

## CHAPTER-IV AUDIT OF TRANSACTIONS

Transaction audit observations included in this Report highlight deficiencies in the management of State Government Companies / Corporations, which had serious financial implications. The irregularities pointed out were broadly of the following nature:

- Loss of ₹ 8.09 crore in seven cases due to non-compliance of rules, directives, procedure and conditions of contracts.

*(Paragraphs 4.2, 4.3, 4.4, 4.5, 4.6, 4.7 & 4.8)*

- Loss of ₹ 1.67 crore in three cases due to injudicious decision.

*(Paragraphs 4.1, 4.9 & 4.10)*

- Loss of ₹ 0.51 crore in one case due to inadequate/deficient monitoring.

*(Paragraph 4.11)*

### GOVERNMENT COMPANIES

#### Himachal Pradesh State Civil Supplies Corporation Limited

##### *4.1 Short recovery due to less claim of VAT*

**Failure of the Company in claiming full amount of VAT from the State Government resulted in short recovery of ₹ 0.43 crore.**

The State Government implemented distribution of subsidised Wheat *Atta* scheme to the Above Poverty Line (APL) ration card holders in the State through the Himachal Pradesh State Civil Supplies Corporation Limited (the Company) with effect from 1 August 2007. Under the scheme, Wheat *Atta* (*atta*) was to be sold by the Company at uniform rate of ₹ 8.00 *per Kg.* from August 2007 and ₹ 8.50 from April 2010 as fixed by the State Government. The scheme further provides that the differential amount between the landed cost<sup>1</sup> up to the retail shops of the Company including retailers margin and the sale realised was to be reimbursed by the State Government to the Company as subsidy. In case the landed cost is lower than the sale realised, the excess sale realised (sale realised minus landed cost) was to be refunded to the State Government.

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<sup>1</sup> Landed cost is a total cost of *Atta* up to retail shop.

Audit scrutiny (March/April 2011) of subsidy claims of *atta* in respect of five Districts<sup>2</sup> revealed that the Company claimed VAT only on the landed cost up to the wholesale godown of the Company. The landed cost of *atta* up to whole sale godown was lower than the actual cost which also included the freight from the whole sale godowns to retail shops and retailers margin as fixed by the State Government. During the period from August 2007 to December 2010, the Company by omission claimed VAT of ₹ 8.85 crore from the State Government in the subsidy claim on the landed cost of ₹ 230.06 crore up to wholesale godown whereas the Company had paid actual VAT of ₹ 9.28 crore on the actual cost of ₹ 241.18 crore incurred up to retailers shop. The difference of ₹ 11.12 crore in cost was due to freight from the wholesale godowns to retail shops and retailers margin on which the VAT amounting to ₹ 0.43 crore, though paid by the Company to tax authorities but the same was not claimed from the State Government in subsidy claims as *per the ibid* scheme. This resulted in short claim of subsidy of ₹ 0.43 crore on account of VAT from the State Government during the period from August 2007 to December 2010.

The Government endorsed (August 2012) the reply of the Management stating that the State Government had adjusted (May 2012) the revised wheat *atta* claims for the year 2007-08 amounting to ₹ 8.18 lakh at the instance of Audit and the remaining claim for the period from March 2008 to December 2012 will be adjusted very soon. The Management further stated that all the units had been directed to ensure claim of VAT element in fixation of rates in future.

The reply is an admission of the fact that the amount of VAT paid by the Company out of its own funds is still to be reimbursed by the State Government.

### **Himachal Pradesh State Electricity Board Limited**

#### **4.2 Undue favour to a consumer**

**The Company extended undue favour to a consumer by not recovering demand charges of ₹ 2.48 crore as *per the provisions of Electricity Supply Code, 2009.***

Chapter 3 (Para 3.9) of Electricity Supply Code, 2009 stipulates that in case of High Tension /Extra High Tension supply, where the licensee has completed the work required for supply of electricity to an applicant but the applicant is not ready or delays to receive supply of electricity or does not avail the fully contract demand, the licensee shall, after a notice of sixty days, charge on *pro rata* basis, fixed/demand charges on the sanctioned contract demand as *per* relevant Tariff Order.

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<sup>2</sup> Hamirpur, Una, Kangra, Mandi and Kullu.

Himachal Pradesh State Electricity Board Limited (the Company) sanctioned (December 2009) a load of 10 MW with contract demand of 11.112 MVA in favour of a consumer<sup>3</sup> from 132/33 KV Sub-station, Kandrori with the condition that the load would be released after the installation of additional 132/33 KV, 1x16 MVA transformer and the consumer had to bear the proportionate cost of additional transformer. The test report (August 2010) of the consumer for availing sanction of 10 MW load was duly verified (October 2010) by the Company. However, due to non-completion of work relating to installations of additional 1x16 MVA 132/33 KV transformer, connection for a partial load of 4 MW was released (October 2010) to the consumer from the existing system and the balance load of 6 MW was to be released on commissioning of additional transformer.

Audit observed (March 2011) that the additional transformer was commissioned/energised during February 2011 and the consumer was also released additional load of 2 (Two) MW during May 2012 from this transformer, but no action had been taken by the Company as *per* the provisions of Electricity Supply Code, 2009 *ibid* to recover the fixed demand charges on the total sanctioned load of 10 MW so far (November 2012).

This had resulted in revenue loss of ₹ 2.48 crore during the period from May 2011 to October 2012 (after allowing 60 days period for notice).

The Management stated (July 2012) that the intimation as required under supply code of 2009 was not issued due to non-availability of load at 220/132 KV feeding Sub-station, Jassure and the balance load would be released after augmentation of its power transformer capacity.

The reply was not acceptable because non-availability of load at 220/132 KV 150 MVA Jassure feeding Sub-station was not due to increase in connected load/demand but was on account of excessive current on the feeding Sub-stations due to voltage drop, which resulted in flow of excessive current.

The Management should start billing the consumer as *per* the contract demand and recover demand charges from the consumers as *per* the provisions of the Electricity Supply Code, 2009 and fix the responsibility for not billing as *per* the contract demand.

The matter was referred to the Government in July 2012; their reply was awaited (November 2012).

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<sup>3</sup> M/s Met Trade Indian Ltd.

### 4.3 Short recovery of infrastructure cost

**Failure of the Company to recover full infrastructure cost in advance before the commencement of work as per HPERC Regulation, 2005 resulted in short recovery of ₹ 1.70 crore from a consumer.**

Regulation 4 (1) (c) & (d) of the Himachal Pradesh Electricity Regulatory Commission (Recovery of expenditure for supply of electricity) Regulations, 2005 envisaged that in case where there is a need to erect new 33/11 KV Sub-station and High Tension (HT) line for extending power supply, the distribution licensee shall estimate and recover the entire estimated cost of such Sub-station and line from the applicant. Regulation 8 further envisaged that the applicant shall, before the commencement of work, deposit 100 *per cent* on notice of demand for amount payable under Regulation 4.

The Department of Industries, Government of Himachal Pradesh (the applicant) had been requisitioned load demand of 10 MVA in May 2004 by the erstwhile Himachal Pradesh State Electricity Board (now Company) for setting up of various industries at Raja-ka-Bag industrial area in Kangra district, under the special package of incentives to industries from Government of India. In view of this, the Company sanctioned (August 2005) a scheme at an estimated cost of ₹ 3.19 crore and also requested (December 2005) the Department to deposit the entire amount in advance.

The work for the construction of 33 KV HT line and Sub-station was awarded to a private company<sup>4</sup> (March 2007) at a cost of ₹ 2.54 crore (without power transformer) on turnkey basis. The work was completed during July 2008 at a total cost of ₹ 3.16 crore.

Audit observed (February 2009) that against the total expenditure of ₹ 3.16 crore, the Company recovered only a partial amount of ₹ 1.40 crore (₹ 90.00 lakh in March 2006 and ₹ 25.00 lakh each in July and December 2007) against 100 *per cent* recovery of cost before commencement of work from the Department. In addition, an amount of ₹ 0.06 crore was also recovered from four industrial consumers to whom service connections have not been released so far. However, the balance amount of ₹ 1.70 crore was neither recovered from the Department of Industries nor any action to charge the cost share from the consumers could be initiated as no major industrial units had been set up in the area. Consequently, the capacity utilisation of Sub-station constructed at a total cost of ₹ 3.16 crore (inclusive of cost of 33 KV HT line) also remained very low between 2.30 *per cent* and 22.85 *per cent*.

Thus, the execution of the work without receipt of full cost before the commencement of work resulted in short recovery of ₹ 1.70 crore from the consumer besides under-utilisation of the capacity of the Sub-station.

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<sup>4</sup> M/s Dhaura Dhar Builder Private Limited.

The Management stated (January 2012) that due to imposition of ban (April 2010) by the GoI on special incentives, the proposed/new applicants were not coming forward to take power connections. It was further stated that the matter had already been taken up with the Department of Industries for deposit of balance amount, but the receipt of the same was still awaited.

The matter was referred to the Government in April 2012; their reply was awaited (November 2012).

#### 4.4 Loss due to non-compliance of statutory provisions

**Failure of the Company in conducting periodical testing of consumers' installation as per the statutory provisions resulted in non realisation of testing fee of ₹ 65.16 lakh.**

Rule 46 of Indian Electricity Rules, 1956 *inter-alia* provides that where an installation is already connected to the supply system of the supplier, every such installation shall be periodically inspected and tested at intervals not exceeding five years either by the Inspector or by the supplier as may be directed by the State Government in this behalf. The fee for such inspection and test shall be determined by the Central or State Government, as the case may be, in the case of each class of consumer and shall be paid by the consumer in advance as per provisions of Rule 65 (5) & (7) of the Indian Electricity Rules, 1956.

In compliance with the *ibid* rules, the State Electricity Regulatory Commission (SERC) in its Tariff orders, issued in November 2001, fixed charges for inspection of new installation and routine periodical inspection recoverable from different class of consumers/installations. The testing charges for routine periodical inspections or first test and inspection of new installation having connected load above 50 KW and supply voltage of 11 KV or higher were fixed ₹ 5000 *per* Sub-station and visiting charges ₹ 1500 *per* day. These charges were revised to ₹ 10000 *per* Sub-station and visiting charges ₹ 3500 *per* day in tariff orders issued on 5 July 2004 and these charges have not been revised thereafter (March 2012).

In two industrial divisions<sup>5</sup> of Himachal Pradesh State Electricity Board (now Company), there were 307 consumers (32 consumers up to November 2001 and 275 added thereafter) having supply voltage of 11 KV or higher which required initial/periodical inspection of their installations as *per* the provisions *ibid*. It was noticed in audit (August 2011) that the mandatory testing of installation at initial stage and periodical intervals thereafter in respect of these consumers was not conducted by the Company during November 2001 to March 2012. This resulted in loss of revenue of ₹ 65.16 lakh due to non realisation of testing charges besides violation of statutory provisions *ibid*.

<sup>5</sup> Electrical Division: Nalagarh and Paonta.

The Superintending Engineer (M&T) Circle, Bilaspur stated (November 2011) that due to non availability of Tools and Plants (T&P)/testing equipment, only a single party could be deputed to carry out testing and the party was also assigned to remove/attend the faults in emergent cases on receipt of complaints from the field units. The reply added that most of the requisite T&P/equipment for testing/periodical inspection of High Tension consumers and vehicle facilities have now been provided to the concerned units with instructions to take necessary steps in this regard.

The reply was not acceptable as the State Regulatory Commission had considered the expenditure incurred on separate wing established by the Company for conducting such inspection and treated the inspection charges as non-tariff income (miscellaneous charges) while assessing the Annual Revenue Requirement of the Company for the purpose of tariff, besides violating the statutory requirement of testing of consumers installation at periodical interval.

The matter was referred to the Government in September 2012; their reply was awaited (November 2012).

#### **4.5 Blockade of funds on partially completed Transmission Line**

**Failure of the Company in obtaining required permissions from the concerned authorities before award of work resulted in blockade of ₹ 70.77 lakh on partially constructed line with consequential interest loss of ₹ 14.24 lakh, which will increase further till its actual commissioning.**

According to Rule 3(1) (a) of the Works of Licensees Rules, 2006 notified by the Government of India (GoI) under sub-section (2) of the Section 67 of the Electricity Act, 2003, a licensee was required to obtain prior consent of land owner or occupier of any building or land to carry out the works relating to laying down or placing any electric supply line. The rule further provides that in case where the owner of the land raises objections in respect of works to be carried out under the rule, the licensee shall obtain permission in writing from the District Magistrate or the Commissioner of Police or any other officer authorised by the State Government in this behalf.

Himachal Pradesh State Electricity Board Limited (the Company) approved (July 2008) construction of 10 Km long 33 KV Baner-Gopalpur transmission line (line), with the objective of saving energy losses valued at ₹ 56.57 lakh along with generation of additional revenue from sale of power to the extent of ₹ 45.21 lakh *per annum*. To execute this work, financial assistance at an interest rate of 11.50 *per cent per annum* was also tied up with Rural Electrification Corporation, New Delhi. The issue of obtaining necessary sanction for use of forest land was taken up with the Ministry of Environment and Forest (ME&F), Government of India (GoI) in January 2009.

Audit noticed (March 2011) that the Company awarded (August 2009) the work to a private firm<sup>6</sup> at a total cost of ₹ 0.83 crore with completion period of nine months without waiting for the statutory clearance from the ME&F. The delay in obtaining statutory clearance by the Company further resulted in restraining the contractor from completing the work of transmission line, as one of the private landowners obtained a court stay (May 2011). After incurring an expenditure of ₹ 88.35 lakh (up to December 2011) on the construction of total length of 10 Km of transmission line, only 1.99 Km could be energised as a temporary measure.

Thus, the failure of the Company in observing the procedure and initiating action as prescribed under Works of Licensees Rules, 2006 before award of construction of line to the contractor, resulted in blockade of borrowed funds of ₹ 70.77 lakh on partially completed line and consequential interest loss of ₹ 14.24<sup>7</sup> lakh which will increase further till its actual commissioning. Besides, the objective of reduction targets of T&D losses and for additional sale of power could also not be achieved.

The Management stated (February 2012) that the total length of 33 KV line from Baner Power House to Sub-station, Nagri had been erected up to both ends of disputed land and the Sub-station had been commissioned through 33KV line of 1.990 Km.

The reply is indicative of the fact that the line is still incomplete due to which the envisaged objective could not be achieved even after incurring an expenditure of ₹ 70.77 lakh.

The matter was referred to the Government in June 2012; their reply was awaited (November 2012).

### **Himachal Pradesh General Industries Corporation Limited**

#### **4.6 Undue favour to private parties**

**Non-adjustment of credit sales while allowing discount on monthly total sales resulted in payment of inadmissible discount amounting to ₹ 19.84 lakh to agents.**

The Himachal Pradesh General Industries Corporation Limited (Company) manufactures country liquor in its Country Liquor Bottling Plants (CLBP) at Mehatpur and Parwanoo. For wholesale vending of its liquor to various retailers in each district of the State, the Company appointed private parties as its agents on commission basis. These agents lift the liquor from CLBP either on cash sale or credit sale basis. In order to boost the sale of liquor and

<sup>6</sup> M/s S.S Enterprises.

<sup>7</sup> Interest loss has been calculated from July 2010 to March 2012 at the rate of ₹ 11.50 per cent per annum at which the funds were borrowed by the Company from REC for this scheme.

encourage these agents to pay in cash, quantity discount was also allowed to them as *per* scheme introduced in April 2008. As *per* scheme, the rates of discount ranged between ₹ 8 *per* box and ₹ 13 *per* box (12 bottles) for lifting of six to 20 trucks *per* month and for lifting up to 5 trucks the rate of discount was to be allowed as *per* tender rates.

Audit scrutiny revealed (December 2010) that CLBP, Parwanoo (during 2008-10) and CLBP, Mehatpur (during 2009-10) while releasing liquor to the agents of five<sup>8</sup> districts allowed discount on quantity of liquor lifted on credit sales basis against the provision of above scheme allowing discount on monthly cash sale basis only. As a result, the Company suffered a loss of ₹ 19.84 lakh during the period 2008-09 to 2009-10 on payment of total discount of ₹ 97.00 lakh to these agents against actual discount of ₹ 77.16 lakh admissible on the quantity lifted by them on monthly cash sale basis also. This resulted in inadmissible discount of ₹ 19.84 lakh on the quantity of liquor lifted on credit sales basis during the respective months.

The Management stated (June 2012) that the quantity discount was calculated on total monthly lifting basis as it was not possible for the agents to lift the liquor from their plant in bulk on cash sales basis. It was further stated that in view of the above circumstances and to boost the sale of liquor, discount on entire quantity lifted on each month had to be given, otherwise the sale of liquor would have been affected adversely.

The reply was not acceptable as during the period from April 2008 to March 2010, total quantity of liquor valuing ₹ 12.29 crore was lifted and out of this, quantity valuing ₹ 9.49 crore was lifted on monthly cash basis and the remaining quantity was credit sale. Thus, allowing discount on entire quantity lifted on each month as stated in the reply was not only wilful bypassing of its own stated policy of allowing discount only on cash sales but it also did not help to boost the cash sales.

The matter was referred to the Government in May 2012; their reply was awaited (November 2012).

#### **Himachal Pradesh State Industrial Development Corporation Limited**

#### **4.7 Loss due to non recovery of work charged staff expenses**

**Failure of the Company in recovering entire establishment expenses of its work charged staff deployed on operation and maintenance of water supply schemes of various industrial areas/estates of the Department of Industries resulted in loss of ₹ 30.74 lakh.**

The Himachal Pradesh State Industrial Development Corporation Limited (Company) operates water supply schemes (schemes) in various industrial

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<sup>8</sup> CLBP, Parwanoo : Shimla, Solan, Sirmour, Bilaspur and CLBP, Mehatpur: Chamba.

areas/estates on behalf of the Department of Industries, Government of Himachal Pradesh. The Company deployed work charged staff for operation and maintenance of these schemes and the expenditure so incurred is reimbursed by the Department of Industries on annual basis. The Company prepares the estimates for the expenditure to be incurred on operation and maintenance of each scheme including three *per cent* provision for contingencies. The estimates are got sanctioned from the Department of Industries every year and after sanction, the amount is deposited by the Department with the Company.

Test check of the records (August/September 2011) relating to operation and maintenance of these schemes revealed that while preparing the estimates the Company considered only the salary of work charged staff deployed on the operation of these schemes but failed to include other expenses such as employer's contribution towards CPF, leave salary contribution, medical expenses, performance linked incentive/bonus, *etc.* paid to them.

During the period from 2008-09 to 2010-11, the Company had incurred an expenditure of ₹ 26.22 lakh on this account but due to non-inclusion of this expenditure in the estimates, which were got sanctioned from the Department of Industries from time to time, the Company could not recover the same from the Department. Further, the expenditure of ₹ 4.52 lakh incurred on the contingencies was also not recovered though provided in the estimates. This resulted in non recovery of an expenditure of ₹ 30.74 lakh (₹ 26.22 lakh + ₹ 4.52 lakh ) from the Department of Industries.

The Management stated (February 2012) that these expenses were contingent in nature and could not be included in the estimates as the Company was already charging maximum three *per cent* contingencies. It was further stated that the Company had started recovering three *per cent* towards contingencies on the amount of work done in the estimates with effect from June 2011 from the Department of Industries instead of earlier practice of recovering specific expenses of work charged employees.

The reply was not acceptable as the expenditure aggregating to ₹ 26.22 lakh incurred on the work charged staff towards their CPF, leave salary contribution, medical expenses and performance linked incentive/bonus was not a contingent expenditure but it was an establishment expenditure and should have been included in the estimates along with pay and allowances. The Company should be aware that the three *per cent* provision for contingencies was to cover the miscellaneous expenditure which was not known at the time of preparation of estimates and such provisions for contingencies could not be treated as part of establishment expenses on pay and allowances. Besides, it was also pertinent to mention that even the contingent expenditure of ₹ 4.52 lakh though included in the estimates, had also not been recovered for the said period.

The matter was referred to the Government in April 2012; their reply was awaited (November 2012).

### Himachal Pradesh Power Corporation Limited

#### 4.8 Undue benefit to a contractor in violation of Central Vigilance Commission guidelines

**Non-recovery of mobilisation advance in a time bound manner as per CVC guidelines resulted in undue benefit of ₹ 2.61 crore to the contractor.**

Central Vigilance Commission (CVC) guidelines (April 2007) stipulated that payment of mobilisation advance to the contractor should be need based and its recovery should be time based and not linked with progress of works for ensuring recovery of advance.

The Himachal Pradesh Power Corporation Limited (the Company) awarded (August 2009) the works<sup>9</sup> relating to construction of 111 MW Sawara Kuddu Hydro Electric Project to M/s Patel Engineering Limited at a total cost of ₹ 283.49 crore with the scheduled date of completion of March 2012 (32 months). As per the provisions contained in clause 14.2 of the contract agreement entered into (September 2009) with the contractor, an interest-free mobilisation advance aggregating ₹ 14.17 crore<sup>10</sup> was allowed to the contractor in three instalments between September 2009 and May 2010, which was released as per stipulated time schedule, against bank guarantee of the corresponding amount but its recovery was linked with the progress of work/certified interim payment exceeding 30 per cent of the accepted contract amount in violation of CVC's *ibid* guidelines of April 2007.

Audit observed (September 2011) that the entire amount of the advance so allowed remained with the contractor up to 23 November 2011 without any recovery as the contractor failed to execute specified 30 per cent quantity of work even after the expiry of 26 months (up to November 2011) from the date of award (August 2009) against the scheduled time of completion of work of 32 months. The recovery against mobilisation advance was, however, started from 24 November 2011 in the 25<sup>th</sup> running account bill when the agreed 30 per cent progress of works was achieved by the contractor due to slow pace of work attributed to him only. The delay in adjustment of advance assumes significance as the Company has been borrowing funds for the execution of this project from the Asian Development Bank carrying interest at the rate of 10 per cent per annum. Non-insertion of specific provisions in the agreement

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<sup>9</sup> Diversion Barrage, power intake, descending arrangements gates and hoisting arrangement.

<sup>10</sup> ₹ 7.09 crore in September 2009, ₹ 3.54 crore in April 2010 and ₹ 3.54 crore in May 2010.

for recovery of advance in time bound manner as *per* CVC guidelines resulted in extension of undue financial benefit of ₹ 2.61 crore<sup>11</sup> to the contractor, being the amount of interest on mobilisation advance from the date of drawal to 23 November 2011.

The Management stated (February 2012) that as *per* CVC guidelines, the decision to stipulate interest-free mobilisation advance rested with the Board of Directors (BOD). It was further stated that the bidding documents for this package were approved by the Asian Development Bank (ADB) and subsequently by the BOD of the Company in March 2009 and the provision of interest-free advance for mobilisation in agreement was not in contravention to CVC guidelines.

The reply did not address the core issue raised by Audit that recovery of interest free mobilisation advance should be in a time bound manner on monthly basis especially when the advance had been released from the interest bearing borrowed fund and not to be linked with the progress of work as stipulated in the guidelines of CVC.

The matter was referred to the Government in April 2012; their reply was awaited (November 2012).

### **Himachal Pradesh Tourism Development Corporation Limited**

#### **4.9 Avoidable loss due to non recovery of Motor Vehicle Tax**

**Failure of the Company to collect the motor vehicle tax charged by the State of Punjab from the passengers by including it in the bus fare resulted in avoidable loss of ₹ 68.46 lakh.**

The Himachal Pradesh Tourism Development Corporation Limited (the Company) operates non-stop buses on Delhi – Dharamshala and Delhi – Manali routes to provide transport facilities to passengers. These buses are run on contract carriage with all India Tourist Permits. The bus fare is fixed by the Company after taking into account the cost of diesel, Motor Vehicle Tax and Service Tax charged by various states through which the buses of the Company have to pass. Besides, the bus fare also included retention charges to cover miscellaneous overhead charges such as toll, parking charges, maintenance of seat cover/curtain, *etc.* The fare is also revised by the Company from time to time with the increase in rates of fuel and taxes so as to recover the same from the passengers accordingly.

<sup>11</sup> The interest loss has been worked out at ten *per cent per* annum from the date of release of installments.

Audit scrutinised (March/April 2011) the mechanism of fixation of bus fare being charged from the passengers and found that while fixing the bus fare for Delhi - Manali and Delhi – Dharamshala routes; the element of Motor Vehicle Tax being charged by the States of Himachal Pradesh and Haryana was considered but Motor Vehicle Tax charged by Punjab was not added in the fare. As these buses had to pass through the territory of Punjab while operating on these two routes, the State of Punjab charged Motor Vehicle Tax from these buses regularly. During the period from 2009-10 to 2011-12 (Up to January 2012), the Motor Vehicle Tax of ₹ 68.46 lakh was paid by the Company to the State of Punjab while operating its buses on Delhi – Manali and Delhi – Dharamshala routes but due to non-inclusion of this component in the bus fare, the same could not be recovered from the passengers travelling in buses operated by the Company.

Thus, non-recovery of Punjab Motor Vehicle Tax from the passengers resulted in an avoidable loss of ₹ 68.46 lakh to the Company as this was paid by the Company out of its own resources.

The Government stated (August 2012) that the element of Punjab motor vehicle tax had been taken into account while fixing the fare and this element had been included in the fare structure under retention charges.

The reply was not acceptable as the retention charges were being recovered to cover miscellaneous overheads such as toll, parking charges, maintenance of seat covers/curtain, etc. as stated above and not to cover motor vehicle tax. The motor vehicle tax charged by the State of Punjab should have been included in the bus fare as was done for the similar tax charged by the States of Himachal Pradesh and Haryana.

#### **4.10 Avoidable loss due to non recovery of bank charges**

<p><b>The failure of the company in recovering the bank charges from the customers resulted in avoidable loss of ₹ 54.33 lakh during the period from 2008-09 to 2011-12.</b></p>
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The Himachal Pradesh Tourism Development Corporation Limited (the Company) introduced (2005-06) an online system {Internet Payment of Gateway (IPG)} for booking accommodation in its complexes by tourists. The Company also installed (2007-08) Electronic Data Capture Terminal (EDC Machine/Swipe Machines) machine to facilitate the tourists to make payment of bills through debit/credit cards. To provide these facilities, the Company entered (May 2007) into an agreement with HDFC and UTI banks. These banks charged 1.25 to 3.50 *per cent* as service charges from the Company for providing their services.

Audit observed (May 2011) that the Company received ₹ 29.59 crore in respect of rent of hotels and food bills from the customers through debit/credit cards against which an amount of ₹ 54.33 lakh was debited by banks as bank charges during the period from April 2008 to March 2012 under the provisions of Merchant Discount Rates (MDR) structure issued by the Reserve Bank of India. However, the company did not recover the bank charges from the customers. Thus, non recovery of bank charges from the customers resulted in less receipt of basic room rent/tariff as approved by the State Government (Department of Tourism) from time to time with consequential avoidable loss of ₹ 54.33 lakh to the Company.

The State Government stated (October 2012) that the concept of booking accommodation and transport through payment gateway was introduced as a special marketing measure as well as to facilitate the guests by making hassle free payments. Charging of such petty amount separately from the customers may not give a good impression. Moreover, the Company cannot be compared with airlines or other private booking site which are charging bank charges from the customers. The State Government further added that the basic room rent had not been reduced by paying the bank charges as the commission paid to travel agents or bank charges were being considered as an expense.

The reply was not acceptable since besides the savings of commission payable to travel agents the loss incurred on account of bank charges was also avoidable by recovering the same from the customers as was being recovered by other Private/Government Hotels in similar business. Moreover, this also led to reduction in basic approved room tariff income when the room rent collected by banks was paid to the Company after adjusting the bank charges.

## STATUTORY CORPORATION

### Himachal Pradesh Financial Corporation

#### 4.11 Diversion of Government money

**The Corporation diverted un-disbursed subsidy of ₹ 0.51 crore meant for the promotion of industries towards working capital.**

The Government of India introduced (August 1971) Central Investment Subsidy scheme to promote industrialisation in the Country. Under this scheme, the industrial units were eligible for 25 *per cent* central subsidy on capital investment. The scheme was, however, discontinued with effect from 30 September, 1988. In pursuance of the Supreme Court judgement of December, 1995, the residual cases of claims, (the claims valid up to 30 September, 1988), were to be considered eligible for granting subsidy.

The Himachal Pradesh Financial Corporation (the Corporation) was the nodal agency for the disbursement of subsidy in respect of those industrial units which were financed by it. The State Government (Industries Department) released an amount of ₹ 2.57 crore to the Corporation during 1997-98 and 1998-99 on the basis of tentative claims filed by the Corporation in compliance with the judgement of the Supreme Court. Out of ₹ 2.57 crore, the Corporation could disburse only ₹ 2.06 crore to eligible units and the balance un-disbursed subsidy amounting to ₹ 0.51 crore was neither refunded to the State Government nor kept in the interest bearing account so as to earn interest till any final decision was taken on the matter, but was utilised by the Corporation towards its working capital requirements.

On being pointed out (July 2007) by Audit, the Corporation sought (December 2007) the advice of the Department of Industries for adjusting the un-disbursed subsidy. However, the department did not advise the Corporation and the subsidy amount was continued to be utilised by the Corporation to meet out its working capital requirements without any justification instead of investing in the fixed term deposits, which was also pointed out by the Department of Industries, Government of Himachal Pradesh *vide* their letter of April 2008.

Thus, the injudicious decision to retain the un-disbursed subsidy of ₹ 0.51 crore for its working capital requirements had resulted in mis-utilisation of Government money besides loss of interest of ₹ 0.96 crore for the last more than 13 years (April 1999 to October 2012).

The Corporation stated (August 2012) that on the basis of assets created by the industrial units, the Corporation released ₹ 2.06 crore and the claims for the remaining amount of ₹ 0.51 crore supported with documentary proof had not been received till date and as such this amount had been kept in the current account on which the Corporation was earning no interest.

The reply was not acceptable as the Corporation could have either refunded the un-disbursed subsidy along with interest to the State Government or kept in the interest bearing account instead of utilising it towards working capital without the approval of the State Government.

The matter was referred to the Government in July 2012; their reply was awaited (November 2012).

## **General**

### ***4.12 Follow-up action on Audit Reports***

#### ***Explanatory Notes outstanding***

**4.12.1** The Audit Reports of the Comptroller and Auditor General of India represent the culmination of the process of scrutiny starting with initial

inspection of accounts and records maintained in various offices and departments of the Government. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. The State Finance Department issued (February 1994) instructions to all Administrative Departments to submit explanatory notes indicating corrective/remedial action taken or proposed to be taken on paragraphs and performance audits included in the Audit Reports within three months of their presentation to the Legislature, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

Though the Audit Reports for the years 2009-10 and 2010-11 were presented to the State Legislature in April 2011 and April 2012, two departments had not submitted explanatory notes on 12 out of 29 paragraphs/performance audits as of 30 September 2012, as indicated in *Table 4.1* below:

**Table-4.1**

<b>Year of Audit Report (Commercial)</b>	<b>Date of presentation</b>	<b>Total paragraphs/performance audits in Audit Report</b>	<b>Number of paragraphs/performance audits for which explanatory notes were not received</b>
2009-10	April 2011	13	1
2010-11	April 2012	16	11
<b>Total</b>		<b>29</b>	<b>12</b>

Department wise analysis is also given in *Table 4.2* below:

**Table-4.2**

<b>Name of department</b>	<b>2009-10</b>	<b>2010-11</b>
Power	-	10
Finance	1	1
<b>Total</b>	<b>1</b>	<b>11</b>

The Power Department was largely responsible for non-submission of explanatory notes, which did not submit explanatory notes on 10 out of 12 paragraphs/performance audits.

***Compliance to Reports of Committee on Public Undertakings (COPU)***

**4.12.2** The Action Taken Notes on the recommendations of COPU are required to be furnished within six months from the presentation of the Reports. Replies to 17 paragraphs pertaining to 15 Reports of the COPU, presented to the State Legislature between December 2008 and August 2012 had not been received as of September 2012 as indicated in **Table 4.3** below:

**Table 4.3**

<b>Year of the COPU Report</b>	<b>Total number of Reports involved</b>	<b>No. of paragraphs where replies not received</b>
2008-09	1	1
2009-10	2	2
2010-11	4	5
2011-12 (up to 30.9.2012)	8	9
<b>Total</b>	<b>15</b>	<b>17</b>

***Response to inspection reports, draft paras and performance audits***

**4.12.3** Audit observations made during audit and not settled on the spot were communicated to the heads of the Public Sector Undertakings (PSUs) and concerned departments of the State Government through inspection reports. The heads of PSUs were required to furnish replies to the inspection reports through respective heads of departments within a period of four weeks. Inspection reports issued up to March 2012 pertaining to 21 PSUs revealed that 4,122 paragraphs relating to 989 inspection reports remained outstanding at the end of 30 September 2012. Department-wise break-up of inspection reports and audit observations outstanding as on 30 September 2012 is given in **Appendix 4.1**.

Similarly, performance audit reports and draft paragraphs on the working of Public Sector Undertakings are forwarded to the Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. However, one performance audit report and nine draft paragraphs forwarded to two departments between April 2012 and September 2012, as detailed in **Appendix 4.2**, had not been replied so far (November 2012).

It is recommended that the Government may ensure (a) sending of replies to inspection reports/draft paragraphs/Action Taken Notes on the recommendations of COPU as *per* the prescribed time schedule, (b) recovery of loss/outstanding advances/overpayments within the prescribed time schedule, and (c) revamping of the system of responding to audit observations.

**Shimla**  
**The**

**(SATISH LOOMBA)**  
**Principal Accountant General (Audit)**  
**Himachal Pradesh**

*Countersigned*

**New Delhi**  
**The**

**(VINOD RAI)**  
**Comptroller and Auditor General of India**