

OVERVIEW

Overview

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 - Compliance Audit observations relating to Departments and Entities (Other than PSUs)

The total financial impact of the audit findings included in the Report is ₹ 322.97 crore.

Chapter-I: Introduction

This report covers audit of 16 Departments of Government of Uttar Pradesh alongwith 53 Public Sector Undertakings (PSUs) and 19 other Entities (Autonomous Bodies/Authorities, *etc.*) thereunder, which comes under audit jurisdiction of the Accountant General (Audit-II), Uttar Pradesh. During the year 2021-22, compliance audit of 156 units out of total 2,040 auditable units under 16 Departments of Government of Uttar Pradesh was conducted. This Report contains 'Financial Performance of PSUs', 'Oversight Role of the CAG-Audit of Accounts of PSUs', Audit of 'Planning and Implementation of Transmission Projects by Uttar Pradesh Power Transmission Corporation Limited' and eight compliance audit paragraphs pertaining to four Departments¹ and PSUs/Authorities thereunder.

Recoveries at the instance of Audit

During the course of audit, recoveries of ₹ 11.57 crore pointed out in 35 cases of five Departments, out of which recoveries of ₹ 7.70 crore were accepted by three Departments. Recoveries of ₹ 7.71 crore in two cases were effected.

Chapter-II: Financial Performance of State Public Sector Undertakings

Functioning of State Public Sector Undertakings

As on 31 March 2022, Uttar Pradesh had 114 State PSUs (93 Government Companies, 15 Government controlled other Companies and six Statutory Corporations) including 42 Non-functional PSUs under the audit jurisdiction of the Comptroller and Auditor General of India. This Report covers financial performance of 37 PSUs whose accounts were not in arrears for three years or more and were functional/not under liquidation. These 37 functional PSUs

¹ Energy Department, Infrastructure and Industrial Development Department, Department of Tourism and Public Works Department.

registered an annual turnover of ₹ 76,189 crore as per their latest finalised accounts. This turnover was equal to 4.09 *per cent* of GSDP of Uttar Pradesh for the year 2021-22.

(Paragraphs 2.1.3 and 2.1.4)

Stake of Government of Uttar Pradesh and performance of PSUs

As on 31 March 2022, the total investment (equity and long-term loans) in 37 PSUs, whose financial performance is covered in this report, was ₹ 2,80,732.97 crore. The investment consisted of 58.51 *per cent* towards equity and 41.49 *per cent* in long-term loans. Out of this, GoUP has investment of ₹ 1,55,400.63 crore in these PSUs consisting of equity of ₹ 1,52,384.09 crore and long-term loans of ₹ 3,016.54 crore.

Out of 37 PSUs, 16 PSUs earned profit of ₹ 378.18 crore and 21 PSUs incurred loss of ₹ 15,856.93 crore as per their latest finalised accounts up to the year 2021-22. The major profit-making PSUs were Uttar Pradesh State Road Transport Corporation (₹ 142.70 crore) and Uttar Pradesh Awas Evam Vikas Parishad (₹ 105.16 crore). The major loss-making PSUs were Uttar Pradesh Power Corporation Limited (₹ 8,305.27 crore), Dakshinanchal Vidyut Vitran Nigam Limited (₹ 2,957.52 crore) and Madhyanchal Vidyut Vitran Nigam Limited (₹ 2,042.20 crore).

(Paragraphs 2.2, 2.3.1 and 2.6.1)

Recommendation

The State Government may review the performance of loss making PSUs and invest in them cautiously and take measures to improve their performance.

Reconciliation with Finance Accounts of Government of Uttar Pradesh

As on 31 March 2022, differences in equity, loans and guarantee existed in respect of 74 PSUs. These differences between the figures are persisting since last many years, though the issue of reconciliation of differences was also taken up by the audit with the concerned PSUs and the Departments from time to time.

(Paragraph 2.2.2.1)

Recommendation

The Finance Department of GoUP and the respective PSUs should reconcile the differences in figures of equity, loans and guarantees outstanding as per records of the PSUs and as per the Finance Accounts of GoUP in a time bound manner.

Interest Coverage Ratio

Out of 14 PSUs having liability of interest-bearing loans during 2021-22, 11 PSUs had negative (less than one) interest coverage ratio which indicates that these PSUs could not generate sufficient revenue even to meet their expenses on interest.

(Paragraph 2.4.1)

Erosion of Net Worth

Net worth of 10 PSUs had been completely eroded due to accumulated losses. The net worth of these PSUs was (-) ₹ 62,779.27 crore against equity investment of ₹ 1,37,041.97 crore in these PSUs.

(Paragraph 2.6.2)

Chapter-III: Oversight Role of Comptroller and Auditor General of India-Audit of Accounts of PSUs

Arrears of accounts

Out of 72 functional State PSUs, only 11 PSUs had submitted their annual accounts for the year 2021-22 and remaining 61 PSUs had arrears of 308 accounts. Out of 42 non-functional PSUs, 40 PSUs had arrears of 698 accounts². GoUP had provided ₹ 8,610.52 crore (Equity: ₹ 3,467.07 crore, Loan: ₹ 1,187.47 crore, Grants-in-aid: ₹ 3,542.47 crore and Subsidy: ₹ 413.51 crore) to 38 State PSUs during the period for which their accounts were in arrears.

(Paragraphs 3.3.2 and 3.3.2.3)

Recommendation

The respective Administrative Department of the PSUs should strictly monitor and issue necessary directions to liquidate the arrears in their accounts and take necessary steps to resolve the constraints in preparing the accounts of the PSUs.

Chapter-IV: Compliance Audit observations relating to Public Sector Undertakings

Audit of 'Planning and Implementation of Transmission Projects by Uttar Pradesh Power Transmission Corporation Limited'

Uttar Pradesh Power Transmission Corporation Limited (Company) was incorporated on 13 July 2006 and is entrusted with the business of transmission of electrical energy to various utilities with the help of its transmission lines and substations within geographical area of Uttar Pradesh.

The Company incurred total expenditure of ₹ 3,735 crore in 2018-19, ₹ 3,975 crore in 2019-20, ₹ 3,785 crore in 2020-21 and ₹ 2,729 crore in 2021-22 on construction of new transmission projects/augmentation of existing capacity and system strengthening. Important audit findings are as follows:

- The land was handed over to the contractors after two months to 38 months from the date of award in case of nine sub-station projects. Delay in handover of land further led to delay in completion of projects.

(Paragraph 4.1.9.1)

- In case of 12 test checked transmission line works, Company applied for NOCs to concerned authorities (National Highways Authority of India, Indian Railways, Power Grid Corporation of India Ltd. etc.) with a delay of one to nine months from the prescribed timeline as per SOP.

(Paragraph 4.1.9.2)

² Including 120 accounts of 11 PSUs under liquidation.

- The Company failed to perform reconciliation of material issued to the contractor and material utilised at the time of termination of contract and suffered loss of ₹ 9.50 crore on account of cost of unutilised conductor.

(Paragraph 4.1.11.4)

- The Company made payment to suppliers without deducting royalty amounting to ₹ 2.01 crore which should have been deducted and deposited to treasury by the Company. This resulted in loss to the exchequer to the same extent.

(Paragraph 4.1.11.6)

- Liquidated Damages amounting to ₹ 63.39 crore was short/not deducted by the Company from the bills of the contractors for delays attributable to them. Thus, undue favour was extended to contractors to the same extent.

(Paragraph 4.1.11.7)

- Due to not complying with the UPERC Regulations for prior approval of capital investment from UPERC, the Company was deprived of revenue amounting to ₹ 144.75 crore as true-up was done at lower side for the years 2018-19 and 2019-20.

(Paragraph 4.1.11.10)

Audit Paragraphs

Paschimanchal Vidyut Vitran Nigam Limited failed to levy Electricity Duty amounting to ₹ 3.94 crore in electricity bills of JP Sports International Limited after expiry of the exemption period resulting in non-recovery and deposit of the same in the State exchequer.

(Paragraph 4.2)

Madhyanchal Vidyut Vitran Nigam Limited had not levied protective load charges of ₹ 2.79 crore for 24 hours' roster free power supply to a consumer resulting in loss to the Company to that extent.

(Paragraph 4.3)

Chapter-V: Compliance Audit observations relating to Departments and Entities (Other than PSUs)

Public Works Department did not surrender the huge amount of unspent funds and advanced it to Oil Companies to avoid lapse of funds. Further, it was converted into Deposit Credit Limit (DCL) in subsequent years for utilisation in violation of extant rules/instructions.

(Paragraph 5.1)

Public Works Department incurred avoidable expenditure of ₹ 6.87 crore due to considering incorrect values of Vehicle Damage Factor and Traffic Growth which resulted in laying of thicker layer of Dense Bituminous Macadam and Bituminous Concrete in the crust of a road.

(Paragraph 5.2)

Constant failure in ensuring compliances to the provisions of Indian Stamp Act, 1899 and Registration Act, 1908 regarding Stamp Duty and Registration fees by **Uttar Pradesh Expressways Industrial Development Authority** resulted in loss of Stamp Duty along with interest and Registration Fees to the tune of ₹ 39.61 crore.

(Paragraph 5.3)

In violation of terms and conditions of scheme brochure for allotment of Industrial plots, **Greater Noida Industrial Development Authority** failed to recover location charge of ₹ 3.70 crore from the allottee.

(Paragraph 5.4)

The construction of tourist complex and multilevel parking was lying incomplete since last five years due to inaction by the **Department of Tourism** thereby rendering incurred expenditure of ₹ 24.26 crore wasteful.

(Paragraph 5.5)

Lackadaisical approach of the **Directorate of Tourism** in reduction of load despite their actual electricity consumption being much lower than the contracted load led to avoidable payment of electricity charges of ₹ 1.38 crore.

(Paragraph 5.6)