

OVERVIEW

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This Report contains six Chapters viz., Financial Performance of State Public Sector Enterprises (Power Sector); Financial Performance of State Public Sector Enterprises (Other than Power Sector); Oversight Role of CAG; Corporate Governance; Corporate Social Responsibility; and Impact of implementation of Indian Accounting Standards (Under Phase-I and Phase-II) in State Public Sector Enterprises.

Introduction

State Public Sector Enterprises (SPSEs) 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 2020, there were 29 SPSEs under the audit jurisdiction of the CAG. There were four Power Sector SPSEs and 25 SPSEs of Other than Power Sector. Three out of four Power Sector SPSEs were Government Companies and one was Government Controlled other Company. Out of 25 SPSEs (Other than Power Sector), there are 19 Government Companies, two Statutory Corporations and four Government Controlled other Companies. Two Companies out of 19 Government Companies and one Company out of four Government Controlled other Companies are inactive.

I Financial Performance of State Public Sector Enterprises (Power Sector)

As on 31 March 2020, there were four Power Sector State Public Sector Enterprises in the State. These SPSEs include two in Generation (HPPCL and BVPCL), one in both Generation and Distribution (HPSEBL) and remaining one in Transmission (HPPTCL). BVPCL is a subsidiary Company of HPSEBL.

(Paragraph 1.1)

As on 31 March 2020, the total investment (equity and long-term loans) in four power sector SPSEs was ₹14,212.31 crore and registered an increase of ₹1,313.09 crore over that of 31 March 2019.

(Paragraph 1.3)

II Financial Performance of State Public Sector Enterprises (Other than Power Sector)

As on 31 March 2020, the total investment (equity and long-term loans) in all SPSEs (Other than Power Sector) was ₹1,616.89 crore and registered an increase of ₹140.71 crore over that of 31 March 2019.

The long-term loans advanced by the State Government constituted 50.47 *per cent* (₹220.33 crore) of the total long-term loans and registered an increase of ₹11.11 crore over that of 31 March 2019.

(Paragraph 2.2)

Dividend Payout by SPSEs

Out of the profit making SPSEs, only seven were eligible to declare dividend. However, only three SPSEs declared/paid dividend of ₹2.25 crore and remaining four profit making SPSEs did not pay/provide dividend of ₹1.34 crore.

(Paragraph 2.3.1)

Erosion of Net worth of SPSEs

The capital investment and accumulated losses of 25 SPSEs as per their latest accounts finalised as of 31 December 2020 were ₹1,090.67 crore and ₹1,726.85 crore respectively, resulting in negative net worth of ₹636.18 crore.

(Paragraph 2.4.1)

Turnover, Assets and Capital Employed

There was slight increase in turnover from 2017-18 to 2019-20. Total assets increased from ₹3,342.62 crore (2017-18) to ₹3,629.19 crore (2019-20) while capital employed is decreasing year after year due to the SPSEs incurring losses during last three years.

(Paragraph 2.5.1)

III Oversight Role of CAG

Timeliness in preparation of accounts by Government Companies and Government Controlled Other Companies

As of 31 March 2020, there were 29 SPSEs under the purview of CAG's audit. Of these, accounts for the year 2019-20 were due from all Government Companies and Government Controlled Other Companies except one Government Controlled other Company (Himachal Worsted Mills Limited), which was under liquidation since 2000-01.

Fourteen accounts of 10 Government Companies (Two accounts of Himachal Pradesh Kaushal Vikas Nigam) and three Government Controlled Other Companies were finalized from October 2019 to December 2020. There were 62 accounts pending for finalisation in respect of 28 SPSEs (including statutory corporations) as on 31 December 2020.

(Paragraphs 3.3.2 and 3.3.3)

Result of Supplementary Audit

As a result of Supplementary Audit of 13 Companies, value addition made by Supplementary Audit in financial statements of these SPSEs was in the form of changes in profit/loss of ₹125.52 crore and changes in assets/liabilities of ₹544.38 crore for the relevant years of accounts.

(Paragraphs 3.5.1 (i) and 3.5.2)

IV Corporate Governance

Independent Directors

Out of 26 SPSEs, eight SPSEs were required to appoint independent directors. However, only three SPSEs have appointed the required number of directors during 2015-20 and remaining five SPSEs did not appoint any independent director.

(Paragraph 4.2.1)

Applicability of Audit Committee

Out of 26 SPSEs, nine SPSEs were eligible to constitute an Audit Committee. However, only six SPSEs constituted Audit Committee.

(Paragraph 4.5.1)

V Corporate Social Responsibility (CSR)

Constitution of CSR Committee and Framing of CSR Policy

All the five SPSEs eligible to constitute CSR committee, constituted CSR committees between June 2014 and July 2018.

Four SPSEs had framed the CSR Policy based on the recommendation of the CSR Committee and approval of Board of Directors. However, one SPSE (HPSEBL) did not frame any CSR Policy so far (August 2021).

(Paragraphs 5.5.1.1 and 5.5.1.3)

Allocation and utilisation of funds

No SPSE has allocated funds separately for CSR activities during the period 2014-20. Against the prescribed norm of two *per cent* of average net profit of preceding three years, an amount of ₹262.19 lakh was required to be spent by these SPSEs, however, the SPSEs incurred expenditure of ₹221.12 lakh during 2014-20.

- Himachal Pradesh General Industries Corporation Limited did not spend ₹69.37 lakh as required by CSR policy during 2014-19.
- Against the requirement of ₹94.71 lakh, Himachal Pradesh State Industrial Development Corporation Limited spent only ₹1.50 lakh during 2014-19.

(Paragraph 5.5.2.1)

VI Impact of Implementation of Indian Accounting Standards (Under Phase I & II) in State Public Sector Enterprises

Impact of implementation of Ind AS on selected key areas

Impact on Profit after Tax (PAT)

There was increase in profit of Himachal Pradesh Power Corporation Limited (₹0.54 crore) and increase in loss of Himachal Pradesh State Electricity Board Limited (₹67.23 crore) after adjustment under Ind AS.

(Paragraph 6.5.1)

Impact of adoption of Ind AS on booking of Revenue

Out of four SPSEs subject to review in audit, two SPSEs carried out adjustment on revenues consequent to adoption of Ind AS viz., Himachal Pradesh State Electricity Board Limited (HPSEBL) and Himachal Pradesh Power Corporation Limited (HPPCL). Increase in revenue of Himachal Pradesh State Electricity Board Limited (₹16.80 crore) was due to including exceptional and extraordinary items under Revenue head. Increase in revenue of Himachal Pradesh Power Corporation Limited (₹69.76 lakh) was due to adjustment of Income from Capital Work in Progress, which was taken to revenue. Decrease in revenue (₹149.98 crore) in respect of Himachal Pradesh State Electricity Board Limited was due to reversal of Other Income.

(Paragraph 6.5.2)

Impact of adoption of Ind AS on total value of assets

Net impact of decrease in value of total assets of ₹25.20 crore and ₹0.72 crore was in Himachal Pradesh State Electricity Board Limited and Beas Valley Power Corporation Limited respectively. Net impact of increase in total value of assets of ₹0.54 crore in Himachal Pradesh Power Corporation Limited was noticed.

(Paragraph 6.5.3)

Impact of adoption of Ind AS on net worth

Beas Valley Power Corporation Limited reported decrease (-) ₹0.72 crore in net worth. Increase in net worth of HPPCL (₹0.54 crore) was due to decrease in accumulated loss under Ind AS.

(Paragraph 6.5.4)