

Chapter-1
Overview of State Public Sector
Undertakings

Chapter 1

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1.1 Introduction

The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State had made investment of ₹ 35,778.36 crore in its PSUs - equity ₹ 8,546.45 crore and Long term loans - ₹ 27,231.91 crore. Major activities of State PSUs are concentrated in power sector. The State PSUs had employed 35,577 employees (*Appendix 1*) as on 31 March 2013. As on March 2013, there were 29 companies and two Statutory corporations. One Company viz. Haryana Coal Company Limited was incorporated during the year. No Company was merged/ wound up during the year.

1.2 Audit Mandate

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and corporations controlled by Government(s) is treated as a Government company (deemed Government company) as per Section 619-B of the Companies Act.

The accounts of the State Government companies, as defined above, are audited by Statutory Auditors, who are appointed by Comptroller and Auditor General of India (CAG) as per the provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956.

Audit of Statutory corporations is governed by their respective legislations. In respect of Haryana State Warehousing Corporation as well as Haryana Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

1.3 Investment in State PSUs

As on 31 March 2013, the investment (capital and long-term loans) in 31 PSUs (including one 619-B Company) was ₹ 35,778.36 crore as per details

given below:

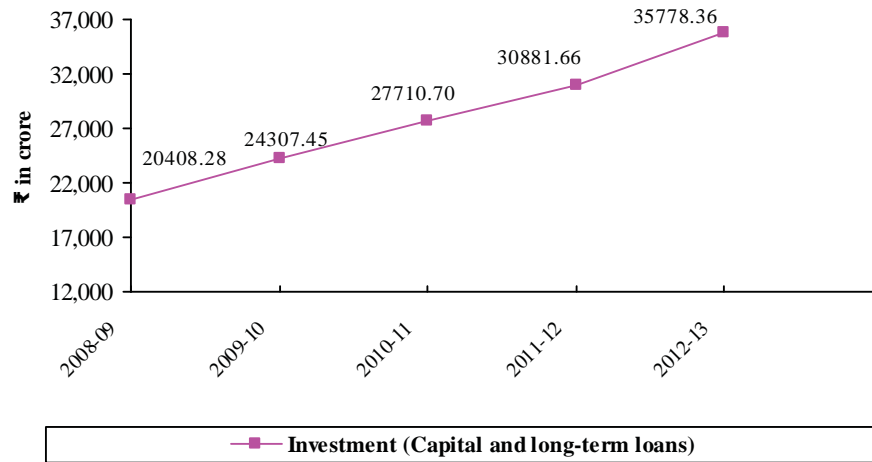
Table 1.1

(₹ in crore)

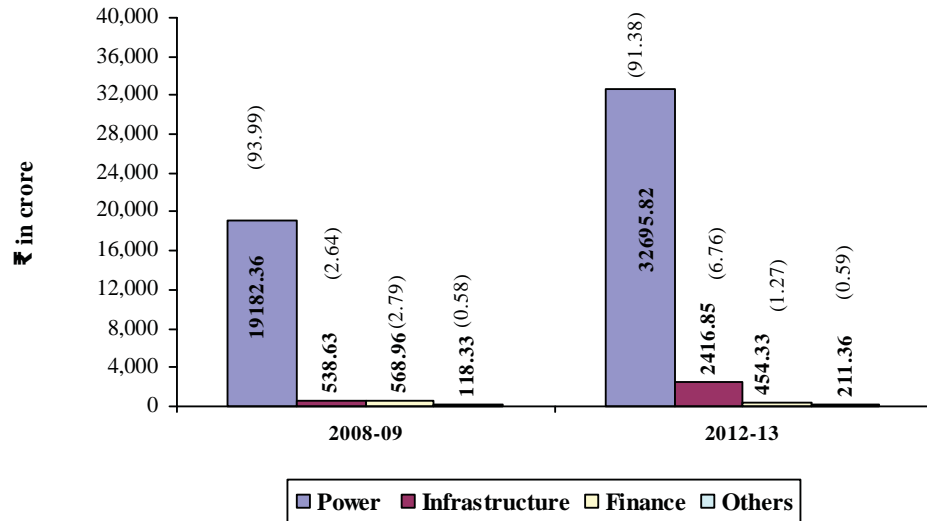
Type of PSUs		Nos.	Equity	Long Term Loans	Total
Working	Government Companies	22	8,308.91	27,025.60	35,334.51
	Statutory Corporations	2	213.35	92.70	306.05
	Total	24	8,522.26	27,118.30	35,640.56
Non-working	Government Companies	7	24.19	113.61	137.80
	Statutory Corporations	-	-	-	-
	Total	7	24.19	113.61	137.80
Grand Total		31	8,546.45	27,231.91	35,778.36

A summarised position of Government investment in State PSUs is detailed in **Appendix 1**.

As on 31 March 2013, of the total investment in State PSUs, 99.61 per cent was in working PSUs and the remaining 0.39 per cent in non-working PSUs. This total investment consisted of 23.89 per cent towards capital and 76.11 per cent in long-term loans. The investment has grown by 75.31 per cent from ₹ 20,408.28 crore in 2008-09 to ₹ 35,778.36 crore in 2012-13. Out of increase in investment, the capital has grown by 43.35 per cent from ₹ 5,962.15 crore in 2008-09 to ₹ 8,546.45 crore in 2012-13 and loans by 88.51 per cent from ₹ 14,446.13 crore to ₹ 27,231.91 crore during the same period. The increase in total investment is shown in the graph below.



The investment in various important sectors and percentage thereof as on 31 March 2009 and 31 March 2013 is indicated below in the bar chart.



(Figures in brackets show the percentage of sectoral investment to total investment)

As may be seen from the above chart, major thrust of investment in PSUs was in Power sector which increased from ₹ 19,182.36 crore during 2008-09 to ₹ 32,695.82 crore during 2012-13. Investment in infrastructure sector also increased from ₹ 538.63 crore in 2008-09 to ₹ 2,416.85 crore in 2012-13. The investment in capital increased by ₹ 2,584.30 crore and long term loans increased by ₹ 12,785.78 crore. There was overall net increase in investment by ₹ 15,370.08 crore.

1.4 Budgetary outgo, grants/ subsidies, guarantees and loans

The details regarding budgetary outgo by the State Government towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in *Appendix 3*. The summarised details for three years ended 2012-13 are given below.

Table 1.2

(₹ in crore)

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity capital outgo from budget	9	805.74	9	726.80	7	199.65
2.	Loans given from budget	Nil	Nil	Nil	Nil	Nil	Nil
3.	Grants/Subsidy received	14	6,041.84	13	7,320.55	10	10,319.97

4.	Total outgo (1+2+3)	16 ¹	6,847.58	16 ¹	8,047.35	13 ¹	10,519.62
5.	Guarantees issued	3	1,115.93	6	1,654.25	5	15,908.95
6.	Guarantee commitment	12	2,549.98	10	3,596.34	9	17,111.18

The guarantees issued by State Government to working PSUs for obtaining loans increased from ₹ 1,654.25 crore in 2011-12 to ₹ 15,908.95 crore in 2012-13. The amount guaranteed by State Government increased due to restructuring of short term liabilities of power sector distribution companies under the Financial Restructuring Plan (FRP) and enhanced cash credit facilities availed by Haryana State Warehousing Corporation to meet the requirement for procurement of food grains.

The guarantee received by PSUs during 2012-13 was ₹ 15,908.95 crore and outstanding amount of guarantees as on 31 March 2013 was ₹ 17,111.18 crore. The State Government levied guarantee fee at the rate of two per cent on all the borrowings of PSUs with effect from 1 August 2001. The guarantee fee payable by State PSUs during 2012-13 was ₹ 404.92 crore, out of which ₹ 402.82 crore was paid. The guarantee fee outstanding by the State PSUs during 2012-13 was ₹ 2.10 crore (Haryana State Warehousing Corporation).

1.5 Reconciliation with Finance Accounts

The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the PSUs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2013 is stated below:

Table 1.3

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	7,163.88	7,359.25	195.37
Loans	838.57	881.50	42.93
Guarantees	17,974.33	17,111.18	863.15

The differences occurred in respect of 24 PSUs. The Government and PSUs should take concrete steps to reconcile the differences in a time bound manner.

1.6 Performance of PSUs

The summarised financial results of Government Companies and Statutory corporations for the latest year for which accounts were finalised are given in

¹ Represents actual number of companies/corporations which received budgetary support in the form of equity, loans, grants and subsidies from the State Government during the respective years.

Appendix 2. Out of 23 working PSUs which submitted their accounts for supplementary audit², 15 PSUs earned profit of ₹ 292.35 crore and eight PSUs incurred losses of ₹ 10,120.57 crore. The major contributors to profit were Haryana Vidyut Prasaran Nigam Limited (₹ 140.07 crore), Haryana State Industrial Infrastructure Development Corporation Limited (₹ 71.94 crore) and Haryana State Roads and Bridges Development Corporation Limited (₹ 28.27 crore). The major losses were incurred by Uttar Haryana Bijli Vitran Nigam Limited (₹ 8,603.60 crore), Dakshin Haryana Bijli Vitran Nigam Limited (₹ 1,352.41 crore) and Haryana Power Generation Corporation Limited (₹ 160.49 crore).

A review of latest three years Audit Reports of CAG shows that the working State PSUs incurred controllable losses/ avoidable expenditure of ₹ 2,875.21 crore and made infructuous investment of ₹ 221.20 crore which were controllable with better management. The details are given in the table below:

Table 1.4

(₹ in crore)

Particulars	2010-11	2011-12	2012-13
Controllable losses/ avoidable expenditure as per CAG's Audit Report	1,251.60	1,497.16	126.45
Infructuous Investment	184.23	36.97	-

The State Government had formulated (October 2003) a dividend policy under which all PSUs are required to pay a minimum return of four *per cent* on the paid up share capital contributed by the State Government. As per their latest finalised accounts, 15 PSUs earned an aggregate profit of ₹ 292.35 crore. However, only four PSUs³ declared dividend of ₹ 6.60 crore and nine PSUs did not declare any dividend.

1.7 Arrears in finalisation of accounts

The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619-A and 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

² For the year 2008-09 (three PSUs), 2009-10 (two PSUs), 2010-11 (two PSUs), 2011-12 (12 PSUs) and 2012-13 (four PSUs)

³ Haryana Warehousing Corporation, Haryana State Industrial and Infrastructure Development Corporation Limited, Haryana Forest Development Corporation Limited and Haryana State Electronics Development Corporation Limited.

The table below provides the details of progress made by working PSUs in finalisation of accounts by 30 September 2013.

Table 1.5

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1.	Number of Working PSUs	22	21	22	22	24
2.	Number of accounts finalised during the year	23	17	23	22	21
3.	Number of accounts in arrears	26	30	29	29	34
4.	Average arrears per PSU (3/1)	1.23	1.38	1.32	1.32	1.41
5.	Number of Working PSUs with arrears in accounts	12	16	17	17	19
6.	Extent of arrears (in years)	1 to 5	1 to 6	1 to 5	1 to 4	1 to 4

The main reasons as stated by the Companies for delay in finalisation of accounts are lack of trained staff and non computerisation of the accounts. In addition to above, there were arrears in finalisation of accounts by non-working PSUs also. Out of five non-working PSUs, excluding two non-working PSUs under liquidation, three PSUs had finalised their accounts and the remaining two PSUs had arrears of accounts for one to two years.

The State Government had invested ₹ 9,048.70 crore (Equity: ₹ 178.50 crore, grants: ₹ 43.92 crore and subsidy: ₹ 8,826.28 crore) in 11 PSUs during the years for which accounts have not been finalised as detailed in **Appendix 4**. In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not. Thus, Government's investment in such PSUs remains outside the scrutiny of the State Legislature.

The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. The PAG brought the position of arrear of accounts to the notice of administrative departments concerned. No remedial measures were, however, taken in this regard. As a result of this, we could not assess the net worth of these PSUs as on 31 March 2013. The Principal Accountant General had also taken up (July 2013) the issue of arrear in accounts with the Chief Secretary, to expedite the clearance of backlog in a time bound manner, but the things did not improve.

In view of the above state of arrears, it is recommended that:

- The Government may set up a cell to oversee the clearance of arrears and set the targets for individual Companies which should be monitored.
- The Government may consider engaging the services of agencies with

necessary skills.

1.8 Winding up of non-working PSUs

There were seven non-working PSUs (all Companies) as on 31 March 2013. Of these, two PSUs⁴ were under closure process. However, liquidation process had not yet begun.

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose. During 2012-13, three non-working PSUs incurred an expenditure of ₹ 54.45 lakh towards establishment. This expenditure was met through disposal of assets (₹ 35.14 lakh), interest and bank balance lying with the Companies. The Government may consider setting up a cell to expedite closing down the non-working companies.

1.9 Accounts Comments and Internal Audit

Sixteen working companies forwarded their 17 audited accounts to PAG during the period with effect from 1 October 2012 to 30 September 2013. Supplementary audit was undertaken in respect of ten accounts and Non-Review Certificate was issued for seven accounts. Similarly, one Statutory corporation (Haryana State Warehousing Corporation) forwarded its accounts for the year 2011-12 during this period and another (Haryana Financial Corporation) during the prior period for supplementary Audit. Comments of two Statutory corporations viz. HWC and HFC were finalised. The audit reports of Statutory Auditors appointed by the CAG and the supplementary audit of CAG indicated that the quality of maintenance of accounts needed to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below:

Table 1.6

(₹ in crore)

Sl. No.	Effect of audit comment	Companies				Corporations			
		2011-12		2012-13		2011-12		2012-13	
		No. of instances	Amount	No. of instances	Amount	No. of instances	Amount	No. of instances	Amount
1.	Decrease in profit	6	72.34	5	11.48	2	2.77	1	3.98
2.	Increase in loss	8	3,025.35	4	6,018.96	1	30.80	-	-
3.	Non-disclosure of material facts	1	0.55	4	234.35	-	-	1	29.76
4.	Errors of classification	-	-	4	68.15	-	-	-	-
	Total		3,098.24		6,332.94		33.57		33.74

During the year, the Statutory Auditors had given qualified certificates for 11

⁴ Haryana State Housing Finance Corporation Limited and Haryana Concast Limited

accounts. We observed that the compliance of companies with the Accounting Standards (AS) remained poor. There were 31 instances noticed of non-compliance with the AS in nine accounts during the year.

Some of the important comments in respect of accounts of Companies and Statutory corporations are stated below:

Table 1.7

Name of the Company	Year of account	Gist of the Comment
HPGCL ⁵	2011-12	Non-capitalisation of interest resulted in overstatement of loss and understatement of Capital Work in Progress (CWIP) by ₹ 5.93 crore
HSIIDC ⁶	2011-12	Overstatement of Inventories and understatement of other Current Assets of ₹ 4.54 crore due to inclusion of the cost of the store items meant for development or maintenance of Industrial Area
HSCFDC ⁷	2008-09	Profit overstated by ₹ 3.46 crore due to inclusion of interest and penal interest recovery of which was doubtful
HBC&EWSKNL ⁸	2008-09	Understatement of loss as well as provisions to the tune of ₹ 2.43 crore due to non-provision of liability of penal interest payable to the National Backward Classes Finance and Development Corporation Limited
Name of the Statutory Corporation	Year of account	Gist of the Comment
HSWC ⁹	2011-12	<ul style="list-style-type: none"> • Overstatement of profit by ₹ 0.25 crore due to short provision against recoverable amount from FCI • Overstatement of profit by ₹ 0.31 crore due to short provision of Income Tax

In UHBVNL, the increase in loss was ₹ 6,010.71 crore on account of changes in accounting procedures/ methods and reconciliation of accounts with HVPNL, HPGCL and DHBVNL as per the comments of Statutory Auditors.

The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report in respect of various aspects including internal control/ internal audit systems in the Companies audited in accordance with the directions

⁵ Haryana Power Generation Corporation Limited

⁶ Haryana State Industrial and Infrastructure Development Corporation Limited

⁷ Haryana Scheduled Castes Finance and Development Corporation Limited

⁸ Haryana Backward Classes and Economically Weaker Sections Kalyan Nigam Limited

⁹ Haryana State Warehousing Corporation

issued by the CAG to them under Section 619 (3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by statutory auditors on possible improvement in the internal audit/ internal control system in respect of Companies for the year 2012-13 are given in the table below:

Table 1.8

Sl. No.	Nature of comments made by Statutory Auditors	Number of Companies where recommendations were made	Reference to serial number of the Companies as per Appendix 2
1.	Non-fixation of minimum/maximum limits of store and spares	4	A1,A3,A11,A14
2.	Absence of internal audit system commensurate with the nature and size of business of the Company	5	A5,A11,A13,A14,A16
3.	Non maintenance of proper records showing full particulars including quantitative details, identity number, date of acquisition, depreciated value of fixed assets and their locations	5	A5,A6,A10,A16,C1
4.	Lack of internal control over purchase of material	1	A14
5.	Inadequate/ non existence of Internal Audit System	6	A5,A6,A11,A13,A14,A16
6.	Non use of Computer System (EDP)	7	A1,A5,A6,A10,A13,A14,A17

1.10 Recoveries at the instance of audit

During the course of audit in 2012-13, recoveries of ₹ three lakh were pointed out to the management of Uttar Haryana Bijli Vitran Nigam Limited, which was admitted by PSUs and recovered during the year 2012-13.

1.11 Status of placement of Separate Audit Reports

The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory Corporations in the Legislature by the Government during 2012-13.

Table 1.9

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government by Corporation
1.	Haryana Financial Corporation	2010-11	2011-12	13-03-2013
2.	Haryana State Warehousing Corporation	2009-10	2010-11	Under Printing
			2011-12	Under Printing
			2012-13	Under Printing

1.12 Disinvestment, Privatisation and Restructuring of PSUs

The State Government did not undertake any disinvestment, privatisation and restructuring of any of its PSUs during 2012-13.

1.13 Response of the departments to Audit Report material

For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2013, two performance audit involving ₹ 102.75 crore and 10 audit paragraphs involving ₹ 23.70 crore were issued to the Additional Chief Secretaries/ Principal Secretaries of the respective Departments with request to furnish replies within six weeks. However, reply in respect of one performance audit and 10 transaction audit paragraphs involving a money value of ₹ 91.12 crore was awaited from the State Government (December 2014).

1.14 Follow up action on Audit Reports

1.14.1 Replies outstanding

The Report of the Comptroller and Auditor General (CAG) of India represents the culmination of the process of audit 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 Finance Department, Government of Haryana issued (July 1996) instructions to all Administrative Departments to submit replies to paragraphs/ performance audits included in the Audit Reports of the CAG of India within a period of three months of their presentation to the Legislature, in the prescribed format without waiting for any questionnaires from the PAC/COPU.

Though the Audit Reports for the years 2010-11 and 2011-12 were presented to the State Legislature in February 2012 and March 2013 respectively, three departments, which were commented upon, did not submit replies to five out of 22 paragraphs as on 30 September 2014, as indicated in Table 1.10:

Table 1.10

Year of the Audit Report (Commercial)	Number of reviews/ paragraphs appeared in the Audit Report		Number of reviews/ paragraphs for which replies were not received	
	Reviews	Paragraphs	Reviews	Paragraphs
2010-11	2	9	-	1
2011-12	2	13	-	4
Total	4	22	-	5

The replies awaited were mainly from Power department.

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

Replies to 16 paragraphs pertaining to five Reports of the COPU presented to the State Legislature between February 2009 and March 2014 had not been received (September 2014) as indicated below:

Table 1.11

Year of the COPU Report	Total number of Reports involved	No. of paras in COPU Report	No. of paragraphs where replies not received
2008-09	1	14	1 (Para No. 14)
2010-11	1	10	1 (Para No. 8)
2011-12	1	8	2 (Para No. 3 and 5)
2012-13	1	16	3 (Para No. 4,5 and 7)
2013-14	1	10	9 (Para No. 1 to 8 and 10)
Total	5	58	16

These reports of COPU contained recommendations in respect of paragraphs pertaining to five¹⁰ departments, which appeared in the Reports of the CAG of India for the years 1999-2000 to 2009-10.

1.14.3 Outstanding recommendations of COPU

Twenty six Reports of the Committee containing 173 recommendations pertaining to Audit Reports from 1976-77 to 2010-11 have not been implemented as on 30 September 2014. Due to non implementation of these recommendations by the Departments, the improvements sought by COPU could not be achieved.

¹⁰ Forest, Industries, Power, PWD (B&R) and Tourism.

1.14.4 Response to Inspection Reports, Draft Paragraphs and Performance Audits

Our observations noticed during audit and not settled on the spot are communicated to the respective heads of the PSUs and concerned departments of the State Government through Inspection Reports (IRs). The heads of PSUs are required to furnish replies to the IRs through respective heads of departments within a period of four weeks. Review of IRs issued up to March 2014 revealed that 1,188 paragraphs relating to 306 IRs pertaining to 12 departments remained outstanding as on 30 September 2014.

It is recommended that the Government may ensure: (a) sending of replies to inspection reports/ draft paragraphs/ performance audits and ATNs on the recommendations of COPU as per the prescribed time schedule; (b) recovery of loss/ outstanding advances/ overpayments within the prescribed period; and (c) revamping of the system of responding to audit observations.

1.15 Coverage of this Report

This Report contains 10 paragraphs and two performance audits on 'Rajiv Gandhi Grameen Vidyutikaran Yojana' and 'Haryana State Warehousing Corporation' involving a financial effect of ₹ 126.45 crore.