

OVERVIEW

1. Overview of Government companies and Statutory corporations

As on 31 March 2007, the State had 28 Public Sector Undertakings (PSUs) comprising 26 Government companies and two Statutory corporations as against the same number of companies and corporations as on 31 March 2006.

(Paragraph 1.1)

The total investment in working PSUs increased from Rs. 10,700.55 crore as on 31 March 2006 to Rs. 12,172.08 crore as on 31 March 2007. The total investment in non-working PSUs was Rs. 139.32 crore as on 31 March 2006 as well as on 31 March 2007.

(Paragraphs 1.2 and 1.14)

The budgetary support from the State Government in the form of capital, loans and grants/subsidies disbursed to the working PSUs increased from Rs. 1,672.66 crore in 2005-06 to Rs. 2,602.43 crore in 2006-07. The State Government guaranteed loans aggregating Rs. 342.04 crore to six PSUs (all working) during 2006-07. The total amount of outstanding loans guaranteed by the State Government to various PSUs was Rs. 3,396.66 crore as on 31 March 2007.

(Paragraph 1.5)

Only six working PSUs (five Government companies and one Statutory corporation) finalised their accounts for the year 2006-07 by 30 September 2007. The accounts of 14 working Government companies and one Statutory corporation were in arrears for periods ranging from one to six years as on 30 September 2007. Only one non-working company finalised its accounts for the year 2006-07. Accounts of four non-working companies were in arrears for one to four years as on 30 September 2007. Two non-working companies were under liquidation/winding up.

(Paragraphs 1.6 and 1.17)

According to the latest finalised accounts, 13 working PSUs (11 Government companies and two Statutory corporations) earned aggregate profit of Rs. 104.65 crore. Against this, seven working PSUs (all Government companies) incurred aggregate loss of Rs. 365.60 crore. Of the loss incurring working Government companies, two companies had accumulated losses of Rs. 768.43 crore against their aggregate paid-up capital of Rs. 708.33 crore.

(Paragraphs 1.7 and 1.9)

Even after 12 to 42 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 1.30)

2. Performance reviews relating to Government Companies

Performance reviews relating to ‘Setting up of Industrial Estates’ by **Haryana State Industrial and Infrastructure Development Corporation Limited**, ‘Disbursement, utilisation and recovery of financial assistance’ by **Haryana Backward Classes and Economically Weaker Sections Kalyan Nigam Limited**, ‘Tariff, Billing and Collection of Revenue’ by **Dakshin Haryana Bijli Vitran Nigam Limited** and ‘Implementation of Accelerated Power Development and Reforms Programme’ by **Uttar Haryana Bijli Vitran Nigam Limited** and **Dakshin Haryana Bijli Vitran Nigam Limited** were conducted and some of the main findings are as follows:

Setting up of Industrial Estates by Haryana State Industrial and Infrastructure Development Corporation Limited

The performance of the Haryana State Industrial and Infrastructure Development Corporation Limited with regard to setting up of industrial estates was deficient as the Company had not fixed any physical targets for development of industrial estates in a fixed time frame. The rates for allotment of industrial plots were fixed on the estimated cost basis without recourse to actual cost. While making payment of compensation for acquisition of land, the Company had not complied with the provisions of Land Acquisition Act, 1894 with regard to payment of interest. The system for selection/identification of land for acquisition was flawed, which had resulted in blocking up of huge funds. Bulk of the area developed/being developed fell within National Capital Region thereby ignoring other regions thus hampering balanced industrial development of the State. The Company had not maintained year wise break-up of overdue amount recoverable from allottees and had not maintained accounts on accrual basis.

(Chapter 2.1)

Disbursement, utilisation and recovery of financial assistance by Haryana Backward Classes and Economically Weaker Sections Kalyan Nigam Limited

The performance of the Haryana Backward Classes and Economically Weaker Sections Kalyan Nigam Limited as a channelising agency of backward classes, minorities and handicapped persons with regard to their socio economic upliftment was found to be dismal as it could cover only a small fraction of the targeted population. In the absence of monitoring cell benefits reaching the deprived among the targeted group is not ensured. The loans disbursed were inadequate and given for limited sectors. The system of selection of handicapped persons was defective as a large number of beneficiaries refused

to avail the loans at final stage. The recovery performance was not satisfactory. The Company had not evolved any system to take legal action against defaulters. The Company was not regular in repayment of loans to National Financial Corporations resulting in payment of penal interest. The internal audit and internal control system of the Company was deficient. The records maintained at field offices were incomplete. Post disbursement inspections were not done to monitor the ultimate impact on the beneficiaries. Thus, the Company failed to achieve its objects of uplifting the financial position of the targeted population.

(Chapter 2.2)

Tariff, Billing and Collection of Revenue by Dakshin Haryana Bijli Vitran Nigam Limited

The performance of the Dakshin Haryana Bijli Vitran Nigam Limited with regard to tariff, billing and collection of revenue was found to be deficient as the Company sustained huge losses due to its failure to contain sub-transmission and distribution losses to the prescribed norms of Central Electricity Authority, lack of submission of proposal to Haryana Electricity Regulatory Commission for increase in tariff to cover up the revenue gap, unmetered supply, defective meters, deficient energy audit, non recovery of revised consumption security and incorrect billing. Laxity in prompt recovery of its dues resulted in heavy accumulation of outstandings. Delay in transfer of funds from collecting branches of the banks caused delay in inflow of funds and loss of interest to the Company.

(Chapter 2.3)

Implementation of Accelerated Power Development and Reforms Programme by Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited

Execution of Accelerated Power Development and Reforms Programme by the Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited was slow and none of the projects was completed even after a lapse of more than two years after the projected dates. The implementation of the Accelerated Power Development and Reforms Programme was marred with deficient detailed project reports, diversion of funds, non synchronisation of related works and non-implementation of Information Technology related works. Due to non-completion of the projects, the Utilities could not avail full grant available under Accelerated Power Development and Reforms Programme. The circle offices were not declared as profit centres for proper accountability. As a result, objectives of the scheme to bring down Aggregate Technical and Commercial losses, increase in consumer satisfaction by providing reliable and quality power could not be achieved and Utilities could not get incentive available under the programme for cash loss reduction.

(Chapter 2.4)

3. 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:

Loss of revenue of Rs. 4.64 crore due to rejection of valid offer.

(Paragraph 3.2)

Avoidable extra expenditure of Rs. 14.98 crore in nine cases due to non opting for reduced rate of interest, non enforcement of quantity increase in purchase of transformers, delayed finalisation of tenders and resultant purchase at higher rate, non processing of tender within validity period, delayed completion of building and delay in raising the interest bills.

(Paragraphs 3.3, 3.5, 3.8, 3.10 to 3.13, 3.17 and 3.19)

Irregular expenditure of Rs 4.09 crore due to inadmissible re-imburement of conveyance allowance in violation of State Government instructions.

(Paragraphs 3.4 and 3.18)

Loss of Rs. 18.13 crore due to violation of contractual obligations and undue favour to contractors.

(Paragraphs 3.1, 3.6, 3.7, 3.8, 3.9, 3.14 to 3.16)

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

Haryana Agro Industries Corporation Limited suffered a loss of Rs. 1.17 crore due to non recovery of transportation charges from the millers.

(Paragraph 3.1)

Uttar Haryana Bijli Vitran Nigam Limited suffered a loss of interest of Rs. 5.45 crore due to short recovery of security of Rs. 80.25 lakh from the new consumers and non recovery of security of Rs. 220.06 crore from the existing consumers.

(Paragraph 3.6)

Dakshin Haryana Bijli Vitran Nigam Limited incurred extra expenditure of Rs. 5.95 crore on the purchase of transformers due to delayed finalisation of tender and resultant purchase from Punjab State Electricity Board at higher rates.

(Paragraph 3.10)

Failure of the **Haryana Financial Corporation** to obtain 100 per cent collateral security on the pattern of banks coupled with acceptance of collateral security at highly inflated value and not taking over physical possession of the unit had put the recovery of Rs. 8.79 crore at stake.

(Paragraph 3.16)