OVERVIEW

1 Overview of Government companies and Statutory corporations

As on 31 March 2006, the State had 21 Public Sector Undertakings (PSUs) comprising 18 Government companies (including four non-working companies) and three Statutory corporations. In addition, there were two companies under the purview of Section 619-B of the Companies Act, 1956 as on 31 March 2006. The total investment in working PSUs increased from Rs. 3,561.30 crore as on 31 March 2005 to Rs. 3,743.45 crore as on 31 March 2006. The total investment in non-working PSUs decreased from Rs. 1,359 crore as on 31 March 2005 to Rs. 705.26 crore as on 31 March 2006.

(Paragraphs1.1, 1.2, 1.16 and 1.34)

According to the latest finalised accounts of 17 working PSUs (14 Government companies and three Statutory corporations), seven Government companies and one Statutory corporation earned aggregate profit of Rs. 19.18 crore and Rs. 20.48 crore respectively. Only one company declared a dividend of Rs. 52.73 lakh during 2005-06. Nine working PSUs (seven Government companies and two Statutory corporations) incurred aggregate loss of Rs. 49.64 crore as per their latest finalised accounts. Of the loss incurring working Government companies, three companies had accumulated losses aggregating Rs. 94.97 crore, which exceeded their aggregate paid-up capital of Rs. 39.67 crore. Two Statutory corporations incurred losses aggregating Rs. 37.93 crore. These two loss incurring Statutory corporations had accumulated loss of Rs. 456.72 crore, which exceeded their paid-up capital of Rs. 281.08 crore.

(Paragraphs 1.7, 1.8, 1.9 and 1.11)

One working Government company had incurred losses for the last five years ended 31 March 2006 leading to negative net worth. In view of continuous losses, the Government may take steps to either improve the performance of this company or consider its closure.

(Paragraph 1.32)

PERFORMANCE REVIEWS

2 GOVERNMENT COMPANY

2.1 Operational Performance of Agro Industrial Packaging India Limited

The Company was incorporated in February 1987 with the objective of manufacturing corrugated cartons. The review on Operational performance of the Company revealed the following points:

- The Company has been dependent upon the State Government for fixation of target for manufacture of cartons, their sale rate and subsidy to be given for sale of each carton. The Company has not been able to achieve the capacity utilisation envisaged in the detailed project report, since inception. The actual capacity utilisation since inception ranged only between 1.85 and 34.37 *per cent*. Low capacity utilisation resulted in payment of idle salary and wages of Rs. 4.49 crore during 2001-06.

- The share of the Company in the sale of 20 kg cartons in the State declined from 48.51 *per cent* in 2001-02 to 7.94 *per cent* in 2005-06. Thus, the Company failed to provide packing material to the apple growers of the State at reasonable rates and in time.

(Paragraph 2)

3 STATUTORY CORPORATIONS

3.1 Implementation of Transmission and Distribution Schemes in Himachal Pradesh State Electricity Board

Performance review on Implementation of Transmission and Distribution Schemes in the Board revealed that:

- There was delay in completion of the schemes, which resulted in cost overrun of Rs.65.80 crore and also deprived the Board of potential revenue of Rs.158.77 crore due to non-achievement of envisaged savings in T&D losses and additional sale of power.

- Taking up of schemes without obtaining clearance from the concerned authorities resulted in unfruitful expenditure of Rs.12.32 crore besides interest loss of Rs.8.38 crore on this expenditure. Further, the intended benefits of reducing the T&D losses to the extent of 21.5 million units valued at Rs.3.76 crore could not be achieved.

- Failure to execute ongoing system improvement schemes being financed by Rural Electrification Corporation under the Accelerated Power Development Reforms Programme (APDRP) resulted in non-availing of grant of Rs.2.75 crore available under APDRP.

- Failure to contain Transmission and Distribution losses within the level prescribed by the Himachal Pradesh Electricity Regulatory Commission resulted in the disallowance of 289 million units valued at Rs.72.25 crore at the time of fixation of tariff for the years 2004-06.

- There was no system of performance appraisal of the schemes for assessing the achievement of the objectives set and also utilising the feed back for the preparation of schemes in future.

(Paragraph 3.1)

3.2 Manpower Management in Himachal Pradesh State Electricity Board

Performance review on Manpower Management in the Board revealed that:

- The Board has been following the manpower norms of 1991, which were not revised in spite of change in working conditions and infrastructure. The recommendations of the Committees set up in 1996 and 2001 to review the norms were not accepted for which no reasons were on record.

- The Board could not justify regularisation of daily wagers to the Himachal Pradesh Electricity Regulatory Commission (HPERC). Hence, the HPERC disallowed Rs.37.24 crore on account of their salary resulting in non-recovery of this cost through tariff.

- There was no independent monitoring unit at the corporate level to ensure proper deployment and optimum utilisation of available manpower. This resulted in improper deployment of manpower and non-utilisation of regularised daily wagers leading to payment of idle wages (Rs.100.49 crore), incurring of extra expenditure (Rs.1.42 crore) on getting the work assigned to the staff done from outside parties and delay in receipt of revenue (Rs.48.77 crore).

- The Board deployed unskilled persons on duties specified for skilled persons, resulting in payment of avoidable payment of compensation of Rs.2.87 crore.

(Paragraph 3.2)

3.3 IT Audit Review on Billing Applications in Himachal Pradesh State Electricity Board

IT Audit review on Billing Applications in the Board revealed the following:

- There was undue delay in implementation of computerisation. Primary target of computerisation of industrial billing remain unfulfilled as billing in respect of 74.45 *per cent* of the HT revenue was not done through computers.

- The Board purchased electronic meters worth Rs.15.98 crore, which had no provision of ports for downloading the data to the SBMs, which could have facilitated computerised billing.

- The system has not being utilised to monitor recoveries resulting in loss of interest of Rs.2.04 crore on amounts remaining outstanding each month from LT and HT consumers.

- Deficiency in process control resulted in wrong billing of demand charges. The system failed to compute demand charges in HT billing to the tune of Rs.15.20 lakh and subsidy of Rs.11.84 lakh to be recovered from the Government. Failure of internal control in IT environment led to non-plugging of these loopholes.

- Master data was found to be incomplete. It was never compared with original records after feeding. It was unreliable and not useful for MIS.

(Paragraph 3.3)

3.4 Internal Control System in Himachal Pradesh Financial Corporation

Performance review on Internal Control System in the Corporation revealed the following:

- The Corporation prepared the annual Business Plan and Resources Forecasts (BPRF) after one to three months of the commencement of the respective year without any data base or market study.

- Functional and Internal Audit Manuals have not been prepared by the Corporation.

- Appraisal of loan applications was deficient as there was inadequate managerial appraisal. Financial soundness of the promoters and acceptance of data furnished by the applicants was not backed by independent verification.

- The system of monitoring and follow up was weak due to non-conducting of periodical pre and post disbursement inspections, non-obtaining of audited accounts and non-appointment of Directors on the Board of the financed units.

- The Corporation neither followed the guidelines of the Small Industries Development Bank of India nor its own guidelines for settlement of cases under the One Time Settlement scheme. This resulted in settlement of many cases for amounts less than the outstanding principal amounts of loans.

(Paragraph 3.4)

4 Transaction audit observations

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

- avoidable extra expenditure of Rs.2.26 crore in six cases,

(Paragraphs 4.3 to 4.5 and 4.9 to 4.11)

- loss of revenue of Rs. one crore in three cases,

(Paragraphs 4.2, 4.7 and 4.8)

- undue favour of Rs.67.11 lakh in one case,

(Paragraph 4.6)

- double recovery of freight of Rs.21.61 lakh in one case,

(Paragraph 4.1)

Gist of some of the important observations is given below.

- **Himachal Pradesh State Civil Supplies Corporation Limited** recovered double freight of Rs.21.61 lakh from both the Food Corporation of India and the State Government.

(Paragraph 4.1)

- **Himachal Pradesh Tourism Development Corporation Limited** delayed payment of subscription and contribution towards Employees' Provident Fund, which resulted in payment of penalty and interest of Rs. 41.52 lakh.

(Paragraph 4.4)

- Failure of **Himachal Pradesh State Electricity Board** to incorporate a suitable clause in the purchase orders for proportionate reduction for under weight poles resulted in avoidable extra expenditure of Rs. 1.22 crore.

(Paragraph 4.5)

- Cancellation of a repeat purchase order by **Himachal Pradesh State Electricity Board** for supply of additional quantity of steel tubular poles resulted in extension of undue favour of Rs. 67.11 lakh to the supplier.

(Paragraph 4.6)

- The decision of the **Himachal Pradesh State Electricity Board** 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.

(Paragraph 4.7)

- Purchase of two air conditioned buses by the **Himachal Road Transport Corporation** 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.

(Paragraph 4.11)