

PREFACE

This report deals with the results of audit of Government companies and Statutory corporations for the year ended 31 March 2015.

The accounts of Government companies (including companies deemed to be government companies as per the provisions of the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act 1956 and Sections 139 and 143 of the Companies Act 2013. The accounts certified by the statutory Auditors (Chartered Accountants) appointed by the Comptroller and Auditor General under the Companies Act 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 CAG for laying before 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 during the year 2014-15 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 2014-15 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 15 paragraphs and two performance audits on 'Functioning of Deenbandhu Chhotu Ram Thermal Power Plant, Yamunanagar and Rajiv Gandhi Thermal Power Plant, Khedar, Hisar' and 'Custom Milled Rice' involving a financial effect of ₹4,739.28 crore relating to avoidable expenditure, non compliance of rules, directives and procedures; 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 25 working PSUs (23 companies and two Statutory corporations) and 5 non-working companies which employed 31,248 employees. As on 31 March 2015, the investment (capital and long-term loans) in 30 PSUs was ₹40,984.19 crore. Out of the total investment in State PSUs, 99.42 *per cent* was in working PSUs and the remaining 0.58 *per cent* in non-working PSUs. The total investment consisted of 21.27 *per cent* towards capital and 78.73 *per cent* in long-term loans. Power sector accounted for over 91.95 *per cent* of the total investment. The State Government contributed ₹5,579.23 crore towards equity, loans and grants/ subsidies in 13 PSUs during 2014-15.

(Paragraphs 1.6, 1.7 and 1.8)

Performance of Public Sector Undertakings

The overall losses for the 25 working PSUs as per their latest accounts received stood at ₹2,632.04 crore. Of the 25 working PSUs, 16 PSUs reported profit of ₹981.67 crore and seven PSUs reported losses of ₹3,613.71 crore. For two new PSUs, the first accounts were not due by 31 March 2015. 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 16 PSUs earning an aggregate profit of ₹981.67 crore, only three PSUs declared dividend of ₹6.25 crore and 13 PSUs did not declare any dividend.

(Paragraphs 1.16 and 1.18)

Arrears in finalisation of accounts

19 working PSUs had arrears of 36 accounts as of September 2015. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not and thus Government's investment in such PSUs remained outside the control of State Legislature.

(Paragraphs 1.10 and 1.11)

2 Performance audit of Government Companies and Statutory Corporation

Performance audit of 'Functioning of Deenbandhu Chhotu Ram Thermal Power Plant (DCRTPP), Yamunanagar and Rajiv Gandhi Thermal Power Plant (RGTPP), Khedar, Hisar' of Haryana Power Generation Corporation Limited and 'Custom Milling of Rice' in Haryana State Warehousing Corporation and Haryana Agro Industries Corporation Limited was conducted. The important audit findings are as under:

Functioning of Deenbandhu Chhotu Ram Thermal Power Plant, Yamunanagar and Rajiv Gandhi Thermal Power Plant, Khedar, Hisar

The operational performance of the DCRTPP and RGTPP was deficient with respect to norms fixed by Haryana Electricity Regulatory Commission (HERC). There was non recovery of fixed cost of ₹1,508.64 crore due to non-achievement of plant load factor and excess auxiliary power & secondary fuel oil consumption of ₹186.02 crore during 2010-15.

(Paragraphs 2.1.7.1, 2.1.7.2 and 2.1. 7.3)

The Company gave undue benefit of ₹229.32 crore to the contractor by not recovering cost of incomplete jobs and release of undue payment.

(Paragraph 2.1.8.1)

DCRTPP experienced 134 outages of 26824:46 hours resulting in generation loss of 6840.12 MUs during 2010-15 and premature overhauling resulting in avoidable expenditure of ₹11.05 crore.

(Paragraph 2.1.8.2)

The Engineering, Procurement and Construction (EPC) contractor at RGTPP was unduly favoured as the units were provisionally taken over before completion of the outstanding works.

(Paragraph 2.1.8.4)

The Company incurred extra expenditure of ₹567.13 crore on purchase of coal due to variation in Gross Calorific Value (GCV) at loading and unloading points.

(Paragraph 2.1.9.1)

The Company incurred avoidable expenditure of ₹48.49 crore on account of grade slippage, stone claims, under loading claims and penalty on short lifting.

(Paragraphs 2.1.9.2, 2.1.9.3, 2.1.9.4 and 2.1.9.8)

'Custom Milling of Rice' in Haryana State Warehousing Corporation (HSWC) and Haryana Agro Industries Corporation Limited (HAIC)

HAIC did not allot paddy to the millers as per norms in 75 and 47 per cent cases during 2013-14 and 2014-15 respectively. Similarly, HSWC also did not allot paddy as per norms in 29 and 14 per cent cases during 2013-14 and 2014-15 respectively.

(Paragraph 2.2.6)

During Kharif Marketing Season (KMS) 2012-13, 2013-14 and 2014-15, 19 millers, to whom 8.45 lakh quintal of paddy was allotted, did not deliver 1.64 lakh quintal of rice and ₹52.06 crore was recoverable from them as on 30 September 2015.

(Paragraph 2.2.7.1)

FCI did not reimburse the claims made of ₹8.24 crore for the period 2010-13 as the Procurement Agencies (PAs) could not submit the necessary certificate for the expenditure incurred on Custody and Maintenance charges.

(Paragraph 2.2.8.1)

The PAs suffered an interest loss of ₹0.93 crore due to delay in milling of paddy and ₹0.63 crore due to delay in submission of certificate to FCI stating the driage had actually been paid by PAs to millers.

(Paragraphs 2.2.7.3 and 2.2.8.7)

Internal control structure in PAs was inadequate and not commensurate with the size of their operations. The PAs did not have an accounts manual specifying duties/ responsibilities at each level of management. HAIC in violation of State Government instructions did not conduct mandatory physical verification of stocks of paddy and rice kept in joint custody with the millers.

(Paragraph 2.2.10.1)

3 Transaction audit observations

Transaction audit observations included in the Report highlight deficiencies in the management of State Government Companies and Statutory Corporation, which had serious financial implications. Important findings are as under:

Haryana Power Generation Corporation Limited

- The Company paid ₹4.71 crore towards railway freight, custom duty, stamp duty and port charges on 21,631.43 MT of imported coal, which was not received.

(Paragraph 3.2)

- The Company paid excess customs duty of ₹2.10 crore to a firm on imported coal which was below guaranteed specifications.

(Paragraph 3.3)

Uttar Haryana Bijli Vitran Nigam Limited

The Company was deprived of revenue of ₹2.70 crore due to supplying power under categories not conforming to tariff orders.

(Paragraph 3.5)

Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited

- **Haryana Power Purchase Centre** paid an extra ₹75.39 crore due to diminution in Gross Calorific Value (GCV) of imported coal at the time of consumption compared to the GCV at the time of unloading.

(Paragraph 3.6)

- DISCOMs suffered loss of ₹33.51 crore due to irregular termination of contract and overpayment to contractors.

(Paragraph 3.7)

Haryana State Industrial and Infrastructure Development Corporation Limited

- The Company granted undue favour of ₹1.89 crore to an allottee by not charging interest on extension fee.

(Paragraph 3.9)

- Provision of rejection of price quote which resulted in skewed bidding process led to extra expenditure of ₹1.27 crore.

(Paragraph 3.10)

Haryana Agro Industries Corporation Limited

The Company suffered loss of ₹7.89 crore due to unscientific and improper preservation of wheat stock.

(Paragraph 3.12)

Haryana State Roads and Bridges Development Corporation Limited

In violation of the provisions of Haryana Mechanical Vehicles (Levy of Tolls) Act, 1996, the Company continued to impose and collected toll of ₹29.31 crore on five State Highways which were declared as National Highways.

(Paragraph 3.13)

Haryana Tourism Corporation Limited

The Company started suffering operational losses in its core activities from the year 2012-13 and it suffered loss of ₹5.44 crore in 2014-15 due to high food and fuel cost, high manpower cost, lack of innovative marketing strategies and low quality of services at its complexes.

(Paragraph 3.14)