



सत्यमेव जयते

**Report of the
Comptroller and Auditor General of India
on
Public Sector Undertakings
(Social, General and Economic Sectors)
for the year ended 31 March 2018**



लोकहितार्थं सत्यनिष्ठा
Dedicated to Truth in Public Interest



Government of Haryana
Report No. 2 of the year 2019

**Report of the
Comptroller and Auditor General of India
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**GOVERNMENT OF HARYANA
*Report No. 2 of the year 2019***

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PREFACE

This report deals with the results of audit of Government companies and statutory corporations for the year ended 31 March 2018.

The accounts of Government companies (including companies deemed to be government companies as per the provisions of the Companies Act, 2013 are audited by the Comptroller and Auditor General of India (CAG) under the provisions of the Companies Act as amended from time to time. The accounts certified by the statutory auditors (Chartered Accountants) appointed by the CAG are subject to supplementary audit by officers of the CAG and CAG gives his comments or supplements the reports of the statutory auditors. In addition, these companies are also subject to test audit by the CAG.

Reports in relation to the accounts of a Government company or corporation are submitted to the Government by the CAG for placing before the State Legislature under the provisions of Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those which came to notice in the course of test audit for the period 2017-18 as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports. Matters relating to the period subsequent to 2017-18 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Overview

This Report contains 12 paragraphs and one performance audit on ‘Tariff, Billing and Collection of Revenue’ by Dakshin Haryana Bijli Vitran Nigam Limited involving a financial effect of ₹ 4,021.21 crore relating to avoidable expenditure, loss of interest, non-safeguarding of the financial interests *etc.* Some of the major findings are mentioned below:

1. About the State Public Sector Undertakings

The State of Haryana had 28 working PSUs (26 companies and two Statutory corporations) and 4 inactive companies. As on 31 March 2018, the Government investment (paid-up capital, long-term loans and grant/ subsidy under Ujwal DISCOM Assurance Yojana) in 32 PSUs was ₹ 30,683.40 crore. The State Government contributed ₹ 16,255.45 crore towards equity, loans and grants/ subsidies in 14 PSUs during 2017-18.

(Paragraphs 1.4, 1.5, 4.6 and 4.11)

Performance of Public Sector Undertakings

Out of 28 working PSUs, 24 PSUs submitted their 35 accounts up to September 2018. Of these, 23 accounts reflected profit of ₹ 1,033.64 crore and 12 accounts reflected loss of ₹ 141.47 crore. Further, as per the dividend policy of the State Government, all PSUs are required to pay a minimum return of four *per cent* on the paid-up share capital contributed by the State Government. Out of profit making PSUs only one PSU declared dividend of ₹ 5 crore.

(Paragraphs 1.7, 4.8.1 and 4.19)

2. Power Sector

A Performance audit of ‘Tariff, Billing and Collection of Revenue’ by Dakshin Haryana Bijli Vitran Nigam Limited was conducted. The important audit findings are as under:

The Company had to bear an additional loss of ₹ 2,703.69 crore during 2013-16 as aggregate technical and commercial losses were more than the prescribed norms of Haryana Electricity Regulatory Commission (HERC). However, the Company has achieved the target of aggregate technical and commercial losses in 2016-18.

(Paragraph 2.1.6.2)

The Company allowed concession of ₹ 14.40 crore during 2005-06 to 2017-18 (June 2017) to women consumers in contravention of the provisions of Electricity Act and tariff orders issued by the HERC from time to time. Further, the Company charged subsidised tariff amounting to ₹ 6.41 crore, without approval of HERC, as a result of which it could not include this amount in its Aggregate Revenue Requirement petitions to the HERC.

(Paragraphs 2.1.7.1 (a) (b) and (c))

The Company supplied excess power of 1,615.70 MUs to unmetered agriculture pumpset consumers for which there was no revenue realisation and the Company had to suffer a loss of ₹ 18.90 crore during 2013-18.

(Paragraph 2.1.7.2 (ii))

The Company short recovered an amount of ₹ 935.91 crore as additional advance consumption deposit from its consumers and resultantly had to bear an avoidable interest burden of ₹ 122.05 crore on increased borrowings.

(Paragraph 2.1.8.5)

The Company suffered loss of ₹ 15.02 crore due to short recovery of minimum monthly charges from the agriculture pumpset metered consumers, fixed charges and under charging of meter rent.

(Paragraphs 2.1.9.1(a, b and d))

The Company could not achieve collection efficiency targets during the last five years ending March 2018 as prescribed by HERC and resultantly recoverable amount had increased from ₹ 4,460.18 crore in March 2014 to ₹ 7,332.70 crore in March 2018.

(Paragraph 2.1.10.1)

Chapter III discusses Transaction audit observations which highlight deficiencies in the management of State Government Companies of power sector, which had serious financial implications. Important findings are as under:

Uttar Haryana Bijli Vitran Nigam Limited

- The Company incurred extra expenditure of ₹ 5.34 crore on purchase of transformer oil by resorting to limited tender enquiry instead of open tenders. The Company could not utilise the inventory of ₹ 198.54 crore due to delay in receiving quality test reports from NABL empanelled laboratories. As on 31 March 2018, shortages of ₹ 1.73 crore were pending investigation.

(Paragraph 3.1)

Haryana Power Purchase Centre

- The Centre failed to include any penal provision in MoU with the Indian Renewable Energy Development Agency for charging interest in case of delayed payment towards generation based incentive claims leading to avoidable burden of interest of ₹ 2.72 crore on power distribution utilities.

(Paragraph 3.2)

Dakshin Haryana Bijli Vitran Nigam Limited

- The Company issued sales circulars which were in contravention of Electricity Supply Code Regulations, 2014, resulting in short recovery of ₹ 99.48 lakh.

(Paragraph 3.3)

3. Non-Power Sector

Chapter V contains Transaction audit observations highlighting deficiencies in the management of State Government Companies and Statutory Corporation of non-power sector. Important findings are as under:

Haryana State Industrial and Infrastructure Development Corporation Limited

- The Company did not collect toll departmentally till the award of toll collection contract resulting in non-collection of revenue of ₹ 5.15 crore.

(Paragraph 5.1)

Haryana Police Housing Corporation Limited

- The Company irregularly reimbursed service tax to contractors and further delayed in lodging refund claim for the same with tax authorities resulting in non-refund of ₹ 3.67 crore.

(Paragraph 5.4)

Haryana Agro Industries Corporation Limited and Haryana State Warehousing Corporation

- Haryana Agro Industries Corporation Limited and Haryana State Warehousing Corporation suffered avoidable interest liability of ₹ 2.39 crore due to delayed/ non-submission of claims of differential rates of reimbursement from Food Corporation of India.

(Paragraph 5.6)

Haryana State Roads and Bridges Development Corporation Limited

- The Company suffered a loss of ₹ 2.05 crore due to non-compliance of safety measures as per the guidelines of Ministry of Road Transport & Highways, Government of India,

(Paragraph 5.8)

Introduction

Functioning of State Public Sector Undertakings

General

1. State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. As on 31 March 2018, there were 32 PSUs in Haryana, including two Statutory Corporations¹ and 30 Government Companies (including four² inactive³ government companies) under the audit jurisdiction of the Comptroller & Auditor General of India. One⁴ PSU was listed on the stock exchange. During the year one⁵ PSU was dissolved.

2. The financial performance of the PSUs on the basis of latest finalised accounts as on 30 September 2018 is covered in this report. The nature of PSUs and the position of accounts are indicated in table below:

Table 1: Nature of PSUs covered in the Report

Nature of PSUs	Total Number	Number of PSUs of which accounts received during the reporting period				Number of PSUs of which accounts are in arrear (total accounts in arrear) as on 30 September 2018
		Accounts up to 2017-18	Accounts up to 2016-17	Accounts up to 2015-16	Total	
Working Government Companies	26	7	9	7	23	19(36)
Statutory Corporations	2	0	2	0	2	2(2)
Total working PSUs	28	7	11	7	25	21(38)
Inactive Government Companies	4	0	2	0	2	2(2)
Total	32	7	13	7	27	23(40)

The working PSUs registered an annual turnover of ₹ 38,935.22 crore as per their latest finalised accounts as on 30 September 2018. This turnover was equal to 6.40 per cent of State Gross Domestic Product for the year 2017-18 (₹ 6,08,470.73 crore). The working PSUs earned profit of ₹ 921.58 crore as per their latest finalised accounts. As on March 2018, the State PSUs had employed around 26,410 employees.

¹ Haryana State Warehousing Corporation and Haryana Financial Corporation.

² Haryana Concast Limited, Haryana State Housing Finance Corporation Limited, Haryana State Minor Irrigation and Tubewells Corporation Limited and Haryana Minerals Limited.

³ Inactive PSUs are those which have ceased to carry out their operations.

⁴ Haryana Financial Corporation.

⁵ Yamuna Coal Company Private Limited.

There are four inactive PSUs having an investment of ₹ 22.65 crore towards capital (₹ 17.98 crore) and long term loans (₹ 4.67 crore). The liquidation process of two PSUs⁶ had commenced 14 and 19 years ago. This is a critical area as the investments in inactive PSUs do not contribute to the economic growth of the State.

Accountability framework

3. The procedures for audit of Government companies are laid down in Sections 139 and 143 of the Companies Act, 2013 (Act 2013). According to Section 2 (45) of the Act 2013, a Government Company means any company in which not less than fifty one *per cent* of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government Company. Comptroller & Auditor General of India (CAG) appoints the statutory auditors of a Government Company and Government controlled other Company under Section 139 (5) and (7) of the Companies Act, 2013. Section 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government controlled other Company are to be appointed by the CAG within a period of one hundred and eighty days from the commencement of the financial year. Section 139 (7) of the Companies Act, 2013 provides that in case of a Government Company or Government Controlled other Company, the first auditor is to be appointed by the CAG within sixty days from the date of registration of the company and in case CAG does not appoint such auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such auditor.

Further, as per sub-section 7 of Section 143 of the Act 2013, the Comptroller and Auditor General of India (CAG) may, in case of any company covered under sub-section (5) or sub-section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Statutory audit

4. The financial statements of the Government Companies (as defined in Section 2 (45) of the Act 2013) are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 139(5) or (7) of the Act 2013. The Statutory Auditors submit a copy of the Audit Report to the CAG including, among other things, financial statements of the Company under

⁶ Haryana Concast Limited and Haryana State Housing Finance Corporation Limited.

Section 143(5) of the Act 2013. These financial statements are also subject to supplementary audit by the CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act 2013. Audit of Statutory Corporations is governed by their respective legislations. In respect of Haryana State Warehousing Corporation and Haryana Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is conducted by the CAG.

Submission of accounts by PSUs

Need for timely finalisation and submission of accounts

5. According to Section 394 and 395 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the Houses or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating statutory corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the State. Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next.

Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration. Section 129 (7) of the Companies Act, 2013 provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Role of Government and Legislature

6. The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the State Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government Companies and Separate Audit Reports in case of Statutory Corporations are to be placed before the State Legislature under Section 394 of the Act 2013 or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Investment by Government of Haryana in State PSUs

7. The Government of Haryana (GoH) has high financial stakes in the PSUs. This is mainly of three types:

- **Share capital and loans** – In addition to the share capital contribution, GoH also provides financial assistance by way of loans to the PSUs from time to time.
- **Special financial support** – GoH provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees** – GoH also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

8. The sector-wise summary of GoH investment in the PSUs as on 31 March 2018 is given below:

Table 2: Sector-wise investment in PSUs

Name of sector	Government Companies		Statutory Corporations		Total	Investment ⁷ (₹ in crore)		Total
	Working	Inactive	Working	Inactive		Equity	Long term loans	
Power	5	0	0	0	5	16,001.00	6,331.83	22,332.83
Finance	3	1	1	0	5	286.53	0.00	286.53
Service	10	0	0	0	10	53.13	0.00	53.13
Infrastructure	4	1	0	0	5	202.87	0.00	202.87
Others	4	2	1	0	7	20.67	2.37	23.04
Total	26	4	2	0	32	16,564.20	6,334.20	22,898.40

Source: Compilation based on information received from PSUs.

The thrust of PSU investment by the Government was mainly on power sector during the last five years. The power sector received government investments of ₹ 22,332.83 crore (97.53 per cent) out of total investment of ₹ 22,898.40 crore.

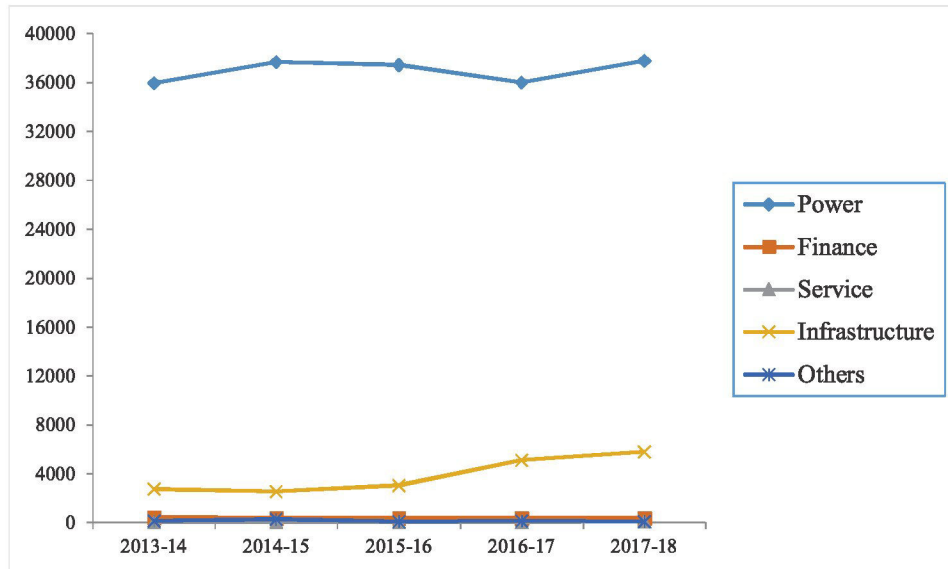
However, the total investment in various sectors during the period from

⁷ Investments include equity and long term loans

2013-14 to 2017-18 is shown in chart below:

Chart 1: Sector-wise investment in PSUs

(Figures in ₹ Crore)



Keeping in view the high level of investment in Power Sector, we are presenting the results of audit of five Power Sector PSUs in Part I⁸ of this report and of the 27 PSUs (other than power sector) in the Part II⁹ of this Report.

⁸ The Part I includes Chapter-I (Functioning of Power Sector Undertakings), Chapter-II (Performance Audit relating to Power Sector Undertaking) and Chapter-III (Transaction audit observations relating to Power Sector Undertakings).

⁹ The Part II includes Chapter-IV (Functioning of PSUs other than Power Sector) and Chapter-V (Transaction audit observations relating to PSUs other than Power Sector).

Part -I
Power Sector