

OVERVIEW

1. Overview of Government companies and Statutory corporations

As on 31 March 2006, the State had 28 Public Sector Undertakings (PSUs) comprising 26 Government companies and two Statutory corporations as against 29 PSUs comprising 27 Government companies and two statutory corporations as on 31 March 2005.

(Paragraph 1.1)

The total investment in working PSUs increased from Rs. 9,706.70 crore as on 31 March 2005 to Rs. 10,700.55 crore as on 31 March 2006. The total investment in non-working PSUs decreased from Rs. 140.68 crore to Rs. 139.32 crore during the same period.

(Paragraphs 1.2 and 1.15)

The budgetary support from the State Government in the form of capital, loans and grants/subsidies disbursed to the working PSUs increased from Rs. 1,375.78 crore in 2004-05 to Rs. 1,669.66 crore in 2005-06. The State Government guaranteed loans aggregating Rs. 893.02 crore to five PSUs (all working) during 2005-06. The total amount of outstanding loans guaranteed by the State Government to various PSUs was Rs. 3,744.42 crore as on 31 March 2006.

(Paragraph 1.5)

Only nine working PSUs (seven Government companies and two Statutory corporations) finalised their accounts for the year 2005-06 by 30 September 2006. The accounts of 13 working Government companies were in arrears for periods ranging from one to seven years as on 30 September 2006. Similarly, accounts of four non-working companies were in arrears for one to four years as on 30 September 2006. Two non-working companies were under liquidation/winding up.

(Paragraphs 1.6 and 1.18)

According to the latest finalised accounts, 12 working PSUs (10 Government companies and two Statutory corporations) earned aggregate profit of Rs. 69.06 crore. Against this, seven working PSUs (all Government companies) incurred aggregate loss of Rs. 454.31 crore. Of the loss incurring working Government companies, two companies had accumulated losses aggregating Rs. 5,588.64 crore, which was more than 10 times of their aggregate paid-up capital of Rs. 526.80 crore.

(Paragraphs 1.7 and 1.9)

Even after 11 to 41 years of their existence, the individual turnover of six Government companies (four working and two non-working) had been less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Further, two non-working Government companies had been incurring losses for five consecutive years as per their latest finalised

accounts, leading to negative net worth. The Government may either improve the performance of these eight Government companies or consider their closure.

(Paragraph 1.36)

2. Performance review relating to Government Company

Performance review relating to 'Construction and performance of Stage V (Units VII & VIII) of Panipat Thermal Power Station' of **Haryana Power Generation Corporation Limited** was conducted and some of the main findings are as follows:

Panipat Thermal Power Station of Haryana Power Generation Corporation Limited (Company) had an installed capacity of 860 MW from six generating Units. The Company installed two more units of 250 MW, each which were commissioned in December 2004 and April 2005. Performance of the Company with regard to construction of the two units was found to be deficient due to lack of competitive bidding, incorrect evaluation of alternative offer of BHEL, excess time allowed for construction and irregular payment of service tax resulting in cost over run.

Due to design deficiency in coal handling plant there was under utilisation of its capacity.

There was excess consumption of coal and oil, which had a bearing on generation cost. Forced shut down of the Units resulted in substantial loss of generation.

(Chapter 2)

3 Performance review relating to Statutory Corporation

Performance review relating to Procurement of foodgrains for the Central Pool and warehousing activities of **Haryana Warehousing Corporation** was conducted and some of the main findings are as follows:

The performance of the Corporation with regard to warehousing activities was deficient due to low capacity utilisation, non-construction of additional storage capacity at suitable sites under the seven year guarantee scheme of Food Corporation of India and non-revision of storage rates of State procuring agencies at par with those of Food Corporation of India.

Procurement activity for the Central Pool also suffered from substandard procurement, lack of proper care of warehoused foodgrains during storage and inadequate drainage/protection from the vagaries of climate.

The internal audit and internal control system devised and put in place were inadequate with regard to the size and nature of the business of the Corporation.

(Chapter 3)

4. Transaction audit observations

Transaction audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

Non recovery of dues amounting to Rs. 12.09 crore in six cases due to violation of laid down terms and conditions/laid down procedures.

(Paragraphs 4.1, 4.2, 4.16 to 4.19)

Loss of revenue of Rs. 6.39 crore in five cases due to non deletion of tamper data coupled with improper overhauling of consumers' account, non enforcement of provisions of the Electricity Act 2003, non-imposition of penalty for theft of electricity and incorrect charging of tariff rate.

(Paragraphs 4.5, 4.7, 4.8, 4.11 and 4.13)

Avoidable extra expenditure of Rs. 18.14 crore in five cases due to non placing of order for the required quantity on the next lowest firm, non enforcement of quantity increase clause and non insertion of put/call option clause in the bonds issued.

(Paragraphs 4.6, 4.9, 4.10, 4.12 and 4.15)

Nugatory expenditure of Rs 53.31 lakh due to non-compliance with statutory requirements.

(Paragraph 4.14)

Loss of rupees two crore in two cases due to delayed delivery of wheat coupled with improper storage of wheat stock and irregular/hasty termination of agreement.

(Paragraphs 4.3 and 4.4)

Gist of some of the important audit observations is given below:

Relaxation of conditions of personal guarantee/collateral security against first and additional loan and not taking over timely possession of a unit by **Haryana State Industrial and Infrastructure Development Corporation Limited** had put the recovery of Rs. 2.41 crore at risk.

(Paragraph 4.1)

Haryana Roads and Bridges Development Corporation Limited suffered a loss of Rs. 1.17 crore due to defective agreement and hasty decision to forfeit security without terminating the agreement

(Paragraph 4.3)

Non-enforcement of provisions of the Electricity Act, 2003 in levy of penalty by **Dakshin Haryana Bijli Vitran Nigam Limited** for theft of electricity resulted in revenue loss of Rs. 84.87 lakh.

(Paragraph 4.8)

Haryana Vidyut Prasaran Nigam Limited did not insert put/call option clause in bonds issued which would result in avoidable loss of Rs 16.41 crore by way of excess payment of interest on redemption of the bonds on their maturity.

(Paragraph 4.15)

Not ensuring availability of working capital with the loanee while sanctioning loan, acceptance of corporate guarantee in lieu of collateral security and release of loan despite doubtful antecedents of the corporate guarantor being known to **Haryana Financial Corporation** had rendered the recovery of Rs. 3.44 crore as improbable.

(Paragraph 4.17)