

CHAPTER IV

4 TRANSACTION AUDIT OBSERVATIONS

Important audit findings noticed as a result of test check of transactions made by the State Government companies/corporations are included in this Chapter.

Government companies

Himachal Pradesh State Civil Supplies Corporation Limited

4.1 Undue recovery of freight

Double recovery of freight of Rs. 21.61 lakh from both the Food Corporation of India and the State Government.

The Company transports food grains to declared Principal Distribution Centres (PDCs) from the nearest depot of the Food Corporation of India (FCI) under the Targeted Public Distribution System (TPDS). The FCI reimburses the actual freight on this account as freight subsidy to the Company.

For distribution of food grains to Above Poverty Line (APL) and Antyodaya Anna Yojna (AAY) beneficiaries under these PDCs, the FCI issued release orders to the Company for lifting of food grains from Nagrota Bagwan, the nearest depot between February 2003 and July 2005. The freight of Rs. 21.61 lakh paid by the Company for carrying food grains from Nagrota Bagwan to Baijnath and Jaisinghpur during the above period was reimbursed by the FCI as freight subsidy. The Company, however, also recovered this element of freight from the APL beneficiaries (Rs. 9.01 lakh) by including it in the issue price of food grains and the State Government (Rs. 12.60 lakh) as subsidy for distribution of food grains to AAY beneficiaries. This resulted in double recovery of freight of Rs. 21.61 lakh at the cost of beneficiaries and the State Government.

The Management admitted (August 2006) the double recovery as pointed out by Audit.

The matter was reported to the Government (April/July 2006); their reply is awaited (August 2006).

4.2 Loss due to avoidable payment of interest

Failure to follow the laid down system for submission of monthly levy sugar subsidy claims resulted in delay in submission of claims and consequent loss of interest of Rs. 24.16 lakh due to delayed reimbursement.

The Company is working as wholesale sugar nominee for distribution of levy sugar to the beneficiaries at concessional rate on behalf of the Government of India. The sugar is procured from the sugar mills against cash payment. As issue rate of levy sugar to the beneficiaries is lower than the procurement cost, the Company is required to prepare and submit a consolidated subsidy claims for reimbursement to the Food Corporation of India (FCI) through the Department of Food and Supplies. As per the procedure laid down in September 1994, Area officers are required to submit the subsidy claim bills to Headquarters office by the 15th of the following month and the Headquarters office is required to submit it to the Department of Food and Supplies by the 25th of the following month.

The Company failed to follow the laid down procedure even after this was pointed out by Audit in May 1998. The delay in submission of claims by the Company during January 2003 to January 2006 ranged from 10 to 96 days. Consequently, the reimbursement of claims ranging from Rs. 37.11 lakh to Rs. 69.99 lakh by FCI was also delayed. As a result, the Company had to bear interest burden of Rs. 24.16 lakh (computed with reference to the borrowing cost to the Company) on delayed reimbursement.

The Government stated (June 2006) that delay occurred due to non-receipt of required information from the sub-wholesalers in the area offices and collection of purchase bills and consolidation of information at the Head Office. The reply is not acceptable as the Company is required to maintain the time schedule for submission of bills for early settlement.

Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited

4.3 Avoidable extra expenditure

Delay in the purchase of uninterrupted power supply device resulted in avoidable extra expenditure of Rs. 11.40 lakh.

The Company purchased and commissioned (March 2005) a TBA-9 tetra pack machine for its Fruit Processing Plant, Parwanoo to meet the increased demand of fruit juice in tetra pack. The supplier recommended (July 2004) clean power with constant voltage and frequency to save vital electronic components of the machine, which could be ensured only through an

uninterrupted power supply (UPS) device or a diesel generating (DG) set. The operation of the machine on a DG set was considered very costly as compared to its operation through UPS (estimated cost Rs. 13 lakh) on electric supply. Thus, for economical operation of the machine, UPS should have been purchased simultaneously.

The Company, however, did not plan purchase of UPS along with the machine. The UPS was installed on 31 December 2005 after ten months of commissioning of the machine. As a result the machine was operated on a DG set during March to December 2005, which consumed diesel valued at Rs.14.14 lakh, against Rs.2.74 lakh that would have been incurred on the consumption of electricity if the Company had operated the machine through UPS during the above period. Due to delay of ten months in the purchase of UPS, the Company incurred avoidable extra expenditure of Rs. 11.40 lakh on the operation of the tetra pack machine on a DG set.

The matter was reported to the Management/Government (April 2006); their replies are awaited (August 2006).

Himachal Pradesh Tourism Development Corporation Limited

4.4 Avoidable expenditure

Delayed payment of subscription and contribution towards Employees' Provident Fund resulted in payment of penalty and interest of Rs. 41.52 lakh.

Section 38 of the Employees Provident Fund and Miscellaneous Provisions (EPFMP) Act, 1952, requires the employers to deposit employees' subscription and employer's contribution towards Employees Provident Fund (EPF) with the Regional Provident Fund Commissioner (RPFC) within 15 days from the close of the month to which the contribution relates. In case the employer fails to do so, he would be liable to pay interest and damages for belated payment under Section 7-Q and 14-B of the EPFMP Act, 1952.

It was noticed in audit that the Company did not deposit the employees' subscription (January and February 2002) of Rs.20.86 lakh and employer's contribution (January 2002 to February 2004) of Rs. 3.42 crore towards EPF with the RPFC within the specified time. As a result, the RPFC levied (1 September 2004 and 8 September 2004) interest of Rs. 19.60 lakh and penalty of Rs. 53.38 lakh on the Company for delayed payments. To enforce recovery, the RPFC attached (September 2004) the bank accounts of the Company. As there was no Presiding Officer in the Employees Provident Fund Appellate Tribunal (EPFAT), New Delhi, the Company approached (October 2004) the High Court of Delhi for stay against the recovery. The High Court released (October 2004) the bank accounts of the Company subject to the condition that the Company should deposit Rs. two lakh within a

period of one month and pay Rs. 1.50 lakh per month thereafter subject to further orders of the Court. The High Court further directed (November 2004) the Company to present its case before the EPFAT, New Delhi. The EPFAT upheld (September 2005) levy of interest and remanded the case back to RPFC for reconsideration of damages under Section 14-B. The matter was pending (April 2006) with the RPFC. The Company has already deposited interest of Rs. 19.60 lakh and penalty of Rs. 21.92 lakh with the RPFC up to March 2006 as it has not approached the High Court for further orders for stoppage of monthly payments in view of the EPFAT orders. Delay in depositing EPF subscription and contribution, thus, resulted in avoidable payment of penalty and interest of Rs. 41.52 lakh.

The Government while admitting the facts stated (May 2006) that due to financial constraints it could not remit the amount of EPF for aforesaid period. The reply is not acceptable as the Company had sufficient funds (cash and bank balance of Rs. 5.91 crore as on 31 March 2004 increased to Rs. 10.18 crore as on 31 March 2005) to remit the amount of EPF. Moreover, financial constraints can not be a valid ground for defaulting in payment of statutory dues.

Statutory corporations

Himachal Pradesh State Electricity Board

4.5 Deficient purchase system

Failure to incorporate suitable clause in the purchase orders for proportionate reduction for under weight poles resulted in avoidable extra expenditure of Rs. 1.22 crore.

The Himachal Pradesh State Electricity Board (Board) purchases large quantity of steel tubular poles of different sizes every year. As per the Technical Specifications, which are part of purchase orders, ISI marked 8, 9, 10 and 11 metre long poles should have approximate standard weight of 111, 154, 221 and 241 kg respectively and the mean weight of poles for bulk supplies shall be within 92.5 *per cent* of the calculated value and the weight of any single pole shall not fall below the calculated weight by more than 10 *per cent*.

It was noticed in audit (February 2006) that the suppliers generally supplied poles which were below the standard weight but within the specified tolerance limit of 10 *per cent*. Since steel was the basic material for the poles, any reduction in the weight would represent reduction in the quantity of steel used in the poles. The Board, however, did not insert any clause for proportionate reduction in the price of poles with reference to the actual weight of poles.

During the last three years ended on 31 March 2005, the Board placed 12 purchase orders for supply of 54,351 poles of various sizes. Out of these, 44,892 poles were found below the standard weight but were within the specified tolerance of 10 *per cent*. Further, for bulk supplies 14,645 poles supplied by Associated Strips, Faridabad were found below 92.5 *per cent* of calculated value. On the basis of average weight recorded during inspections, the firms supplied poles with less weight of 357.022 MT valued at Rs. 1.22 crore. As the purchase orders issued by the Board did not contain any clause for proportionate reduction in rates for supply of poles having less weight, the Board paid Rs. 1.22 crore for the steel not received by it.

The Government while confirming (August 2006) the fact stated that the Board has now amended the technical specification and the terms and conditions by incorporating a clause relating to proportionate reduction in rates of the poles having less weight.

4.6 Undue favour to a supplier

Cancellation of repeat purchase order for supply of additional quantity of steel tubular poles resulted in undue favour of Rs. 67.11 lakh to the supplier.

The Board placed (September 2003) a purchase order on Associated Strips Limited, Faridabad for supply of 10,164 steel tubular poles at a total cost of Rs. 4.31 crore. In terms of clause 20.1 of the purchase order, the Board had a right to place repeat order for an additional quantity up to 25 *per cent* on the same terms and conditions within six months from the date of issue of purchase order.

It was noticed by Audit (August 2005) that the Board placed (February 2004) a repeat purchase order in term of clause 20.1 *ibid* for an additional quantity of 2,541 steel tubular poles. The supplier expressed (March 2003) its inability to execute the supplies against the repeat order due to increase in the prices of steel. Though the Member (F & A) opined that the supplier was under a contractual obligation to supply 25 *per cent* additional quantity, the Store Purchase Committee decided (June 2004) to withdraw the repeat order. Subsequently, the Board placed (June 2004) another purchase order on the same firm for supply of 7,539 steel tubular poles at higher rates finalised on the basis of tender enquiry opened on 3 March 2004. The Board, thus, incurred extra expenditure of Rs. 67.11 lakh on the purchase of 2,541 steel tubular poles. Cancellation of repeat order, which the supplier was legally bound to execute, amounted to extension of an undue favour to the supplier and loss to the Board to that extent.

The Government stated (July 2006) that in view of abrupt increase in prices of steel and keeping in view the past performance including survival of the firm, the Board decided to withdraw the repeat order. The reply is not acceptable as the purpose of incorporating the quantity variation clause in the supply order

was to safeguard the financial interest of the Board and the supplier was legally bound to comply with the provisions of the purchase order.

4.7 Loss due to defective orders

The decision to allow an industrial unit to revise its contract demand with retrospective effect resulted in short recovery of contract demand charges of Rs. 50.10 lakh.

Malwa Cotton Spinning Mills Limited, Paonta Sahib has a connected load of 9,500 KW with contract demand (CD) of 11,176 KVA (after applying 0.85 power factor).

As per the Schedule of Tariff effective from November 2001, demand charges on large supply consumers were to be levied on actual maximum recorded demand or 80 *per cent* of the CD, whichever was higher. Since actual maximum recorded demand was less than 80 *per cent* of CD, the firm was billed on the basis of 80 *per cent* of CD, which was paid by the firm up to January 2002. From February 2002 onwards, the firm made payment on the basis of actual recorded demand instead of the billed amount. For the balance amount, the firm filed (March 2002) a case in the Court on the ground that the CD was not being mentioned rightly in the bills. The Court directed (April 2002) the plaintiff to present its case before the Board Level Dispute Settlement Committee (BLDSC) after depositing 20 *per cent* of the disputed amount. Meanwhile, the Board allowed (February/March 2003) all industrial units to enter into fresh CD to be made applicable from 1 November 2001 in contravention of the order (August 2002) of the Himachal Pradesh Electricity Regulatory Commission (HPERC) which allowed only those consumers to enter into the CD who had not entered into the same earlier. In this case, the consumer had already entered into the CD and as such should not have been allowed to do so afresh with retrospective effect.

The firm revised (June 2003) the CD to 8,412 KVA with effect from November 2001 as against the earlier CD of 11,176 KVA. The BLDSC decided (June 2003) that the plaintiff had the option to revise its CD with effect from November 2001 as per the instructions issued in February 2003 and ordered that the relief in contract demand charges be given to it with effect from 1 November 2001. Due to defective order, which permitted the non-eligible consumers to revise their contracted demand with retrospective effect, the Board could recover only Rs.139.89 lakh as against the total demand charges of Rs.189.99 lakh from February 2002 to June 2003 resulting in short recovery of Rs. 50.10 lakh.

The Government stated (July 2006) that as per sales circular of October 2002 of the Board and HPERC notification dated 23rd October 2003, "Dispute Settlement Committees and Internal Executive Dispute Resolution Mechanism" are quasi judicial bodies and the award announced by the committee shall be out of the purview of the Audit.

The reply is not acceptable as the decision of the Dispute Settlement Committee was based on the option allowed by the Board's circular of February/March 2003 which was in contravention of the order of the HPERC of August 2002 and was subsequently held void *abinitio* and struck down by the HPERC in October 2003. Moreover, test check of records in audit in respect of large/bulk supply consumers in Barotiwala and Paonta electric sub-divisions did not reveal any case where the Board had allowed benefit of retrospective revision of contract demand to such consumers.

4.8 Loss due to incorrect billing

Billing for power consumption recorded at the premises of consumers instead of consumption recorded at grid sub-station resulted in a loss of Rs. 25.87 lakh.

Gabrial India Limited, Parwanoo and Cosmo Ferrites Limited, Jabli are being supplied power from grid sub-station, Parwanoo through separate dedicated feeders. As per instructions issued by the Board in November 2003, the metering and billing of consumers with connection on dedicated feeders should be done at the grid sub-station from where the power supply emanates.

It was noticed in audit (March 2004) that instead of billing the above consumers for the consumption recorded at the grid sub-station, the Board was billing them for the consumption recorded in the meters installed at their premises, in contravention of their instructions of November 2003. As a result the above consumers were under billed for 11,66,091 units during November 2003 to April 2006 which resulted in a loss of Rs. 25.87 lakh to the Board.

The matter was reported to the Board/Government (February 2006); their replies are awaited (August 2006).

4.9 Loss due to avoidable payment of excess Excise Duty

Failure of the Board to exclude the elements of freight and insurance charges and general sales tax from the basic rates for calculation of excise duty resulted in loss of Rs. 12.50 lakh due to avoidable payment of excess excise duty on exempted components.

The Board purchased ACSR*, AAAC*, AAA* and AA* conductors from Bharat Electrotech Private Limited, Damtal (3,096 Km) and Durable Conductors, Solan (3,155.5 Km) against supply orders placed on them in September 2003 and February 2004. The purchase orders for procurement of total 6,251.5 Km conductor were placed on the basis of tender enquiries

*
ACSR Aluminium Conductor Steel Reinforced
AAAC All Aluminium Alloy Conductor
AAA All Aluminium Alloy
AA All Aluminium

{CE (MM): 5/2003} floated in April 2003. As per the tender enquiry, the bidders were required to quote their rates as under:

- Basic rate of item i.e. *ex-works* rates,
- Freight/forwarding/insurance/packing/unloading/any other charges separately (taxes not payable on the freight, forwarding/insurance charges),
- Rates of Excise Duty (ED) and Central Sales Tax, if applicable on that item, on the basis of documentary proof of having paid the same,
- FOR destination consignees store rates.

It was noticed in audit that the *ex works* rates offered (May 2003) by the firms *inter alia* included general sales tax, freight and insurance charges in the case of Bharat Electrotech and freight and insurance charges in case of Durable Conductors. As per Section 4 (d) of Central Excise Act, 1944, read with Rule 5 of Central Excise Valuation (Determination of price of excisable goods) Rules, 2000, freight, insurance and taxes were required to be excluded from the basic rates to avoid the levy of ED on these. The Board, however, while making the payment of ED, did not exclude these elements resulting in extra payment of Rs. 12.50 lakh on this account.

The Board stated (February 2006) that these elements were not deducted as this would have reduced the *ex-works* rates and consequently less ED would have been paid to the Government. The reply is not acceptable as the Board did not insist for the required documentary proof of actual deposit of ED by these firms to the Government Account before passing their ED claims. It was not clear whether the ED of Rs. 12.50 lakh claimed from the Board was actually deposited with the Government by them or not.

The matter was reported to the Government (April 2006); their reply is awaited (August 2006).

4.10 Inadmissible payment

Failure to discontinue the payment of transmission allowance to the employees after completion of construction activities resulted in inadmissible payment of Rs. 14.80 lakh to them.

As per the instructions issued (March 1992) by the Board, transmission allowance at the rate of 10 *per cent* of pay subject to a maximum of Rs. 100 per month was payable to officers/officials of certain categories of technical staff actually engaged on construction of transmission lines/sub-stations. For regulating the payment, the date of start and completion of work of transmission lines/sub-stations was to be notified by the Chief Engineer (Transmission).

It was noticed in audit that there was no practice in the Board to notify the date of commencement and completion of works. As a result, the payment of transmission allowance was not being linked to the actual period of construction activities and inadmissible payments were being made to the staff

even after the completion of construction works. The Board paid Rs.14.80 lakh as transmission allowance in four* transmission divisions during April 2001 to December 2005, which was not admissible as there was no construction of transmission lines/sub-stations.

The Government admitted (August 2006) that there was no practice in the Board to notify the date of start and completion of construction of various works by the concerned Chief Engineers.

Himachal Road Transport Corporation

4.11 Avoidable extra expenditure and operational loss

Purchase of two air conditioned buses from the highest bidder without cost benefit analysis resulted in avoidable extra expenditure of Rs. 39.48 lakh in addition to operational loss of Rs. 24.52 lakh during ten months of their operation.

The Corporation has hired four air conditioned buses of Volvo India Limited and one air conditioned bus of Tata Motors and plied these on Dharamshala-Delhi, Manali-Delhi, Shimla-Delhi and Dharamshala-Delhi routes respectively on trial basis for three months during the peak season (from 21 April 2004 to 20 July 2004) and earned a profit of Rs. 28.22 lakh. The Managing Director (MD) proposed (July 2004) to ply these buses during slack season for a further period of three months to see the performance during this season. The Board of Directors (BOD), without waiting for the operational results for the extended period and carrying out cost benefit analysis for purchasing the buses *vis-à-vis* hiring of similar buses authorised (July 2004) the MD to purchase two 35 seat air conditioned buses suitable for operation on Delhi-Dharamshala route. Accordingly, tenders were invited (August 2004) for purchase of 35 to 45 seat air conditioned buses. Financial bids of three technically qualified bidders were opened in January 2005 and order for purchase of two buses at Rs. 55.25 lakh per bus was placed (February 2005) on Volvo India. The payment (between February to April 2005) for this purchase was made out of loan of Rs. five crore taken from State Bank of Patiala at seven *per cent* interest *per annum* at monthly rest[@]. A review by Audit revealed the following:

4.11.1 Although Tata Motors Limited was the lowest with quoted rates of Rs.35.51 lakh per bus and Volvo India Limited was the second lowest at Rs.58.49 lakh per bus for 45 seat buses, the Board of Directors (BODs) of the Corporation approved (February 2005) the purchase of two air conditioned buses from Volvo India Limited, the second lowest bidder, without assigning

* *Transmission Division Hamirpur (Rs.6.66 lakh), Jassure (Rs.3.48 lakh), Una (Rs.2.12 lakh) and Solan (Rs.2.54 lakh)*

@ *Interest in the case of monthly rest rate is calculated on the balance of borrowings at the end of each month*

any reason for rejecting the lowest offer of Tata Motors. There was no justification for rejecting the lowest offer as during three months of operation (during April 2004 to 20 July 2004) on Dharamshala-Delhi route, the Tata bus had earned profit of Rs. 2.31 lakh and covered between 2.819 and 4.552 kilometres per litre of diesel whereas the Volvo bus had incurred a loss of Rs.1.98 lakh with coverage between 2.500 and 3.048 kilometres per litre of diesel. The purchase of buses from the highest bidder was, thus, not justified and resulted in extra expenditure of Rs. 39.48 lakh (excluding delivery and insurance charges).

4.11.2 During the operation of buses from May 2005 to February 2006 on different routes, their occupancy was 62 *per cent* in June 2005. During the remaining period, it ranged between 28 and 41 *per cent* only. The Corporation incurred a loss of Rs.24.52 lakh during the ten months of operation from May 2005 to February 2006 after taking into account the interest of Rs.7.13 lakh on the loan and the depreciation of Rs.23.11 lakh.

4.11.3 The Corporation placed (March 2006) another purchase order for two more Volvo buses at the rate of Rs. 63.45 lakh each without inviting fresh offers from different suppliers through open tender. While making recommendation, the Vehicle Purchase Committee did not work out/consider the operational performance of the two Volvo buses purchased earlier.

The matter was reported to the Corporation/Government (June 2006); their replies are awaited (August 2006).

General

4.12 Persistent non-compliance with Accounting Standards in preparation of financial statements

Accounting Standards (AS) are the accepted standards of accounting recommended by the Institute of Chartered Accountants of India and prescribed by the Central Government in consultation with the National Advisory Committee on Accounting Standards under section 210A of the Companies Act, 1956. The purpose of introducing AS is to facilitate the adoption of standard accounting practices by companies so that the annual accounts prepared exhibit a true and fair view of the transactions and also to facilitate the comparability of the information contained in published financial statements of companies. Under Section 211 (3A) of the Companies Act, 1956 it is obligatory for every company to prepare the financial statements (profit & loss account and balance sheet) in accordance with the AS. A review of the financial statements and the Statutory Auditors' report thereon of 21 Government companies (including three companies under Section 619 B of the Companies Act, 1956) for the period 2002-2005 revealed that 16 companies had not complied with one to nine Accounting Standards as detailed in **Appendix-XIII**. The financial impact due to non-compliance with these AS is given in the **Appendix-XIV**.

It would be seen from **Appendix-XIII** that:

- Thirteen^{*} companies did not comply with AS 15, which deals with accounting treatment for retirement benefits to employees (provident fund, pension, gratuity, leave encashment, etc.) and provides that the contribution payable by the employer towards retirement benefits be charged to the statement of profit and loss for the year on accrual basis and the accruing liability be calculated according to actuarial valuation.
- Six[#] companies violated AS 2 relating to determination of the value at which inventories are carried in financial statements until the related revenues are realised and provides that inventories should be valued at the lower of cost or net realisable value.
- Five^{\$} companies did not comply with AS 22, which deals with accounting of taxes on income and provides that tax expense for the period, comprising current tax and deferred tax, should be included in the determination of the net profit and loss for the period.
- Three[@] companies did not comply with AS 9, which deals with the recognition of revenue arising in the course of the ordinary activities of the enterprise from sale of goods, rendering of services and use by others of enterprise resources yielding interest, royalties and dividends.

The matter was reported to the Government (March 2006); their reply is awaited (August 2006).

4.13 Follow-up action on Audit Reports

Explanatory Notes outstanding

The Comptroller and Auditor General of India's Audit Reports represent the culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in the various Public Sector Undertakings. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. Finance Department, Government of Himachal Pradesh issued (February 1994) instructions to all Administrative Departments to submit explanatory notes indicating corrective/remedial action taken or proposed to be taken on paragraphs and reviews included in the Audit Reports within three months of their presentation to the Legislature, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

Though the Audit Reports for the years 2001-02, 2002-03, 2003-04 and 2004-05 were presented to the State Legislature in July 2003, February 2004, April 2005 and April 2006 respectively, two departments did not submit

* *Serial No. 1, 2, 3, 4, 5, 6, 7, 8, 10, 11, 13, 14 and 15 of Appendix-XIII*

Serial No. 2, 3, 5, 6, 7 and 9 of Appendix-XIII

\$ *Serial No. 3, 4, 7, 9 and 12 of Appendix-XIII*

@ *Serial No 7, 8 and 11 of Appendix-XIII*

explanatory notes on 28 out of 43 paragraphs/reviews, as on August 2006, as indicated below:

Table: 4.1

Year of Audit Report (Commercial)/ Commercial Chapter	Total paragraphs/reviews in Audit Report/Commercial Chapter	Number of paragraphs/reviews for which explanatory notes were not received
2001-02	16	10
2002-03	12	6
2003-04	15	12
2004-05	*	*
Total	43	28

Department wise analysis is given below:

Table: 4.2

Name of department	2001-02	2002-03	2003-04
Power department	10	6	9
Finance department	-	-	3
Total	10	6	12

The department largely responsible for non-submission of explanatory notes was the Power department. It did not respond to even reviews highlighting important issues like system failures, delay in procurement of material, loss of interest, excess inventory holding, short recovery, under billing, mismanagement, extra/overpayments, undue favour, non-recovery of interest on advance given to contractors, etc.

Compliance to Reports of Committee on Public Undertakings (COPU)

The Action Taken Notes to the recommendations of COPU are required to be furnished within six months from the presentation of the Reports. Replies to 30 paragraphs pertaining to nine Reports of the COPU, presented to the State Legislature between March 2003 and March 2006, had not been received as on August 2006, as indicated below:

Table: 4.3

Year of the COPU Report	Total number of Reports involved	No. of paragraphs where replies not received
1996-97	1	1
1997-98	3	13
1998-99	3	13
1999-2000	1	2
2002-03	1	1
Total	9	30

* Explanatory notes on paragraphs included in the Commercial Chapter 2004-05 are not due

Action taken on persistent irregularities in Audit Reports

With a view to assist and facilitate discussion of the paras of persistent nature by the State COPU, an exercise was carried out to verify the extent of corrective action taken by the concerned auditee organisation and results thereof are indicated in **Appendix-XV**.

A review of persistent irregularities included in **Appendix-XV** would reveal that though the irregularities relating to excess inventory holding (ranging between Rs. 6.30 crore and Rs. 13.35 crore), non-recovery of advance consumption deposits (Rs. 7.07 crore), loss due to wrong application of tariff (Rs. 0.41 crore), short recovery of peak load exemption charges (Rs. 3.92 crore), non-recovery of share of augmentation cost (Rs. 0.59 crore) etc. pertain to Himachal Pradesh State Electricity Board were included in the Audit Reports (Commercial)/Commercial Chapter of Audit Report (Civil) of the Comptroller and Auditor General of India- Government of Himachal Pradesh for the years 1994-95, 1995-96, 1997-98, 1998-99, 2000-01, 2002-03 to 2004-05, these irregularities continued to persist, as the Government/Board had not taken corrective action.

The matter was reported to the Government (April 2006); their reply is awaited (August 2006).

4.14 Response to Inspection Reports, draft paras and reviews

Audit observations noticed during audit and not settled on the spot are communicated to the heads of the Public Sector Undertakings (PSUs) and departments of the State Government concerned through inspection reports. The heads of PSUs are required to furnish replies to the inspection reports through respective heads of departments within a period of six weeks. Inspection reports issued up to March 2006 pertaining to 20 PSUs disclosed that 2,765 paragraphs relating to 889 inspection reports remained outstanding at the end of September 2006. Department-wise break-up of inspection reports and audit observations outstanding as on 30 September 2006 is given in **Appendix-XVI**.

Similarly, reviews and draft paragraphs on the working of Public Sector Undertakings are forwarded to the Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. All the reviews have been discussed in the Audit Review Committee on Public Sector Enterprises. It was, however, observed that eight draft paragraphs forwarded to the seven departments between February and June 2006 as detailed in **Appendix-XVII** had not been replied to so far (September 2006).

It is recommended that (a) the Government should ensure that procedure exists for action against the officials who fail to send replies to inspection reports/draft paragraphs/Action Taken Notes on the recommendations of COPU as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayments is taken within prescribed time schedule, and (c) the system of responding to audit observations is revamped.

The matter was reported to the Government (April 2006); their reply is awaited (September 2006).

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