractors, consumers and allottee amounting to Rs.4.36 crore on account of:

- Non-realisation of transfer levy.
- Acceptance of supply of GI pipes not confirming to IS specification.
- Non-levy of compounding charges.
- Irregular load factor rebate.
- Extending facility of making payments in instalments twice.
- Handing over possession without releasing initial amount.

(Paragraphs 4.4, 4.6, 4.11, 4.16, 4.19 and 4.22)

There were three cases of violation of contractual obligations amounting to Rs.4.44 crore on account of:

- Irregular sanction of equity assistance under venture capital scheme.
- Transfer of land without obtaining sale consideration.
- Non-availing cash credit limit.

(Paragraphs 4.9, 4.25 and 4.30)

Gist of some of the important paragraphs are given below:

- **Uttar Pradesh Small Industries Corporation Limited** did not levy centage charges amounting to Rs.79.38 lakh on deposit works executed under *Vidhayak Nidhi*.

(Paragraph 4.1)

- **Uttar Pradesh State Industrial Development Corporation Limited** incurred extra expenditure of Rs.1.39 crore on laying of treated effluent disposal pipe in Tronica City, Ghaziabad.

(Paragraph 4.2)

- **Uttar Pradesh State Agro Industrial Corporation Limited** incurred extra expenditure of Rs.63.35 lakh on re-tendering for supply of Galvanised Iron (G.I) pipes during currency period of existing firm contract.

(Paragraph 4.5)

- **Pradeshiya Industrial and Investment Corporation of Uttar Pradesh** suffered loss of Rs.26.24 lakh due to sanction of equity assistance in contravention of the guidelines of the scheme.

(Paragraph 4.9)

- **Purvanchal Vidyut Vitran Nigam Limited** short levied the penalty against theft of electricity resulted in under assessment of revenue of Rs.21.96 lakh.

(Paragraph 4.12)

- **Dakshinanchal Vidyut Vitran Nigam Limited** suffered loss of revenue aggregating Rs.1.53 crore due to incorrect application of tariff.

(Paragraph 4.15)

- **Uttar Pradesh State Road Transport Corporation** suffered loss of ownership and possession of land transferred to Transport Department, Aligarh without obtaining sale consideration amounting to Rs.3.92 crore.

(Paragraph 4.25)